



July 2, 2009

TO: Mayors and County Presiding Commissioners with Recovery Bond Allocations

OFFICIAL NOTICE

Re: Federal Stimulus Bill –Recovery Zone Bond Allocations

Dear Municipal Officials:

Governor Nixon recently signed into law the omnibus economic development bill, House Bill 191 (HB191). In addition to enhancing state programs facilitating job creation and increasing the transparency and accountability of tax credit programs, the bill included language that complemented programs found in the federal American Recovery and Reinvestment Act of 2009 (ARRA).

ARRA created new bond program opportunities for cities and counties. This Notice provides important information for your community relating to two of those: Recovery Zone Economic Development Bonds and Recovery Zone Facility Bonds (“Recovery Zone Bonds”). A brief description of the two types of Recovery Zone Bonds is included in this Notice as Attachment 1.

Each of these bond programs is capped by an overall allocation amount. That allocation amount is provided by ARRA to certain counties and cities (known as “Allocation Designees”) in the State (see Attachment 2). All Allocation Designees should keep in mind that there is a limited window of opportunity to make use of the programs before they expire. Allocation Designees should consult with their legal and financial advisors for the details of these bonds and should not rely solely on this Notice or the attachments.

Since Recovery Zone Economic Development Bonds and Recovery Zone Facility Bonds could provide a valuable incentive for both public projects and private developments in your community, and since the allocations and the time to use them are both limited, HB191 created a mechanism to assure the most advantageous use of the bonds statewide. HB191 recognizes the federal allocation amounts but also creates a “reallocation process” for use of the bonding authority that any Allocation Designee does not plan to use. The purpose of the reallocation process is to assure that the state as a whole takes maximum advantage of this federally tax-advantaged bonding opportunity.

Any Allocation Designee may use its original allocation, but the law allows cities and counties to participate in allowing economic activity in other areas of the state if surplus allocation amounts exist. It is a way for local government to participate in the economic recovery of the State as a whole, without regard to boundary or jurisdiction. HB191 names the Department of Economic Development as the agency to manage the bond allocation and reallocation process. This Notice outlines how the Department will administer the RZB Allocation and how the RZB Allocation must be administered by each Allocation Designee.

Pursuant to Sections 108.1000 to 108.1020 RSMo (HB 191), the Department of Economic Development hereby notifies you that your jurisdiction is an Allocation Designee and has received an allocation of Recovery Zone Economic Development Bonds and Recovery Zone Facility Bonds pursuant to Notice 2009-50 issued by the Internal Revenue Service on June 12, 2009, in the amounts specified in Attachment 2 to this Notice (collectively, the RZB Allocation). A copy of IRS Notice 2009-50 is attached to this Notice (see Attachment 3).

Pursuant to HB 191 you are notified as follows:

1. Each Allocation Designee may, at any time, waive any RZB Allocation by providing written notice, included in this Notice as Attachment 4, to the Department at the address set forth above. Timely waivers will benefit those communities that have a need for additional RZB Allocation.

2. Each RZB Allocation will be deemed waived on September 1, 2009 (the sixtieth day following this Notice) unless the Allocation Designee provides the Department with written notice of intent to issue Recovery Zone Bonds stating the amount and type to be issued. The notice of intent form is included in this Notice as Attachment 5.

3. Each Allocation Designee must notify the Department in writing of the issuance of Recovery Zone Bonds, even where an Allocation Designee makes a further allocation of its RZB allocation to another public entity that will actually issue the Recovery Zone Bonds pursuant to paragraphs 6 or 7 below.

4. Any RZB Allocation that is not used by July 1, 2010 is automatically recaptured by the Department for reallocation.

5. Every public entity (including but not limited to an Allocation Designee) may apply to the Department for an RZB Allocation from any amounts that may be reallocated by the Department pursuant to HB 191.

6. An Allocation Designee may authorize a public entity *created by the Allocation Designee* (e.g. a county Industrial Development Authority or a county public building corporation) to issue Recovery Zone Bonds. Similarly, an Allocation Designee may use another public entity authorized by state law to issue bonds (such as the Missouri Development Finance Board) pursuant to an arrangement where the proceeds of the bonds will be loaned to the Allocation Designee and used for the purpose of financing the specific project. As noted in paragraph 3 above, even if the Allocation Designee does not issue the Recovery Zone Bonds directly, it remains responsible for notifying the Department of the issuance of Recovery Zone Bonds.

7. An Allocation Designee may allocate all or a portion of its RZB Allocation to an unrelated political subdivision located *within its jurisdiction*. Such a reallocation will permit that political subdivision to issue Recovery Zone Bonds (e.g. a city located in the county of the applicable Allocation Designee). As noted in paragraph 3 above, even if the Allocation Designee does not issue the Recovery Zone Bonds directly, it remains responsible for notifying the Department of the issuance of Recovery Zone Bonds. We recommend that you discuss the requirements for such a reallocation with your financial advisor or bond counsel.

YOUR RZB ALLOCATION WILL AUTOMATICALLY REVERT TO THE DEPARTMENT FOR REALLOCATION IF (1) YOU DO NOT PROVIDE NOTICE TO THE DEPARTMENT OF YOUR INTENT TO ISSUE RECOVERY ZONE BONDS AS PROVIDED ABOVE BY SEPTEMBER 1, 2009, OR (2) YOU DO NOT USE THE RZB ALLOCATION (ISSUE RECOVERY ZONE BONDS) BY JULY 1, 2010.

Additional information concerning Recovery Zone Bonds can be found at www.ded.mo.gov.

If you have any questions concerning this Notice please contact Sallie Hemenway at 573-522-4173.

**Linda Martinez
Director**

Attachments

- 1. Overview of Recovery Zone Bonds**
- 2. Missouri Allocations**
- 3. IRS Notice 2009-50**
- 4. Form Notice of Waiver**
- 5. Form Notice of Intent to Issue**