

Recovery Zone Bonds Handout for Lenders

The Secretary of the Treasury recently issued allocations for two new types of economic stimulus Recovery Zone Bonds pursuant to the American Recovery and Reinvestment Act of 2009:

- **Facility Bonds** are Tax-Exempt Private Activity Revenue Bonds (\$313,291,000 allocation)
- **Economic Development Bonds** are Taxable Governmental Bonds with a 45% Tax Credit (\$208,860,000 allocation)

Unlike the volume cap for traditional tax-exempt bonds that is awarded annually to the State, this one-time stimulus allocation was made directly to the local jurisdictions by the Treasury Department based upon each local jurisdiction's unemployment rate.

These Recovery Zone Bonds have new flexibilities; however, they are a one-time opportunity **limited to designated Recovery Zones**, carry certain other use restrictions, and **must be issued by the allocation expiration date of December 31, 2010.**

Facility Bonds are Tax Exempt Private Activity Bonds with broader use and more flexibility than traditional Tax Exempt Bonds. Bonds must be used for "qualified economic development purposes" with 95% of the proceeds used for the recovery zone property and they allow acquisition of existing property. Uses include; warehouses office complexes, hotels and most commercial projects. Excluded uses are residential rental property, businesses involved in gambling, gaming, or alcohol and country clubs, golf courses, massage/suntan parlors.

The definition of manufacturing facilities has been expanded by the Act to include facilities for the production of intangible property. Additionally, facilities that are functionally related and subordinate to the manufacturing facility and located at the same site are considered part of the manufacturing operation.

Recovery Zones are designated by the local jurisdictions and have one or more of the following:

1. Significant poverty, unemployment, rate of home foreclosures, or general distress
2. 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 designated empowerment zone or renewal community in effect as of February 17, 2009

Treasury Notice 2009-50 provides basic guidance for the Recovery Zone Bonds. The Department of Business and Economic Development (DBED) will track the use of the Recovery Zone Bonds with procedures that closely mirror the existing procedures used for tax-exempt private activity bonds.

The Maryland Industrial Development Finance Authority ("MIDFA") is the State's principal issuer of Private Activity Bonds for general economic development projects and would be able to provide timely issuance of the Recovery Zone Facility Bonds. Additionally, MIDFA can provide credit insurance of up to \$7.5 Million to support Bond Issuances for projects with reasonable credit risk and significant economic development. This guaranty can increase capital access for the borrower by reducing the credit risk to the lender.

Should you have questions or need assistance, please contact Greg Cole at 410-767-6376 or e-mail at gcole@choosemaryland.org.

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Area	Recovery Zone	
	Residual	Economic Development Recovery Zone Facility Bond
Maryland	208,880,000	313,291,000
Baltimore city, MD	20,568,000	30,834,000
Allegany County, MD	1,700,000	2,548,000
Anne Arundel County, MD	21,488,000	32,198,000
Baltimore County, MD	32,574,000	48,881,000
Calvert County, MD	2,983,000	4,475,000
Caroline County, MD	1,357,000	2,035,000
Carroll County, MD	7,214,000	10,821,000
Cecil County, MD	5,598,000	8,388,000
Charles County, MD	4,753,000	7,129,000
Dorchester County, MD	1,348,000	2,021,000
Frederick County, MD	5,738,000	8,604,000
Garrett County, MD	1,433,000	2,149,000
Harford County, MD	10,084,000	15,088,000
Howard County, MD	12,270,000	18,408,000
Kent County, MD	953,000	1,429,000
Montgomery County, MD	23,703,000	35,558,000
Prince George's County, MD	27,991,000	41,537,000
Queen Anne's County, MD	1,984,000	2,991,000
St. Mary's County, MD	4,082,000	6,123,000
Somerset County, MD	1,428,000	2,140,000
Talbot County, MD	1,488,000	2,199,000
Washington County, MD	9,308,000	13,958,000
Wicomico County, MD	6,789,000	10,138,000
Worcester County, MD	2,431,000	3,647,000