



**CITY OF MARTINEZ**

**CITY COUNCIL AGENDA  
December 15, 2010**

**TO:** Mayor and City Council  
**FROM:** Michael Chandler, Senior Management Analyst  
**SUBJECT:** ARRA Bond Financing Extension Letter of Support  
**DATE:** December 8, 2010

**RECOMMENDATION:**

Motion authorizing the Mayor to sign a letter to Congress on behalf of the City in support of extending the bond financing provisions of the American Recovery and Reinvestment Act.

**BACKGROUND:**

The Council of Development Finance Agencies (CDFA) is advocating for the extension of important bond finance provisions of the American Recovery and Reinvestment Act (ARRA), which are set to expire on December 31, 2010. Billions of dollars of resources are currently threatened by the end of year expiration date. Congress has just one month remaining to extend these critical provisions.

Senator Baucus (D, Montana) introduced legislation in September, S.3793, which contains extensions of many ARRA bond provisions, among them the extension of Build America Bonds and Recovery Zone Bonds; the elimination of the alternative minimum tax on tax-exempt bonds; extending the Federal Home Loan Bank authority to issue letters of credit on tax-exempt non-housing bonds; and continuing the relief offered to bank-qualification 501(c)(3) bonds. All of these provisions increase access to capital and aid in job creation, a critical need during the current economic downturn. Allowing these provisions to expire at the end of 2010 will hamper job creation and increase borrowing costs for businesses and local governments.

The City received ARRA funding related to the Build America and Recovery Zone bonds for both the Arterial Pavement Management project completed last year, and the Marina Vista Streetscape project that is currently under construction. The City received \$850,000 and \$756,299 respectively, for a total of \$1,606,299 for the two projects.

An additional provision in ARRA that was not included in S.3793 is an expanded definition of manufacturing for Industrial Development Bonds (IDBs). The expanded definition allows high-tech and biotech firms to have access to IDB financing, which has only been available for traditional manufacturing companies in the past. Extending this provision will give additional financing opportunities to a high-growth, high-wage sector of the economy. This provision also eliminates restrictions concerning what portions of a new or expanding facility can be financed

with IDBs. Industrial development bonds are the number one source of financing for small-to medium-sized manufacturers in the United States. This financing tool has been available for over 30 years and has allowed manufacturers to invest in capital improvements and to retain and create new jobs. CDFA is requesting that this additional extension be added to S.3793 prior to the extenders being passed.

Central to extension of ARRA bond provisions is Congressional offices receiving input from their constituents. CDFA is asking supporters to write their Congressional delegation, urging extension of these vital bond provisions using the attached sample letters. If the motion is approved, the Mayor will sign letters to Senators Boxer and Feinstein, and Congressman Miller.

**FISCAL IMPACT:**

The City has benefitted from a variety of ARRA programs over the past 18 months, including \$850,000 of funding for the Arterial Pavement Management project, which was used to resurface portions of Alhambra Avenue, Berrellesa Street, Marina Vista and Pacheco Boulevard and \$756,299 of funding for the Marina Vista Streetscape project. Extending and expanding bond financing provisions of the ARRA is expected to have a positive economic impact on Martinez, and on the Bay Area as a whole.

**ACTION:**

Motion authorizing the Mayor to sign a letter to Congress on behalf of the City in support of extending the bond financing provisions of the American Recovery and Reinvestment Act.

Attachment:

ARRA Bond Financing Extension Letter of Support

A handwritten signature in black ink, appearing to read "Phil Vucic". The signature is written in a cursive, flowing style.

**APPROVED BY:** City Manager

## SAMPLE LETTER

December 15, 2010

The Honorable \_\_\_\_\_  
U.S. Senate/U.S. House of Representatives  
Address \_\_\_\_\_  
Washington, DC 20510

Dear Senator/Congressman:

I am writing to ask Congress to extend the critical ARRA bond provisions set to expire at the end of 2010, as set forth in S. 3793. ARRA has provided many new tools and expanded resources to help aid local economic development professionals in their efforts to finance projects, development and spur job creation.

S. 3793 extends many ARRA provisions, among them Build America Bonds and Recovery Zone Bonds, elimination of the alternative minimum tax on tax-exempt bonds, extends the Federal Home Loan Bank authority to issue letters of credit on tax-exempt non-housing bonds, and continues the relief offered to bank-qualification 501(c)(3) bonds. All of these provisions increase access to capital and aid in job creation, a critical need during the current economic downturn. Allowing these provisions to expire at the end of 2010 will hamper job creation and increase borrowing costs for businesses and local governments.

The City has benefitted from a variety of ARRA programs over the past 18 months, including \$850,000 of funding for the Arterial Pavement Management project, which was used to resurface portions of Alhambra Avenue, Berrellesa Street, Marina Vista and Pacheco Boulevard, and \$756,299 of funding for the Marina Vista Streetscape project. Extending and expanding bond financing provisions of the ARRA is expected to have a positive economic impact on Martinez, and on the Bay Area as a whole.

An additional provision in ARRA that was not included in S.3793 is an expanded definition of manufacturing for Industrial Development Bonds (IDBs). The expanded definition allows high-tech and biotech firms to have access to IDB financing, which has only been available for traditional manufacturing companies in the past. Extending this provision will give additional financing opportunities to a high-growth, high-wage sector of the economy. This provision also eliminates restrictions concerning what portions of a new or expanding facility can be financed with IDBs. Industrial development bonds are the number one source of financing for small- to medium-sized manufacturers in the United States. This financing tool has been available for over thirty years and this expanded authority has allowed manufacturers to invest in capital improvements and to retain and create new jobs. We ask that this additional extension be added to S.3793 prior to passage.

The sooner these provisions are passed the more effective they will be heading in to 2011. Extension of these bond provisions will help to fund the construction of government capital improvement projects and provide access to capital to private sector businesses looking to expand. These provisions directly impact job creation, employment growth and capital investment nationwide and are paramount to the health of the nation's economy.

As a supporter of the Council of Development Finance Agencies ([www.cdfa.net](http://www.cdfa.net)) conducting important economic development work in your state, our organization is respectfully requesting your support of these economic development provisions. Please feel to contact CDFA with any questions related to the development finance industry and the importance of these ARRA bond provisions to local economic development. Again, we urge you to quickly pass these extensions to support economic opportunity throughout the country.

Sincerely,

Rob Schroder  
Mayor

cc: Council of Development Finance Agencies (CDFA)