



Department of Commerce
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REQUEST FOR PROPOSALS
FOR
QUALIFIED FACILITY BONDS

RECOVERY ZONE FACILITY BONDS
AMERICAN RECOVERY AND REINVESTMENT ACT

Application Deadline:
October 15, 2010

Information;

Bond Cap Allocation Program

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Phone: 360-725-3051

RECOVERY ZONE FACILITY BONDS RE-ALLOCATION PROCEDURES

SECTION 1: INTRODUCTION:

The State of Washington Department of Commerce is requesting proposals for projects that qualify for Recovery Zone Facility Bonds (RZFB). The Department of Commerce (Commerce) is looking for projects that can use the remaining amount of its allocation of tax-exemption authority authorized through the American Recovery and Reinvestment Act (ARRA). Commerce has approximately \$25 million to \$50 million of bond volume cap authority available for re-allocation to bond issuers that have eligible recovery zone projects. The requisite bonds must be issued no later than January 1, 2011.

SECTION 2: BACKGROUND:

The American Recovery and Reinvestment Act (ARRA) was enacted on February 17, 2009. It provides a new tax-exempt qualified private activity bond known as Recovery Zone Facility Bonds (RZFBs). On September 8, 2009, Governor Gregoire issued an executive order giving Commerce the authority to administer the RZFB volume cap.

RZFBs are bonds the interest on which can be excluded from the bond investor's gross income for Federal income tax purposes. RZFBs are designed to promote job creation and economic recovery in areas particularly affected by declines in employment. They enable private entities to finance depreciable property that involves the construction of new facilities or the modernization of existing facilities in areas designated as Recovery Zones. A Recovery Zone is defined as an area of increased unemployment, home foreclosures, or general economic distress. RZFBs provide private entities tax incentives and loans with lower interest rates than normally is available to them.

An allocation of bond volume cap authority may be issued to any bond issuer authorized to operate in the state of Washington. For instance, the Washington Economic Development Finance Authority (WEDFA) is an independent, state agency that is statutorily authorized (RCW 43.163) to issue tax-exempt bonds for most kinds of qualified projects. Other bond issuers are listed in Section 9 of this Request for Proposals.

Proceeds from the bond are loaned to a for-profit company as the true borrower and real party interest. The owner or developer of the qualifying project is required to repay the loan. RZFBs are not considered a general obligation of the State of Washington, city or county. They are payable solely from the credit and properties of the business owner or developer.

Washington's total allocation for RZFB is \$135 million. As of September 1, 2010, approximately \$25 million is available for re-allocation. An additional \$25 million may become available for re-allocation before the end of the year. The amount available for re-allocation depends on the success of governmental agencies who were previously allocated bond cap authority to put together their projects and issue their bonds before the end of the year.

SECTION 3: RE-ALLOCATION PROCESS:

Commerce will use a competitive process to award its un-obligated bond volume cap that was authorized for RZFBs in Washington State. Allocations will be authorized to bond issuers for eligible projects on a first-come, first-serve basis until all of the bond volume cap authority is allocated. Interested jurisdictions must submit to Commerce an "Application for Reallocated Capacity" (Attachment A).

Private entities will need to work with their bond counsels to determine the eligibility of their projects for RZFBs. They will need to determine if the proposed project is located in a recovery zone or if the location could be declared a recovery zone. Some jurisdictions may issue the RZFB for the project or they may have a conduit issuer (WEDFA, EDC, IDC) issue the RZFBs on their behalf.

Private entities can work directly with the Washington Economic Development Finance Authority (WEDFA). WEDFA is an independent agency within the executive branch of state government. It was created by the legislature to act as a financial conduit to businesses through the issuance of nonrecourse revenue bonds. It has the authority to issue tax-exempt bonds for most kinds of qualified projects.

If the jurisdictions and/or the WEDFA have an eligible project(s), then they will be issued a "Notice of Allocation" for the amount of their project(s). Notices of allocation will be issued for a single project. If the jurisdiction or WEDFA or other qualified bond issuer has multiple projects for a specific recovery zone, then notices of allocation will be issued for each project.

The application along with the supporting documentation must be submitted to Commerce no later than October 15, 2010. The requisite bonds must be issued prior to January 1, 2011.

SECTION 4: QUALIFIED RZFB PROJECTS

RZFBs may be used for qualified business purposes in areas designated as "Recovery Zones". RZFBs may be used to finance the purchase of depreciable business property (as defined in the IRS tax codes).

Qualified businesses that may use RZFBs include any trade or business except the rental of residential property or operation of several business types that include golf courses, hot tub facilities, suntan facilities, racetracks, gambling facilities, massage

parlors, or facilities whose primary business is the sale of alcohol for consumption on the premises. RZFBs also may not be used for the purchase of land.

It is important to confirm with bond or tax counsel that the specific business purposes planned for the bond proceeds meet all the criteria in federal law prior to applying for RZFB authority.

SECTION 5: RECOVERY ZONES

Any area designated by the State, county or a qualified bond issuer, that receives a volume cap allocation for Recovery Zone bonds, may designate a recovery zone in any reasonable manner as it shall determine in good faith and at its discretion.

Recovery Zones are defined as:

1. Any area having significant poverty, unemployment, rate of home foreclosures, or general distress.
2. Any area designated by the issuer as economically distressed by reason of the closure or realignment of a military installation pursuant to the Defense Base Closure and Realignment Act of 1990.
3. Any area for which a designation as an Empowerment Zone or Renewal Community is in effect.

The designation of a recovery zone must take place within thirty (30) days of the Notice of Allocation and prior to the issuance of the bonds.

SECTION 6: SUPPORTING DOCUMENTATION

The following documents are required in order to receive a re-allocation of waived RZFB authority:

- Completed RZFB project information form.
- Completed and signed *Bond Counsel Statement of Intent* form.
- Completed and signed *Underwriter Statement of Intent* form or equivalent.
- Certified copy of an inducement resolution from the issuer's governing body.
- Evidence of the Recovery Zone designation.
- Evidence of community support for the project (e.g. letters of support from the local jurisdiction, grant or loan funding available to the project from other sources, etc.).
- Allocation fee of 0.000277 times the amount of the allocation being requested or \$500, whichever is greater.

SECTION 7: SUBMITTAL REQUIREMENTS AND SCHEDULE

On or before October 15, 2010, all interested jurisdictions must submit to Commerce a signed "ARRA Bond Project Information Form – Application for Reallocated Capacity". In addition to the application, jurisdictions must also submit a statement from their bond counsel and a statement from their bond issuer. All of these forms are also included in Attachment A.

Within two weeks after Commerce receives an application from a qualified bond issuer for a eligible project, it will issue a "Notice of Allocation". This notice will inform the jurisdiction or WEDFA that they were selected for the re-allocation of RZFB bond cap authority. The notice will include the amount of bond volume cap authority allocated to the bond issuer.

The bonds must be issued no later than January 1, 2011.

SECTION 8: MAILING INSTRUCTIONS:

Signed copies of the "Application for Reallocated Capacity" must be mailed to:

Bond Cap Allocation Program
P.O. Box 42525 – 1011 Plum Street S.E.
Olympia, Washington 98504-2525

SECTION 9: CONDUIT ISSUERS

(a) Washington Economic Development Finance Authority (WEDFA):

Website: www.wedfa.wa.gov

Phone: 206-587-5634

Email: wedfa@wshfc.org

Contact: Rodney Wendt, Executive Director

(b) Local Conduit Issuers: The following are some local conduit issuers:

- EDC of Pierce County: www.pcedc.com
- IDC Port of Bellingham: www.portofbellingham.com
- IDC Port of Grays Harbor: www.portgrays.org
- IDC of Spokane County: contact Debbi Yates, 601 W. riverside Drive, Suite 840, Spokane, Washington, phone: 509-343-4471
- Yakima County Public Corporation: www.ydca.com
- Local Housing Authorities: www.awha.org

- (c) Other sources of information for potential issuers
- Washington Economic Development Commission (EDC):
<http://wedc.wa.gov/index.html>
 - Washington State Treasurer: www.tre.wa.gov

SECTION 10: MORE INFORMATION

For more information about RZFBs and other bond financing opportunities, visit the Department of Commerce's Bond Cap Allocation Program website at --

www.commerce.wa.gov/bondcap,

Questions regarding bond cap programs are preferred in the format of an email. Please send questions or request for information to Bill Mandeville, Bond Cap Allocation Program Manager (phone 360-725-3051). His email address is --

bill.mandeville@commerce.wa.gov.

REQUEST FOR PROPOSALS FOR
RECOVERY ZONE FACILITY BOND PROJECTS

ATTACHMENT A

APPLICATION FOR REALLOCATED CAPACITY

DOCUMENTS INCLUDE

Proposal for Re-allocated Capacity
Bond Counsel Statement
Statement from Underwriter