



## **Prince George's County, Maryland Recovery Zone Bond Program**

### **Introduction:**

Under the provisions of the American Recovery and Reinvestment Act of 2009 (ARRA), the federal government has created two new categories of bonds that support local economic development. Recovery Zone Economic Development Bonds (RZEDBs) and Recovery Zone Facility Bonds (RZFBs). Both bonds were designed to maximize the potential for employment and economic impact within established recovery zones and must be issued by January 1, 2011.

### **Recovery Zone Economic Development Bonds (RZEDBs)**

RZEDBs are very similar to taxable municipal bonds which are to be used to fund the development of capital projects paid or incurred in recovery zones. Federal legislation is not very restrictive in how these bonds may be used with a few distinct caveats. RZEDBs are taxable bonds that are to be used to finance public infrastructure projects for which the federal government will reimburse 45% of the interest paid. RZEDBs are not to be used to finance privately owned or used projects. Allowable uses for RZEDBs include:

- Capital expenditures paid or incurred in recovery zones for public infrastructure and/or construction of public facilities
- Capital expenditures for facilities or expenses incurred in the development of employment or job training programs

These bonds are considered general obligation bonds of the county and will be issued under the full faith and credit of the Prince George's County Government (the "County") and as such will be included in the outstanding debt balance of the County. Ideal projects for this program will significantly promote economic development and activity within the County, are "shovel ready" and eligible to commence construction in a relatively short period of time, and supports the creation and retention of permanent full time jobs within the County.

The federal allocation for this program is \$27,691,000, and will be administered by the Prince George's County Office of Management and Budget and Office of Finance.

### **Recovery Zone Facility Bonds (RZFBs)**

RZFBs are tax-exempt private activity bonds and are to be used for projects within recovery zones. RZFBs can be used by nearly any business with the exception of a few specifically excluded businesses (e.g. residential rental facilities, golf courses, gambling

establishments, country clubs, massage parlors, racetracks or other facilities used to sell alcohol, Etc.) Ideal projects under this program will be “shovel ready” and able to demonstrate the availability of private capital to purchase or back the bonds. Preferred projects will also significantly promote economic activity and support the creation and retention of permanent full time jobs within the County.

Two very important distinctions about the RZFB program are:

- The RZFB program is not a loan or grant program
- There is no federal subsidy or County financial support or obligation for these bonds
- Prince George’s County is merely granting certain qualified and eligible businesses the authority to borrow money on a tax-exempt basis. (This will typically result in lower financing costs to the borrower of between 1 and 2 percent.)

Allowable uses for the program include:

- The construction, renovation or reconstruction of depreciable property used in the active conduct of a qualified business
- The retention of current businesses
- The financing of commercial real estate and equipment

The federal allocation for this program is \$41,537,000 and will be administered by the Prince George’s County Office of Finance and the Prince George’s County Economic Development Corporation.

### **RZFB Project Selection Process**

- The Recovery Zone Facility Bond Committee will advertise in a Request for Expression of Interest in the RZFB program
- The RZFB Committee will host an information session for anyone interested in understanding and intending to respond to the request for expressions of interest so that interested parties will understand what these bonds are, how they may be used, application deadlines, etc.
- Interested parties may be asked to submit a preliminary determination application for RZFB allocation which will set forth the basic facts upon which the applicant asserts that their project is eligible. The applicant must also be able to clearly demonstrate their credit worthiness and their ability to obtain financing prior to receiving an allocation award.
- The RZFB Committee will choose between 1 and 8 projects that can demonstrate an ability to significantly impact economic growth and job creation within the County. (Preference given to projects with capital requirements of \$5 million or more.)