



Budget and Financial Planning Department

March 20, 2010

Dear Potential Recovery Zone Facility Bond Applicant:

Thank you for expressing interest in the Johnson County Recovery Zone Facility Bond Program.

The State of Kansas received an American Recovery and Reinvestment Act Recovery Zone Facility Bond allocation of \$135 million dollars. Of this \$135 million dollars, the State allocated Johnson County Kansas Government a total Recovery Zone Facility Bond volume cap of \$23,625,000. The primary qualifier for Johnson County receiving this allocation and its ability to designate itself as a "Recovery Zone" is the rate of unemployment growth in the region.

The Recovery Zone Facility Bonds are a new type of tax-exempt qualified private activity bond for projects in economically distressed areas. The Recovery Zone Facility Bonds provide tax incentives for local government borrowing at lower borrowing costs to promote job creation and economic recovery. In addition to being tax-exempt, there are no Davis-Bacon requirements associated with the bonds and the bonds can be combined with other financing option in order to complete a project. However, the bonds must be issued by June 30, 2010 and therefore projects must already have had an independent cost-benefit analysis performed in order to apply for the Recovery Zone Facility Bond allocation.

Essentially, these bonds are Industrial Revenue Bonds with a tax-exempt status. Because the bonds are tax-exempt, it is possible that arbitrage would apply depending on the spend-down timeline and interest earnings of the bonds. Generally speaking, that would require the project to be substantially completed within eighteen to twenty-four months. Additionally, the proceeds of the bonds may be held in escrow by a trustee and disbursed as needed through a project fund.

The Recovery Zone Facility Bonds can be used by a qualified business to finance depreciable business property that was constructed, reconstructed, renovated, or acquired by purchase after the date on which the designation of the recovery zone took effect. Johnson County intends to designate the entire County as a Recovery Zone by April 15, 2010. While the proceeds of the bonds can be used for construction, reconstruction, renovation, or acquisition of property, they cannot be used to finance residential rental property.

Johnson County Kansas Government has formed a Recovery Zone Facility Bond Project Advisory and Selection Committee made of leaders from area chambers of commerce, economic development councils, and city officials to evaluate and select the final projects that will receive the Recovery Zone Facility Bonds allocation. The Committee has developed an application for consideration to receive the allocation bonds. This application is available through your local Chamber of Commerce or Economic Development Corporation, or through the Johnson County Budget and Financial Planning Department.

Applications will be evaluated on criteria such as number of jobs created, economic impact on the community and the County, timeframe for completion of the project, whether an independent cost-benefit analysis has already been performed, whether the project has already been reviewed by a political subdivision and is ready to proceed forward, whether the project is environmentally sustainable, and if the project is a visible high-profile project in the community where it will take place.

Applications for consideration to receive the Recovery Zone Facility Bonds are due to Ken Watt in the Johnson County Budget and Financial Planning Department by April 15, 2010. Mr. Watt can be reached at 913-715-0561 or by email at Kenneth.Watt@jocogov.org.

Thank you for your consideration of this opportunity for your business, your community and the County.

Sincerely,

Ken Watt
Grants Manager
Johnson County, Kansas