



## **Snohomish County Recovery Zone Facility Bonds Request for Proposal**

### **I. Introduction**

Snohomish County is seeking proposals from qualified respondents for its \$19,816,000 allocation of Recovery Zone Facility Bonds (“RZFBs”) received under the American Recovery and Reinvestment Act (the “ARRA”), signed into law February 17, 2009. RZFBs are new category of tax-exempt private activity bonds that have lower interest rates because the interest is tax-exempt to the investors for federal tax purposes. RZFBs are authorized under the ARRA to stimulate economic recovery in “Recovery Zones.” A Recovery Zone is any area that has been designated by a state, county or large city (greater than 100,000 population) as having significant unemployment, home foreclosure, and general economic distress. Snohomish County has designated the entire County as a recovery zone. RZFBs are intended to finance certain private sector qualifying projects, which may include the new construction, expansion, or substantial rehabilitation of commercial and manufacturing facilities within the designated recovery zones. Snohomish County will assume no financial risk through the issuance of RZFBs, as the RZFBs are not considered a general obligation of the county and shall be payable solely from the credit and properties of the developer, including the revenues of the project selected.

### **II. Recovery Zone Facility Bond Program Overview**

In February 2009, as part of the ARRA, Congress authorized a new municipal financing tool, RZFBs, to stimulate economic recovery in areas designated as recovery zones.

RZFBs permit certain private activity projects that would have otherwise been financed on a taxable basis to be financed on a tax-exempt basis. This benefit provides businesses with a method of financing capital expenditures at interest rates that range from 65% to 80% of conventional taxable bank interest rates.

RZFBs may be issued to finance costs of construction, reconstruction, renovation or purchases of certain types of depreciable property that is used within a designated recovery zone to the extent those costs are made after the date on which the recovery zone was designated. Snohomish County designated the entire County as a recovery zone on March 24, 2010. Such RZFBs are subject to the County’s volume cap limitations. The total RZFB volume cap allocation for the state of Washington is \$135 million. A portion of that total has been suballocated by the U.S. Treasury Department to counties and large cities based on their relative 2008 employment decline. The resulting RZFB volume cap allocation to Snohomish County is \$19,816,000.

This RZFB program is part of Snohomish County’s *ReCAP* initiative to stimulate private-sector capital investments that promote job creation and economic expansion throughout the county

with emphasis on key industry sectors: aerospace, advanced manufacturing, clean technology including renewable energy, agribusiness, and life sciences.

It is the intent of this RFP to select proposals for use of the County's allocation of its RZFB volume cap to finance qualifying projects that meet specific County economic development criteria Section VIII.

### **III. Issuance of RZFBs**

RZFBs will be issued as industrial revenue bonds through the Washington Economic Development Finance Authority (WEDFA), which the county is designating as a conduit issuer for the RZFBs. Neither WEDFA nor Snohomish County or other governmental entity provides any credit support for the RZFBs, so each borrower must rely on its own creditworthiness or other third-party credit support obtained by the borrower, such as a bank letter of credit. Approved RZFB Projects must be financed by October 1, 2010.

If the RZFBs will be publicly offered and sold, a bank letter of credit or other acceptable form or credit enhancement will be required. Alternatively, a borrower may arrange for a private placement of the RZFBs with a "sophisticated investor" or banking firm.

The borrower will be required to comply with all applicable IRS regulations related to RZFBs.

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### **IV. Qualified as Tax Exempt RZFBs**

Federal guidelines state that:

- 95 percent or more of the "net proceeds" of each RZFB issue must be used for Recovery Zone Property.
- Bonds must be issued by December 31, 2010.

### **V. Qualified as Recovery Zone Property**

Recovery Zone Property is defined as any type of *depreciable business property* that is:

- A. Constructed, reconstructed, renovated, or acquired by purchase by the borrower **after the date** on which the designation of the recovery zone took effect;
- B. The original use of which in the recovery zone commences with the borrower; and

- C. Substantially all of the use of which is in the recovery zone and is in the active conduct of a “**Qualified Business**” by the borrower in the recovery zone.

## **VI. Qualified Businesses**

To be eligible, substantially all of the use of recovery zone property must involve the active conduct of a “qualified business” by the borrower in the recovery zone. A “qualified business” is any trade or business (including, without limitation, industrial and manufacturing facilities, commercial retail and mixed-use developments, hotels and parking structures), excluding:

- Residential rental property;
- Private or commercial golf course, country club, massage parlor, hot tub facility, suntan facility, racetrack or other facility used for gambling, or any store the principal business of which is the sale of alcoholic beverages for consumption off premises.

Project must be completed within three years of RZFB issuance.

## **VII. Evaluation Criteria**

Snohomish County is committed to developing a long-term sustainable economy. The RZFBs will be used to stimulate private-sector capital investments that promote job creation and economic expansion throughout the County. Preference will be given to projects that:

- Expand and generate new business opportunities and increase the number of permanent full-time, family-wage jobs in our target industries of aerospace and avionics, advanced manufacturing, life sciences, and clean technology agribusiness, tourism and hospitality.
- Demonstrate a high degree of readiness to proceed.
- Expand digital technology capacity to rural areas of Snohomish County, for example, broadband to rural areas.
- Expand the capacity to grow a knowledgeable and skills-based Snohomish County workforce.
- Support the County’s drive toward a low-carbon economy.
- Advance the County’s trip-reduction objectives.
- Can demonstrate the availability of private capital to purchase or provide credit support for the RZFBs.

## **VIII. Qualifying Criteria**

Proposals shall be evaluated based on the following criteria:

1. Qualifying projects and developers must demonstrate adequate financial capacity to repay the principal and interest on the RZFBs without any assistance or credit enhancement from the County. Examples of demonstrated financial capacity would include:

- Demonstrated financial strength of the borrower or the project indicating adequate assurance that the RZFBs will be assigned a rating of “A” or better from Moody’s Investors Service, Standard & Poor’s or Fitch Ratings.
  - A commitment from a commercial bank rated “A” or better to provide a letter of credit securing the RZFBs or other acceptable credit enhancement.
  - Identification of committed institutional RZFB purchasers resulting in private placement of unrated RZFBs.
  - The borrower must be current with all federal, state, County, and local government real and personal property taxes, service fees and government utility fees and assessments.
2. The respondent’s previous project experience.
  3. The scope and quality of the proposed project in terms of design, construction, conformity to the proposed covenants, easements and design guidelines, conformity to the County’s Comprehensive Master Plan and other adopted plans and policies and the project’s impact on the surrounding community.
  4. The degree to which the project is ready to proceed based on such criteria as, but not limited to:
    - Demonstrated control of the project site, such as ownership or long-term leasehold.
    - Plans and drawings including concept level plans.
    - Receipt of land-use and zoning entitlements and approvals (attach copies if available at the time of proposal submission).
    - Receipt of signed demolition, remediation, or general contracts demonstrating the ability for construction to proceed (attach copies if available at the time of proposal submission).
    - Receipt of building permits required to commence and complete construction (attach copies if available at the time of proposal submission).
    - Have the support of the municipality in which the project is located.

## **IX. Proposal Content**

Proposals should be submitted by completing and delivering a copy of the Application attached as Exhibit A.

Acceptance of the application by Snohomish County and any future actions notifying the applicant to proceed do not represent a commitment to reserve an allocation or issue bonds on behalf of the project. Such a commitment will be subject to future County Executive and County Council approval.

Any costs incurred by the application in pursuing RZFB financing will be borne by the applicant and are at applicant’s risk in the event the County does not approve a RZFB project allocation for any reason.

Applicant acknowledges that the information submitted in this Application and all subsequent submissions are subject to the Washington State Public Records Act and unless exempt from disclosure must be made available to members of the public upon request.

## **X. Standards and Controls**

All appropriate provisions of the County's land-use regulations, zoning code and building/fire codes shall apply to any project proposed pursuant to this RFP.

Building design must adhere to all applicable federal, state, County and local ordinances, and the Americans with Disabilities Act.

The selected respondent shall be responsible for obtaining, at his/her cost, all permits, zoning appeals, subdivisions, governmental approvals and engineering and environment studies, etc as required to submit a proposal and for the financing and development of the project.

Other than this opportunity to obtain tax-exempt RZFB financing, no public subsidy or public financing is anticipated.

## **XI. RZFB Application Processing**

### **1. Project Eligibility Screening Application**

A Project Eligibility Screening Application must be submitted to the Snohomish County Economic Development Division per the directions in Section XII Proposal Submission Requirements in this proposal. All project information must be included on the project eligibility screening application form. No supplemental information is requested at this time. Once the projects are screened for initial eligibility the RZFB Advisory Committee may request more detailed information, for example: project renderings, site plans, applicant qualifications, letters of support and other material.

### **2. "Notice of Eligibility"**

Projects deemed eligible will receive a "Notice of Eligibility". This notice requires the applicant to submit application for bond issuance to the Washington Economic Development Finance Authority (WEDFA) within 14 days. *Please note that a 'Notice of Eligibility' from the County will NOT reserve any of the County's RZFB allocation for the project nor will it guarantee any such reservation will occur.*

#### Project Timeline

Upon receipt of "Notice of Eligibility," the applicant will be required to submit a "RZFB Project Timeline" identifying the major project milestones necessary to result in bond issuance by October 1, 2010. The Project Timeline must include milestones concerning, for example:

- a. Perfection of all entitlements including any discretionary planning approvals, SEPA/NEPA as needed, etc. Interim milestones for final approvals should be included.

- b. The exercising of any options to purchase or lease or the closing of any purchase and sale contracts.
- c. Completion of the construction drawings sufficient to obtain financing and construction bids.
- d. Receipt of a term sheet for credit enhancement and the satisfaction of any pre-conditions such as pre-leasing or co-tenancy.
- e. Receipt of a term sheet or other commitment for all funding sources, including the requisite equity.
- f. Interim and final approvals by any governmental agency awarding financial assistance for the project, if any.
- g. Any other milestones unique to your specific project that are prerequisites to final financing approval.

### **3. Reservation of RZFB Project Allocation**

Once WEDFA has determined the project has demonstrated it has completed its entitlements, has finalized its other financing and has arranged for the necessary credit enhancement for the RZFB bonds, a recommendation will be made to the County Executive and County Council to “reserve” an allocation of RZFB bonds for the project for a period of time depending on circumstances surrounding the individual project. It is the goal of the County to have bonds issued for reserved RZFB Projects financed by October 1, 2010.

### **4. Post Bond Issuance: RZFB Monthly Project Status Reports**

The applicant will be required to provide a “RZFB Project Status Report” to the County on a quarterly basis, demonstrating progress toward meeting project development and financing milestones.

## **XII. Proposal Submission Requirements**

Proposals are due April 30, 2010.

Seven (7) copies of each submittal are requested.

Proposals must be delivered via:

- Email: Donna Ambrose at [donna.ambrose@snoco.org](mailto:donna.ambrose@snoco.org);
- In person: Snohomish County Economic Development Division, 6<sup>th</sup> floor of the Robert J. Drewel Building, 3000 Rockefeller Avenue, Everett, WA 98201;
- Mail: Attention, Snohomish County Economic Development Division, 3000 Rockefeller Avenue, MS 411, Everett, Washington 98201-4046;

Questions should be directed via [snocobiz@snoco.org](mailto:snocobiz@snoco.org) or by phone: 425.388.3828.

All proposals received will become the property of Snohomish County and will not be returned.