

**National Housing & Rehabilitation Association
2010 Annual Meeting**

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**Ritz Carlton South Beach
Miami, Florida**

**The American Recovery and Reinvestment Act
("ARRA")
Bond Trifecta**

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- The American Recovery and Reinvestment Act of 2009, enacted February 17, 2009, created several **temporary opportunities** for multifamily housing **bond financing**.
 1. U.S. Treasury **New Issue Bond Program** for Multifamily Housing Bonds.
 2. **Converting AMT Tax-Exempt** Multifamily Housing Bonds **to Non-AMT**.
 3. Financing Publicly Owned Housing through **Build America Bonds**.
- Under current law, all three of these programs **expire** if bonds not issued on or before **December 31, 2010**.
- **Ten months left – act now!**

USE MY



PROGRAMS!!!

EICHNER & NORRIS PLLC

February 15, 2010

U.S. Treasury New Issue Bond Program for Tax Exempt Multi-family Housing Bonds

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Genesis of New Issue Bond Program (“NIBP”)

- Prior to the financial crisis of 2008-2009, Fannie Mae and Freddie Mac were major buyers of tax exempt single-family and multi-family housing bonds
- Dropped out when mortgage market decline began and profits disappeared, similar to their departure from buy side on low income housing tax credits
- State HFAs and Local HFAs lobbied Congress and Obama Administration through most of 2009 for program to support tax exempt housing bond markets through federally backed purchases of such bonds

Genesis of New Issue Bond Program (“NIBP”)

- Program finally announced late October, 2009. Issuers had only 1 or 2 weeks to apply and prove past track record of such bond issuance
- Authority to purchase came from Economic Recovery Act of 2008 – expired 12/31/09
- As a result, volume was allocated to applying issuers in November, Purchase Contracts were signed in late December and Bonds were issued and purchased by U.S. Treasury on or before January 12, 2010
- Majority of volume allocated was for single family (\$13.9 billion), but **\$4.6 billion of multi-family volume** was allocated to 55 State and Local HFAs in 31 states and the District of Columbia
- **Original** multi-family NIBP allocations are shown on the following two slides

State	HFA	NIBP Allocation MF
Alabama	Alabama Housing Finance Authority	\$46,022,432
California	ABAG Finance Authority for Nonprofit Corporations	161,305,414
	California Housing Finance Agency	580,531,878
	California Statewide Communities Development	229,823,007
	City of San Jose Housing Department	25,556,318
Connecticut	Connecticut Housing Finance Authority	27,613,459
DC	District of Columbia Housing Finance Agency	193,100,959
Florida	Florida Housing Finance Corporation	248,521,134
	Housing Finance Authority of Hillsborough County	22,090,767
	Housing Finance Authority of Miami-Dade County	23,011,216
	Housing Finance Authority of Pinellas County	11,000,000
	Jacksonville Housing Finance Authority	46,160,499
	Orange County Housing Finance Authority	110,990,300
Georgia	Housing Authority of Newnan	5,062,468
	Housing Authority of the City of Union City	10,124,935
	Urban Residential Finance Authority	52,465,573
Illinois	City of Chicago Department of Finance	46,806,730
	Illinois Housing Development Authority	184,089,729
	Lake County Partners for Economic Development	26,785,877
	Southwestern Illinois Development Authority	13,806,730
Iowa	Iowa Finance Authority	50,000,000
Kentucky	Kentucky Housing Corporation	46,022,432
Louisiana	Finance Authority of New Orleans	11,965,832
	Louisiana Housing Finance Agency	10,808,828
Maryland	Anne Arundel County Economic Dev Corporation	4,011,850
	Housing Opportunities Commission of Montgomery County MD	81,367,660
	Maryland Department of Housing and Community Development	92,044,864
Massachusetts	Mass Housing	225,068,102
Michigan	Michigan State Housing Development Authority	92,044,864

State	HFA	NIBP Allocation MF
Minnesota	Minnesota Housing Finance Authority	92,044,864
Missouri	Missouri Housing Development Commission	46,022,432
Nevada	Nevada Housing Division	68,021,155
New Hampshire	New Hampshire Housing Finance Authority	18,408,973
New Jersey	New Jersey Housing & Mortgage Finance Agency	46,022,432
New Mexico	New Mexico Mortgage Finance Authority	4,639,061
New York	City of Yonkers Industrial Development Agency	22,912,419
	Dutchess County Industrial Development Agency	6,794,717
	New York City Housing Development Corporation	513,554,223
	State of NY Mortgage Agency / New York State HFA	358,134,593
Ohio	Ohio Housing Finance Agency	27,613,459
Oregon	State of Oregon, Housing and Community Services Dept	46,022,432
Pennsylvania	Urban Redevelopment Authority of Pittsburgh	9,204,486
Puerto Rico	Puerto Rico Housing Finance Authority	188,691,972
Rhode Island	Rhode Island Housing and Mortgage Finance Corporation	92,044,864
South Dakota	South Dakota Housing Development Authority	23,011,216
Tennessee	Health and Education Facilities Board of the Metropolitan Government of Nashville and Davidson County	14,681,156
	Health, Education & Housing Facility Board of the City of Memphis	3,451,682
Texas	Capital Area Housing Finance Corporation	57,613,459
	San Antonio Housing Trust Finance Corporation	11,045,384
	Texas Department of Housing and Community Affairs	119,067,816
Utah	Utah Housing Corporation	50,624,675
Vermont	Vermont Housing Finance Agency	23,011,216
Washington	Seattle Housing Authority	16,568,076
	Washington State Housing Finance Commission	31,000,000
Wisconsin	Wisconsin Housing and Economic Development Authority	69,033,648
Grand Total		\$4,637,444,269

Available Multi-family NIBP Volume (“MF NIBP”)

- Important to check with Issuers – **currently available allocation** of NIBP for multi-family **may now be less**
- Some of the above volume was under a now expired U.S. Treasury Bond Credit Enhancement (“BCE”) program; some transferred to single-family
- For example, in California, ABAG now has only \$65 million multi-family NIBP of the \$161 million shown and Cal HFA has only \$280 million of the \$580 million original total shown; CSCDA, by comparison, has all of the \$230 million shown
- But, ABAG and CSCDA fully or over subscribed; Cal HFA has unallocated volume – See discussion on slide 15 below

Phase 1 – Taxable Short-Term Interest Rate Pooled Escrow Bonds

- All MF NIBP Bonds were issued as **single pool of taxable bonds**, bearing interest at a 28-day Treasury rate; proceeds were invested in a government Global Investment Agreement bearing interest at same rate

Phase 2 – Tax Exempt Below Market Long-Term Fixed Rate Credit Enhanced Bonds

- Each Issuer must select **3 “release dates”** in **2010** on which:
 - All or a portion of **proceeds** of the issue will be **released to fund specific projects**
 - **Interest** on bonds will be **converted to tax exempt**
 - **Interest** will remain at short-term 4-week U.S. Treasury rate (set on day before release) for 2 months, then **resets to a predetermined (now below market) fixed rate** for remainder of bond issue

Phase 2 – Tax Exempt Below Market Long-Term Fixed Rate Credit Enhanced Bonds

- Fixed rate* equals **10-year Constant Maturity Treasury rate** which all NIBP Multifamily Issuers rate **locked in December plus a spread**, discussed below
- **Most MF NIBP Issuers locked at 10-year Treasury rate of 3.45 to 3.55%**
- **Permanent Fixed Rate equals above plus a spread** based on rating achieved for series allocated to a Project prior to release date. For example, if 10-year CMT Treasury Rate locked was 3.45%,
 - Aaa/AAA: 3.45% + 60 basis points = 4.05%**
 - Aa/AA: 3.45% + 75 basis points = 4.10%**
 - A: 3.45% + 110 basis points = 5.15%**
- **Major Advantage: Permanent Lending Rate is locked through 12/31/2010**; known in advance; will not rise even if market rates rise substantially

* Program permits “Variable Rate New Construction Bonds,” which would bear rate of SIFMA + 50 basis points for 48 months after release, but permanent spread goes to 140, 155 and 190 basis points for Aaa/AAA, Aa/AA and A, respectively. To our knowledge, no borrowers have used this alternative

Phase 2 – Tax Exempt Below Market Long-Term Fixed Rate Credit Enhanced Bonds

- Bonds must be credit enhanced by:
 - **Freddie Mac**
 - **Fannie Mae**
 - **FHA or FHA/GNMA**
 - FHA Risk Share (if Issuer is approved HUD Risk Share Lender)
 - State HFA underwriting guidelines within GSE approved parameters (only very large, experienced HFAs, e.g. NYHFA)

Sample All-In Permanent Borrowing Cost Current Market vs. NIBP

- **FHA/GNMA:**

Market: $5.25 + 0.25 \text{ GNMA/Svcg} + 0.45 \text{ MIP} = 5.95 + 0.15 \text{ Issr/Tee} = \mathbf{6.10\%}$

NIBP: $4.05 + 0.25 \text{ GNMA/Svcg} + 0.45 \text{ MIP} = 4.75 + 0.15 \text{ Issr/Tee} = \mathbf{4.90\%}$

NIBP Savings = 1.20%

- **Freddie/Fannie:**

Market (18-yr): $4.65 + 1.25 \text{ GNMA/Svcg} = 5.90 + 0.15 \text{ Issr/Tee} = \mathbf{6.05\%}$

NIBP (30-yr): $4.05 + 1.25 \text{ GNMA/Svcg} = 5.30 + 0.15 \text{ Issr/Tee} = \mathbf{5.45\%}$

NIBP Savings = 0.60%

**Reason to go NIBP, if you can get it => Low Permanent
Borrowing Rate**

Phase 2 – Tax Exempt Below Market Long-Term Fixed Rate Credit Enhanced Bonds

- **Maximum Maturity**
 - **FHA/GNMA or FHA Risk Share: 42 years**
 - **Fannie Mae/Freddie Mac: New Construction: 34 years**
 - **Non-Construction: 32 years**
 - **For New Construction Bonds: No bond amortization 1st 4 years**
 - **No prepayment lock-out.** NIBP bonds may be redeemed (optionally or otherwise) before maturity at any time at par

What NIBP Does **NOT** Do

- **Get the borrower credit enhancement** on better terms or at lower cost
- **Solve** problems pertaining to **construction period negative arbitrage** for new construction or acquisition/sub rehab deals – have same rating agency/lender-credit enhancer requirements, though magnitude may be 10-20% lower due to lower permanent bond rate

How to get Tax Exempt Multi-Family NIBP Volume

- Contact issuers listed on slides 4 and 5
- Determine how much of volume shown was NIBP
- Will Issuer serve in “pure conduit role” – allow Fannie, Freddie or FHA/GNMA credit enhancement?

How to get Tax Exempt Multi-Family NIBP Volume (cont'd)

- Is issuer fully subscribed?
 - **If fully subscribed**
 - Many issuers (e.g. California – ABAG and CSCDA) signed up developers and collected fees at Phase 1. Some are over subscribed (e.g. CSCDA will require each developer to issue “market rate bonds” (described below) for 18% of loan amount)
 - If fully subscribed, is there a waiting list? Unlikely that all borrowers will achieve release or use full allotment of TE MF NIBP. How to get on?
 - **Not fully subscribed**
 - Determine if sufficient TE MF NIBP volume available for all or part of loan; requirements to sign up (e.g. deposit?); Don't wait.

How to get Tax Exempt Multi-Family NIBP Volume (cont'd)

- What are Issuer's 3 target release dates?
- Coordinate your deal timing to one of the release dates
- Normal **State private activity bond allocation requirements/procedures also apply.** Time that application with targeted release date that works for your project (discussed below)
- Select financial advisor to assist in credit enhancement, rating and quarterback deal and, if market rate bonds required, serve as underwriter for market rate bonds

Steps to Obtain Release

- Work with **Lender/Credit Enhancer(s)** to underwrite loan and target date for credit enhancement commitment/closing
- Work with **Bond Counsel**, who will prepare Series Supplement or Resolution governing terms of the released project-specific NIBP Bonds, deliver Bond Counsel Opinion and other steps
- Work with issuer's **Disclosure Counsel**, who will prepare Supplemental Official Statement and deliver Rule 10b-5 Opinion on Series Bonds
- Work with **Financial Advisor/Underwriter** (if applicable) to obtain rating, provide cash flows (FHA/GNMA and FHA risk share) and line up temporary investments, etc., and prepare Supplemental OS, BPA, CDA for use in connection with any “market rate” Bonds
- Have all critical items (above and more) required reviewed by all parties and in place in time to give **14 calendar days notice of release** to U.S. Treasury before chosen Release Date

“Market Rate” Bonds

- May be used for **up to 40% of issue** (and greater percentage if issued under separate Indenture/Resolution) if insufficient TE MF NIBP proceeds to fund entire mortgage loan
- Subject to above, **may be issued under same Indenture/Resolution**, secured by **same credit enhancement** and part of same rating process on NIBP bonds
- Developer will need to **engage an Underwriter** to structure and sell such Bonds – may be same or separate Official Statements
- Will bear interest at **fixed rate** determined by market at time of sale
- **May be structured to mature before NIBP Bonds** (e.g. earlier term) to obtain lowest possible overall interest rate
- **May also have taxable market rate bonds** if tax considerations so require

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February 15, 2010

Converting AMT Tax Exempt Multi-family Housing Bonds to Non-AMT through the American Recovery and Reinvestment Act of 2009

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Housing Economic Recovery Act of 2008

- The Housing Economic Recovery Act of 2008 (“HERA”), in July, 2008, provided that **tax-exempt multifamily housing bonds** issued after the effective date of the Act **would not be treated as a preference item** for purposes of the **alternative minimum tax** and would also not be included in the current earnings adjustment under the corporate alternative minimum tax (i.e., would be “non-AMT Bonds”)

American Recovery and Reinvestment Act of 2009

- Section 503(a) of The American Recovery and Reinvestment Act of 2009 (“ARRA”), enacted February 17, 2009, provides that any **bonds issued in 2009 and 2010 to refund** (either a current refunding or an advance refunding) tax-exempt private activity **bonds previously issued during the calendar years 2004 through 2008** that are subject to AMT (including refunding bonds issued during those five years to refund previously issued tax-exempt bonds) **will not be subject to the AMT**

AMT versus Non-AMT Yields

- **Vast majority** of tax-exempt multifamily housing bonds (probably 80% to 90% or more) issued during this five-year period are tax-exempt **variable rate seven-day demand bonds**
- In the recent past, **variable rate non-AMT** multifamily paper trades **10-20 basis points lower** in yield than **AMT** variable rate bonds
- Of course, this is in an era where Fannie or Freddie backed AMT paper trades 5-10 basis points over SIFMA, and **SIFMA** has been **trading at extremely low levels of 20-35 basis points**
- When **SIFMA** returns to a more **normal level of 3.5% to 4%**, this **yield differential may rise to 30 or 40 basis points** or more
- Moreover, the yield differential on **long-term fixed rate** tax-exempt bonds is **40 to 50 basis points or more**

Challenge of Developing an Efficient Route to Conversion from AMT to non-AMT

- **Narrow current yield differential = small current annual savings** - only about \$10,000 to \$15,000 for every \$10.0 million of bonds outstanding (e.g. \$30,00 to \$45,000 on a \$30 million deal).
- Most borrowers might be willing to **write a check for two or three years' savings** to permanently lower anticipated borrowing costs by converting the bonds to non-AMT; few borrowers will be willing to write a check for more.
- Suggests any effective program must focus on **larger bond issues** or **multiple issues for same borrowers**, and must **minimize costs**.
- **Very stream-lined approaches** developed to document these refundings have kept the **costs** to a level about **one third to one half** that of a **normal** bond issue.
- **If a Borrower refunds** these bonds **before December 31, 2010**, it can take advantage of this provision and **permanently convert the bonds to non-AMT**; **if not**, the **opportunity** will be **permanently lost** under current law.

Two Alternate Approaches

- **Two approaches** have emerged: “**Real State Law Refunding**” and “**New Interest Rate Mode.**” Goal of Both: **Trigger tax law reissuance with only minor deal changes.**

Real State Law Refunding

- Several Bond Counsel firms have given an unqualified opinion on a structure which creates a new issuance of refunding bonds under state law.
- Under this approach, “**Series 2010 Refunding Bonds**” are sold to purchasers for due consideration, and the proceeds of that new refunding bond issue are used to **redeem the prior Series 2004 through 2008 bonds.**
- Key is – **no substantial changes** of any type permitted in the deal – **all parties agree to go with purely technical changes.**
- Requires a new Indenture and Financing Agreement, but **only changes are changing series designation and tax covenants** – **all parties must agree to forego any other changes.** Both Fannie and Freddie have cooperated in this. **Parties review red-lines.**

Real Estate Law Refunding (Cont'd)

- New Official Statement and Bond Purchase Agreement (also red-lines) prepared.
- A **6-8 page “Omnibus Agreement”** signed by all parties making required conforming changes in real estate documents and assigning them from the prior Bond Trustee to the Series 2010 Refunding Bond Trustee (usually same bank).
- **Issuers must agree to charge lower fees** than they often charge, recognizing that no major substantive changes are being made
- Bond counsel, the underwriter, underwriter’s counsel, the credit enhancers and their counsel, the lenders and the their counsel, the borrower and borrower’s counsel must also agree to much lower than normal fee basis
- Have now closed with Fannie and Freddie – total costs 1-2% of Bonds

New Interest Rate Mode

- One major firm willing to give clean opinion where parties satisfy **four basic requirements** involving the creation and election of a **new interest rate mode**:
 1. The Indenture is modified to **add a new interest rate mode** (e.g., a “flexi mode” where the borrower can elect for rate to remain effective for from 1-270 days)
 2. The **borrower elects to enter** that mode
 3. The **Bonds are purchased** by way of mandatory tender and **sold in the new mode to new buyers**
 4. The borrower **stays in the new mode for at least 30 days**
- Short supplement to Indenture, amendment of credit enhancement instrument, short supplement to Official Statement, File new Form 8038, prepare new arbitrage certificate, new bond counsel opinion, but minimizes documentation required to trigger the lower non-AMT rate

Conclusions/Recommendations

- Rate differential is very low now, but **once-in-a life time opportunity to convert bonds to non-AMT**
- **Borrower may reap major benefits if:**
 - Stays in variable rate mode and **SIFMA moves back up** toward normal 3.5% to 4.5% range.
 - Interest rates generally start moving up (i.e. – whole tax exempt yield curve moves up – short and long-term rates) and **Borrower elects to reset rate to fixed**, where non-AMT/AMT differential is very large (40-50 basis points or more).
- **Can be done at low cost; act now!**

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February 15, 2010

Financing Publicly Owned Multifamily Housing Through Build America Bonds

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WHAT IS A BUILD AMERICA BOND (“BAB”)?

- The American Recovery and Reinvestment Act of 2009 (“ARRA”) adopted February 17, 2009 permits issuers of certain **governmental municipal bonds** to elect to have **interest** treated as **includable in gross income** for federal income tax purposes and to receive (contemporaneously with the payments of interest on the bonds) a **cash subsidy payment from the U.S. Treasury equal to 35% of the interest payable on the bonds**
- These bonds are called “Direct Subsidy Build America Bonds” or “**Direct Subsidy BABs**”

BENEFIT OF BABS: DRAMATICALLY LOWER NET BORROWING COSTS

- The chart below illustrates an example of the low debt financing rates that can be achieved for publicly owned housing through the use of Build America Bonds, as compared to a traditional tax-exempt bond financing:

FHA § 221(d)(4) or § 232/GNMA New Cons/Sub Rehab:	Tax-Exempt Bond Issue	Taxable “Drawdown” BABs Issue
Est. Bond Coupon (less 35% BAB subsidy)	5.20%	6.50%
Net Interest Cost	5.20%	<u>(2.28)%</u> 4.22%
Plus: GNMA Guaranty/ Svg & Mort. Ins. Prem.	<u>0.70%</u>	<u>0.70%</u>
All-In Borrowing Cost	5.90%	4.92%

Savings:

Almost 100 Basis Points!!!

AND

No 6-8% upfront deposit for project fund negative arbitrage!!!

FHA § 223(f)/GNMA Acq/Light Rehab:	Tax-Exempt Bond Issue	Taxable BABs Issue
Est. Bond Coupon (less 35% BAB subsidy)	5.10%	4.75%
Net Interest Cost	5.10%	<u>(1.66)%</u> 3.09%
Plus: GNMA Guaranty/ Svg & Mort. Ins. Prem.	<u>0.70%</u>	<u>0.70%</u>
All-In Borrowing Cost	5.80%	3.79%

Savings:

Almost 200 Basis Points!!!

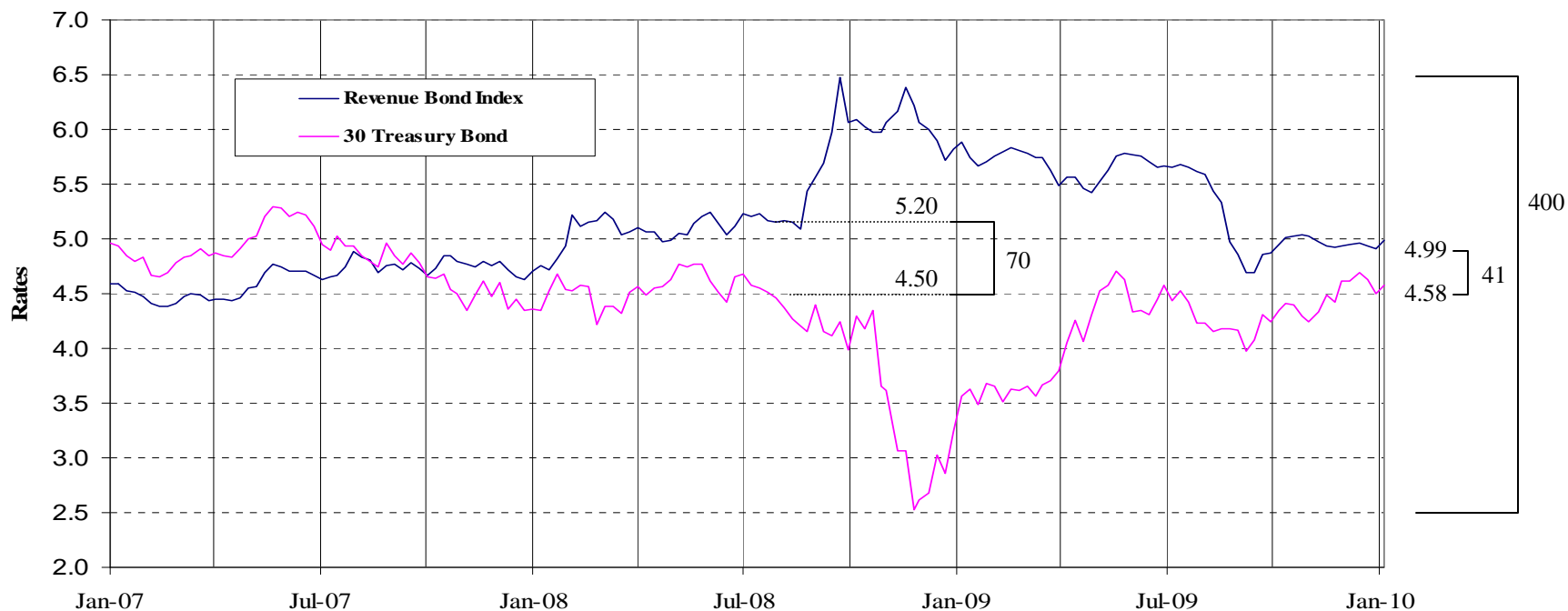
- Similar low rates** achievable in financings credit enhanced by **Freddie Mac, Fannie Mae** or other credit enhancers or by the **general credit of the authority, city or county** if highly rated

BACKGROUND: WHY BUILD AMERICA BONDS?

- Financial Markets Crisis in the Fall of 2008
- At peak in late November, 2008 long-term tax exempt revenue bond yields, which normally are about 90% of long-term U.S. Treasuries, were actually 400 basis points HIGHER than 30-year taxable U.S. Treasury Bond yields
- Result: For municipalities, tax exempt status of muni bond debt worthless – municipal issuers effectively unable to lower borrowing costs through issuance of tax exempt bonds

Revenue Bond Index vs 30 year T-bond 2007-2009

Source: The Bond Buyer



BACKGROUND: WHY BUILD AMERICA BONDS?

- State and local governments asked Congress for relief in stimulus legislation: allow issuance of **taxable muni bonds**, but have federal government offer issuers either (i) **a stream of cash payments equal to 35% of the interest paid on the taxable bonds (“Direct Subsidy BABs”)** or (ii) entitle the purchaser to claim tax credits in an amount equal to 35% of the interest paid on the taxable muni bonds (“Tax Credit BABs”)*
- **35% Subsidy stream is based on market-determined interest coupon.** Does not apply to “credit enhancement” and other ongoing fees which may be treated like “interest” for federal arbitrage/rebate purposes
- **Subsidy stream is paid for full term of bonds**, so long as bonds remain outstanding
- BABs have become a **major component of all municipal finance**. There were **878 issues** from April 15, 2009 through January 28, 2010 totaling **\$71 billion** or **approximately 24%** of the approximately \$301 billion of **municipal bonds** issued during this period

***All BABs issued to date have been Direct Subsidy BABs.** The value of the subsidy of Tax Credit BABs is only about 25% of the interest coupon even for the highest bracket tax payers, and the market for tax credit bonds of all types has been very slow to develop.

BASIC REQUIREMENTS OF BUILD AMERICA BONDS

- **Under present law, the issuer of the bonds and the user of the facilities financed each must be a state or a political subdivision of a state (e.g., a traditional municipal issuer/borrower, including counties, cities, housing authorities, redevelopment agencies). The issuer and the borrower/project owner may be different public bodies**
- **BABs cannot be issued for facilities owned by Section 501(c)(3) borrowers* or by profit-motivated sponsors. However, profit-motivated parties can perform development, contracting, management and other functions and be paid for their services**

*See slide 15 on Administration's proposal to extend BABs to some non-profit borrowers and make the program permanent, albeit at a lower (28%) subsidy rate

BASIC REQUIREMENTS OF BUILD AMERICA BONDS

- The BABs must be **issued on or before December 31, 2010***
- The **proceeds** of Direct Subsidy BABs net of 2% allowed for costs of issuance and funding any reasonably required reserve funds must be **used for new construction or acquisition and rehab of new facilities** or other **capital expenditures**
- **Financing of working capital, refinancings and other such expenditures are not permitted** from proceeds of direct subsidy BABs, **but such expenditures may be financeable from traditional tax-exempt or taxable municipal bonds backed by same credit****

* **See slide 15 on Administration's proposal to extend BABs beyond December 31, 2010 at 28% subsidy level**

Proceeds of **tax credit BABs, if this market develops, **can be used for refinancings** as well as capital expenditures. In addition, the **Administration's proposal** would **expand** the use of BABs proceeds to **refi's and working capital**

BASIC REQUIREMENTS OF BUILD AMERICA BONDS

- BABs must satisfy the **same requirements** (arbitrage, rebate, issue price rules, etc.) as if they had been issued **as traditional tax exempt municipal bonds**
- Many issuers issue **combination of BABs** for capital expenditure component **and traditional tax exempt muni bonds** (with no BAB subsidy) for working capital and/or refi component
- Also, many issuers do **combination** of traditional **tax exempt** issue for bonds maturing in **first 10-15 years**, where tax exempt yield curve is very steep and borrowing costs are low, with **BABs** being used for **longer maturities**, where tax exemption doesn't lower the coupon paid nearly as much

STRUCTURING ISSUES

- Mostly relate to **reliability/duration of 35% U.S. Treasury cash subsidy stream**
- **Low or no appropriation risk**
- **Change of use; Code violation risk.** Considered manageable, as in the tax exempt arena
- **Potential for offset** against amounts owed to U.S. Treasury by municipal issuer, but risk considered very low with states and municipalities; only a few instances so far
- **Subsidy may only last as long as BABs outstanding**
 - Payable on amounts due on the bonds; would terminate upon early redemption

STRUCTURING ISSUES

- **HUD has recently agreed to “wrap” BABs cash subsidy stream** in mortgage loan underwriting.* This should enable public borrowers using FHA insurance to **achieve maximum proceeds**. In many instances, HUD’s replacement cost limits (90% of replacement cost plus 8% Builder and Sponsor Profit and Risk allowance (“BSPRA”) on a section 221(d)(4) new construction or sub rehab loan - or - 85% of value on a section 223(f) acquisition/light rehab loan) will limit the loan size. In other words, in many cases the **loan will not be debt service constrained**, and thus there will be some BABs subsidy not needed to support the FHA insured loan
- This should enable us to structure a small **separate subordinate series** of debt (may be taxable BABs, taxable non-BABs and/or tax exempt, depending on use of proceeds) and **pledge the unused portion** of the **U.S. Treasury cash subsidy stream plus project surplus cash** to prepayment of that debt
- HUD will require another public authority to agree to step in to assume ownership to maintain the BABs subsidy stream if the initial public mortgagor defaults
- **All debt must pass traditional debt/equity tests**

* As of this date Fannie Mae and Freddie Mac have not agreed to wrap the BABs subsidy stream in their loan underwritings, but a county or other creditworthy body might pledge its credit under a lease lease-back arrangement

RECOVERY ZONE ECONOMIC DEVELOPMENT BONDS – SUPERCHARGED BUILD AMERICA BONDS

- Section 1401 of ARRA provides for the issuance of two types of recovery zone bonds: **(i) Recovery Zone Economic Development Bonds (“RZEDBs”)** with a total nationwide volume allocation of **\$10 billion** and recovery zone facility bonds (“RZFBs”), with a total volume of \$15 billion. RZEDBs are essentially a **special type of Build America Bond**. RZFBs are a special type of tax exempt private activity bond to promote development or other economic activity in recovery zones
- Public authority issuer/borrowers who are considering the use of Build America Bonds to finance hospitals, nursing homes or housing projects and other types of facilities within an economic recovery zone, to the extent volume of such bonds as available in that jurisdiction, **can receive back from the U.S. Treasury** a cash payment in the amount of **45%** (rather than 35%) **of the interest paid** on this type of taxable Build America Bond

BENEFIT OF RZEDBS: EVEN MORE DRAMATICALLY LOWER NET BORROWING COSTS

- The chart below illustrates an example of the low debt financing rates that can be achieved for publicly owned housing through the use of RZEDBs, as compared to a traditional tax-exempt bond financing:

FHA § 221(d)(4) or § 232/GNMA New Cons/Sub Rehab:	Tax-Exempt Bond Issue	Taxable “Drawdown” RZEDBs Issue
Est. Bond Coupon (less 45% RZEDB subsidy)	5.20%	6.50%
Net Interest Cost	5.20%	<u>(2.93)%</u> 3.57%
Plus: GNMA Guaranty/ Svg & Mort. Ins. Prem.	<u>0.70%</u>	<u>0.70%</u>
All-In Borrowing Cost	5.90%	4.27%

Savings:

Over 160 Basis Points!!!

AND

No 6-8% upfront deposit for project fund negative arbitrage!!!

FHA § 223(f)/GNMA Acq/Light Rehab:	Tax-Exempt Bond Issue	Taxable BABs Issue
Est. Bond Coupon (less 45% RZEDB subsidy)	5.10%	4.75%
Net Interest Cost	5.10%	<u>(2.14)%</u> 2.61%
Plus: GNMA Guaranty/ Svg & Mort. Ins. Prem.	<u>0.70%</u>	<u>0.70%</u>
All-In Borrowing Cost	5.80%	3.31%

Savings:

Almost 250 Basis Points!!!

REQUIREMENTS OF RZEDB'S

- Issuer must follow guidelines promulgated under **IRS Notice 2009-50** to designate an eligible area as a recovery zone: broadly defined as “**any area designated by the Issuer as having significant poverty, unemployment, rate of home foreclosures or general distress**”
- Proceeds can only be **used for qualified economic development purposes**, which include capital expenditures and certain other expenditures, but also for job training and educational programs but not for refinancing transactions
- **Sub-allocations of volume have been** made to states, cities, counties and other jurisdictions based on unemployment levels. Available at <http://www.irs.gov/pub/irs-tege/rzblockreallocations.pdf>
- Example Allocation:

	Millions (Approx.)
New York City, New York	\$81.0
Atlanta, Georgia	23.0
Charlotte, North Carolina	29.0
City of Chicago, Illinois*	133.2
Cook County, Illinois*	131.2
Entire State of Illinois*	667.0
Indianapolis, Indiana*	67.9
Entire State of Indiana*	313.1
Phoenix, Arizona	21.0
Los Angeles County, California	180.0
Chicago, Illinois	133.0
Richmond, Virginia	6.0

* See detailed allocations in the appendix

REQUIREMENTS OF RZEDB'S

- An issuer/borrower who contemplates use of Build America Bonds **might wish to designate the issue, or a portion of the issue, as a RZEDB**, in the event the activity being financing takes place in a recovery zone and there is still remaining RZEDB Bond volume in that jurisdiction to cover the activity proposed to be financed
- Could produce all-in borrowing costs to the issuer borrower in the range of **4% or below**
- **As of December, 2009, only about 5% of national RZEDB volume had been used; States may reallocate** unused volume in 2010

ADMINISTRATION'S PROPOSAL TO EXTEND BUILD AMERICA BONDS

- The Obama **Administration**, with backing of the U.S. Treasury Department, **has recently proposed that BABs be extended and made permanent.** At the moment, the BABs program also appears to have broad Congressional support, so such an extension may be likely. Under the Administration's proposal:
 - The **cash subsidy** would be **reduced** from 35% of interest paid **to 28%**
 - **Proceeds could be used for refundings and refinancings** of completed capital projects **and governmental operating expenses and working capital**
 - Would include "financing for **Section 501(c)(3) nonprofit entities, such as non profit hospitals and universities.**" Would **seem to include non profit Section 501(c)(3) housing borrowers**, but proof will be in wording when bill submitted
 - Would be **effective January 1, 2011**
 - Not yet introduced; **timing uncertain**

CONCLUSION

- As mentioned above, **the ability to issue BABs and take advantage of this structure currently expires at the end of next year** so it is important to **start the process as early as possible**
- Even with the proposed extension, the **percentage of cash subsidy is likely to drop materially**

Please don't hesitate to call any of our attorneys with any questions you might have on Build America Bonds:

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RZEDB BOND VOLUME
IN
NEW YORK
FLORIDA
ILLINOIS
COLORADO
TEXAS
CALIFORNIA

February 5, 2010

New York

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Area	Recovery Zone		
	Residual	Economic Development Bond	Recovery Zone Facility Bond
New York		370,088,000	555,147,000
Amherst town, NY		2,466,000	3,699,000
Babylon town, NY		8,055,000	12,083,000
Brookhaven town, NY		18,580,000	27,870,000
Buffalo city, NY		4,767,000	7,151,000
Hempstead town, NY		28,014,000	42,022,000
Huntington town, NY		7,636,000	11,454,000
Islip town, NY		12,654,000	18,981,000
New York city, NY		81,136,000	121,707,000
North Hempstead town, NY		8,315,000	12,473,000
Oyster Bay town, NY		11,304,000	16,956,000
Ramapo town, NY		2,860,000	4,440,000
Rochester city, NY		1,833,000	2,749,000
Smithtown town, NY		4,516,000	6,774,000
Syracuse city, NY		1,790,000	2,685,000
Yonkers city, NY		5,301,000	7,951,000
Albany County, NY		10,239,000	15,359,000
Allegany County, NY		1,684,000	2,526,000
Broome County, NY		3,480,000	5,220,000
Cattaraugus County, NY		2,338,000	3,507,000
Cayuga County, NY		551,000	826,000
Chautauque County, NY		1,813,000	2,719,000
Chemung County, NY		2,178,000	3,267,000
Chenango County, NY		582,000	873,000
Clinton County, NY		1,827,000	2,740,000
Columbia County, NY		2,669,000	4,004,000
Cortland County, NY		708,000	1,062,000
Delaware County, NY		1,907,000	2,890,000
Dutchess County, NY		8,164,000	12,246,000
Erie County, NY	Residual	11,401,000	17,102,000
Essex County, NY		1,045,000	1,567,000
Franklin County, NY		637,000	955,000
Fulton County, NY		86,000	128,000
Genesee County, NY		245,000	368,000
Greene County, NY		2,715,000	4,072,000
Hamilton County, NY		534,000	801,000
Herkimer County, NY		1,199,000	1,798,000
Jefferson County, NY		1,736,000	2,603,000
Lewis County, NY		648,000	972,000
Livingston County, NY		637,000	955,000
Madison County, NY		1,028,000	1,541,000
Monroe County, NY	Residual	5,583,000	8,375,000
Montgomery County, NY		973,000	1,460,000
Nassau County, NY	Residual	2,378,000	3,567,000
Niagara County, NY		4,430,000	6,645,000
Oneida County, NY		4,290,000	6,436,000
Onondaga County, NY	Residual	4,907,000	7,360,000
Ontario County, NY		1,122,000	1,683,000
Orange County, NY		10,016,000	15,025,000
Orleans County, NY		383,000	574,000
Oswego County, NY		1,684,000	2,526,000

New York (Cont'd)

Area	Recovery Zone		
	Residual	Economic Development Bond	Recovery Zone Facility Bond
Otsego County, NY		1,427,000	2,141,000
Putnam County, NY		3,151,000	4,727,000
Rensselaer County, NY		5,344,000	8,016,000
Rockland County, NY	Residual	5,715,000	8,572,000
St. Lawrence County, NY		965,000	1,447,000
Saratoga County, NY		7,721,000	11,582,000
Schenectady County, NY		4,861,000	7,292,000
Schoharie County, NY		996,000	1,494,000
Schuyler County, NY		94,000	141,000
Seneca County, NY		80,000	120,000
Stauben County, NY		417,000	625,000
Suffolk County, NY	Residual	5,164,000	7,746,000
Sullivan County, NY		811,000	1,216,000
Tioga County, NY		936,000	1,404,000
Tompkins County, NY		1,547,000	2,321,000
Ulster County, NY		5,889,000	8,833,000
Warren County, NY		2,301,000	3,451,000
Washington County, NY		2,058,000	3,087,000
Wayne County, NY		942,000	1,413,000
Westchester County, NY	Residual	22,334,000	33,501,000
Wyoming County, NY		1,533,000	2,299,000
Yates County, NY		668,000	1,002,000

Florida

Area	Recovery Zone		
	Residual	Economic Development Bond	Recovery Zone Facility Bond
Florida		538,485,000	807,727,000
Cape Coral city, FL		15,379,000	23,089,000
Clearwater city, FL		2,697,000	4,045,000
Coral Springs city, FL		5,913,000	8,869,000
Fort Lauderdale city, FL		8,045,000	12,068,000
Gainesville city, FL		0	0
Hialeah city, FL		4,134,000	6,201,000
Hollywood city, FL		6,185,000	9,232,000
Jacksonville city, FL		16,346,000	24,518,000
Miami city, FL		7,877,000	11,816,000
Miramar city, FL		4,627,000	6,940,000
Orlando city, FL		6,781,000	10,171,000
Palm Bay city, FL		4,580,000	6,884,000
Pembroke Pines city, FL		6,424,000	9,636,000
Pompano Beach city, FL		4,008,000	6,014,000
Port St. Lucie city, FL		9,107,000	13,661,000
St. Petersburg city, FL		6,227,000	9,340,000
Tallahassee city, FL		4,142,000	6,213,000
Tampa city, FL		8,045,000	12,068,000
Alachua County, FL	Residual	0	0
Baker County, FL		471,000	707,000
Bay County, FL		1,922,000	2,883,000
Bradford County, FL		0	0
Brevard County, FL	Residual	19,106,000	28,659,000
Broward County, FL	Residual	40,739,000	61,108,000
Calhoun County, FL		0	0
Charlotte County, FL		8,005,000	12,008,000
Citrus County, FL		0	0
Clay County, FL		3,719,000	5,579,000
Collier County, FL		14,184,000	21,276,000
Columbia County, FL		0	0
DeSoto County, FL		0	0
Dixie County, FL		0	0
Duval County, FL	Residual	1,038,000	1,557,000
Escambia County, FL		6,594,000	9,891,000
Flagler County, FL		1,889,000	2,504,000
Franklin County, FL		519,000	779,000
Gadsden County, FL		924,000	1,386,000
Gilchrist County, FL		0	0
Glades County, FL		0	0
Gulf County, FL		122,000	184,000
Hamilton County, FL		0	0
Hardee County, FL		0	0
Hendry County, FL		0	0
Hernando County, FL		3,032,000	4,548,000
Highlands County, FL		0	0
Hillsborough County, FL	Residual	21,742,000	32,613,000
Holmes County, FL		0	0
Indian River County, FL		9,954,000	14,931,000
Jackson County, FL		0	0
Jefferson County, FL		303,000	455,000

Florida (Cont'd)

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Area	Recovery Zone		Recovery Zone Facility
	Residual	Economic Development Bond	
Lafayette County, FL		0	0
Lake County, FL		6,770,000	10,155,000
Lee County, FL	Residual	37,403,000	56,105,000
Leon County, FL	Residual	2,388,000	3,582,000
Levy County, FL		346,000	519,000
Liberty County, FL		0	0
Madison County, FL		213,000	319,000
Manatee County, FL		16,002,000	24,003,000
Marion County, FL		6,791,000	10,187,000
Martin County, FL		7,752,000	11,628,000
Miami-Dade County, FL	Residual	40,281,000	60,422,000
Monroe County, FL		0	0
Nassau County, FL		1,398,000	2,096,000
Okaloosa County, FL		0	0
Okeechobee County, FL		0	0
Orange County, FL	Residual	23,677,000	35,516,000
Osceola County, FL		6,773,000	10,159,000
Palm Beach County, FL		35,983,000	53,988,000
Pasco County, FL		9,584,000	14,376,000
Pinellas County, FL	Residual	13,609,000	20,413,000
Polk County, FL		11,748,000	17,622,000
Putnam County, FL		0	0
St. Johns County, FL		3,676,000	5,515,000
St. Lucie County, FL	Residual	5,468,000	8,202,000
Santa Rosa County, FL		3,272,000	4,908,000
Sarasota County, FL		18,534,000	27,801,000
Seminole County, FL		12,243,000	18,395,000
Sumter County, FL		0	0
Suwannee County, FL		0	0
Taylor County, FL		173,000	260,000
Union County, FL		0	0
Volusia County, FL		19,168,000	28,751,000
Wakulla County, FL		682,000	1,022,000
Walton County, FL		0	0
Washington County, FL		0	0

Illinois

Area	Recovery Zone		
	Residual	Economic Development Bond	Recovery Zone Facility Bond
Illinois		686,972,000	1,000,457,000
Aurora city, IL		9,164,000	13,745,000
Chicago city, IL		133,180,000	199,770,000
Elgin city, IL		5,680,000	8,520,000
Joliet city, IL		7,104,000	10,657,000
Naperville city, IL		7,977,000	11,965,000
Peoria city, IL		1,466,000	2,199,000
Rockford city, IL		11,076,000	16,614,000
Springfield city, IL		2,735,000	4,103,000
Adams County, IL		6,483,000	9,725,000
Alexander County, IL		309,000	464,000
Bond County, IL		745,000	1,118,000
Boone County, IL		4,046,000	6,069,000
Brown County, IL		119,000	178,000
Bureau County, IL		2,341,000	3,511,000
Calhoun County, IL		221,000	331,000
Carroll County, IL		1,479,000	2,219,000
Cass County, IL		544,000	816,000
Champaign County, IL		2,349,000	3,523,000
Christian County, IL		1,223,000	1,834,000
Clark County, IL		1,938,000	2,906,000
Clay County, IL		1,289,000	1,933,000
Clinton County, IL		1,651,000	2,476,000
Coles County, IL		5,393,000	8,090,000
Cook County, IL	Residual	131,209,000	196,814,000
Crawford County, IL		259,000	389,000
Cumberland County, IL		1,112,000	1,668,000
DeKalb County, IL		5,973,000	8,959,000
De Witt County, IL		679,000	1,018,000
Douglas County, IL		1,844,000	2,766,000
DuPage County, IL	Residual	46,036,000	69,054,000
Edgar County, IL		1,493,000	2,240,000
Edwards County, IL		665,000	998,000
Effingham County, IL		3,050,000	4,575,000
Fayette County, IL		1,684,000	2,525,000
Ford County, IL		163,000	244,000
Franklin County, IL		2,399,000	3,598,000
Fulton County, IL		1,256,000	1,884,000
Gallatin County, IL		138,000	207,000
Greene County, IL		936,000	1,404,000
Grundy County, IL		2,603,000	3,904,000
Hamilton County, IL		889,000	1,333,000
Hancock County, IL		2,236,000	3,358,000
Hardin County, IL		69,000	104,000
Henderson County, IL		673,000	1,010,000
Henry County, IL		1,292,000	1,938,000
Iroquois County, IL		1,869,000	2,803,000
Jackson County, IL		5,374,000	8,061,000
Jasper County, IL		351,000	528,000
Jefferson County, IL		4,441,000	6,662,000
Jersey County, IL		1,002,000	1,503,000

Illinois (Cont'd)

Area	Recovery Zone		
	Residual	Economic Development Bond	Recovery Zone Facility Bond
Jo Daviess County, IL		2,556,000	3,834,000
Johnson County, IL		1,079,000	1,619,000
Kane County, IL	Residual	16,820,000	25,230,000
Kankakee County, IL		6,301,000	9,452,000
Kendall County, IL	Residual	5,333,000	7,999,000
Knox County, IL		1,965,000	2,948,000
Lake County, IL		39,721,000	59,581,000
La Salle County, IL		7,027,000	10,541,000
Lawrence County, IL		1,402,000	2,103,000
Lee County, IL		2,484,000	3,726,000
Livingston County, IL		3,064,000	4,596,000
Logan County, IL		1,281,000	1,921,000
McDeneugh County, IL		900,000	1,350,000
McHenry County, IL		18,338,000	27,507,000
McLean County, IL		3,712,000	5,569,000
Macon County, IL		3,469,000	5,204,000
Macon County, IL		2,069,000	3,134,000
Madison County, IL		11,937,000	17,909,000
Marion County, IL		2,826,000	4,240,000
Marshall County, IL		188,000	282,000
Mason County, IL		886,000	1,329,000
Massac County, IL		806,000	1,209,000
Menard County, IL		298,000	447,000
Mercer County, IL		414,000	621,000
Monroe County, IL		1,593,000	2,389,000
Montgomery County, IL		1,584,000	2,376,000
Morgan County, IL		2,363,000	3,544,000
Moultrie County, IL		1,319,000	1,979,000
Ogle County, IL		2,940,000	4,409,000
Peoria County, IL	Residual	1,021,000	1,532,000
Perry County, IL		1,490,000	2,236,000
Platt County, IL		204,000	306,000
Pike County, IL		1,529,000	2,294,000
Pope County, IL		185,000	277,000
Pulaski County, IL		373,000	559,000
Putnam County, IL		384,000	575,000
Randolph County, IL		2,481,000	3,722,000
Richland County, IL		1,383,000	2,045,000
Rock Island County, IL		3,743,000	5,614,000
St. Clair County, IL		10,560,000	15,840,000
Saline County, IL		1,090,000	1,635,000
Sangamon County, IL	Residual	1,880,000	2,790,000
Schuyler County, IL		524,000	787,000
Scott County, IL		364,000	546,000
Shelby County, IL		1,620,000	2,430,000
Stark County, IL		77,000	116,000
Stephenson County, IL		3,759,000	5,639,000
Tazewell County, IL		1,880,000	2,819,000
Union County, IL		1,071,000	1,606,000
Vermilion County, IL		2,799,000	4,198,000
Wabash County, IL		776,000	1,163,000
Warren County, IL		712,000	1,068,000
Washington County, IL		1,259,000	1,888,000

Illinois (Cont'd)

Area	Recovery Zone		Recovery Zone Facility Bond
	Residual	Economic Development Bond	
Wayne County, IL		1,486,000	2,198,000
White County, IL		472,000	708,000
Whiteside County, IL		5,473,000	8,210,000
Will County, IL	Residual	27,424,000	41,137,000
Williamson County, IL		5,923,000	8,885,000
Winnebago County, IL	Residual	11,631,000	17,447,000
Woodford County, IL		555,000	832,000

Area	Recovery Zone		
	Residual	Economic Development Bond	Recovery Zone Facility Bond
Colorado		99,018,000	148,527,000
Arvada city, CO		1,904,000	2,856,000
Aurora city, CO		5,563,000	8,345,000
Colorado Springs city, CO		13,842,000	20,762,000
Denver County/city, CO		10,377,000	15,565,000
Fort Collins city, CO		0	0
Lakewood city, CO		2,737,000	4,105,000
Pueblo city, CO		395,000	592,000
Thornton city, CO		1,845,000	2,768,000
Westminster city, CO		2,225,000	3,337,000
Adams County, CO	Residual	3,314,000	4,971,000
Alamosa County, CO		889,000	1,333,000
Arapahoe County, CO	Residual	5,209,000	7,812,000
Archuleta County, CO		858,000	1,287,000
Baca County, CO		549,000	824,000
Bent County, CO		413,000	620,000
Boulder County, CO		349,000	523,000
Broomfield County/city, CO		997,000	1,495,000
Chaffee County, CO		160,000	241,000
Cheyenne County, CO		389,000	583,000
Clear Creek County, CO		188,000	282,000
Conejos County, CO		380,000	569,000
Costilla County, CO		0	0
Crowley County, CO		278,000	417,000
Custer County, CO		52,000	79,000
Delta County, CO		592,000	889,000
Dolores County, CO		154,000	231,000
Douglas County, CO		5,162,000	7,743,000
Eagle County, CO		2,524,000	3,798,000
Elbert County, CO		428,000	639,000
El Paso County, CO	Residual	5,391,000	8,095,000
Fremont County, CO		1,262,000	1,893,000
Garfield County, CO		704,000	1,055,000
Gilpin County, CO		114,000	171,000
Grand County, CO		191,000	287,000
Gunnison County, CO		1,379,000	2,069,000
Hinsdale County, CO		0	0
Huerfano County, CO		253,000	380,000
Jackson County, CO		77,000	116,000
Jefferson County, CO	Residual	4,579,000	6,869,000
Kiowa County, CO		160,000	241,000
Kit Carson County, CO		802,000	1,203,000
Lake County, CO		327,000	491,000
La Plata County, CO		0	0
Larimer County, CO	Residual	0	0
Las Animas County, CO		68,000	102,000
Lincoln County, CO		823,000	935,000
Logan County, CO		1,524,000	2,286,000
Mesa County, CO		0	0
Mineral County, CO		201,000	301,000
Moffat County, CO		0	0

Area	Recovery Zone		
	Residual	Economic Development Bond	Recovery Zone Facility Bond
Montezuma County, CO		1,642,000	2,462,000
Montrose County, CO		648,000	972,000
Morgan County, CO		1,963,000	2,990,000
Otero County, CO		1,305,000	1,958,000
Ouray County, CO		210,000	315,000
Park County, CO		321,000	481,000
Phillips County, CO		423,000	634,000
Pitkin County, CO		2,197,000	3,295,000
Powers County, CO		1,061,000	1,592,000
Pueblo County, CO	Residual	179,000	269,000
Rio Blanco County, CO		302,000	454,000
Rio Grande County, CO		864,000	1,296,000
Routt County, CO		197,000	295,000
Saguache County, CO		555,000	833,000
San Juan County, CO		22,000	32,000
San Miguel County, CO		1,493,000	2,240,000
Sedgwick County, CO		457,000	685,000
Summit County, CO		3,357,000	5,038,000
Teller County, CO		809,000	1,213,000
Washington County, CO		600,000	750,000
Weld County, CO		1,059,000	1,587,000
Yuma County, CO		0	0

Area	Recovery Zone		
	Residual	Economic Development Bond	Recovery Zone Facility Bond
Texas		90,000,000	135,000,000
Abilene city, TX		0	0
Amarillo city, TX		1,392,000	2,088,000
Arlington city, TX		1,267,000	1,900,000
Austin city, TX		0	0
Beaumont city, TX		1,535,000	2,303,000
Brownsville city, TX		1,692,000	2,538,000
Carrollton city, TX		1,860,000	2,789,000
Corpus Christi city, TX		0	0
Dallas city, TX		15,282,000	22,923,000
Denton city, TX		1,657,000	2,486,000
El Paso city, TX		3,231,000	4,846,000
Fort Worth city, TX		1,999,000	2,999,000
Garland city, TX		2,868,000	4,302,000
Grand Prairie city, TX		1,619,000	2,428,000
Houston city, TX		0	0
Irving city, TX		2,895,000	4,344,000
Killeen city, TX		0	0
Laredo city, TX		0	0
Lubbock city, TX		0	0
McAllen city, TX		0	0
McKinney city, TX		1,518,000	2,277,000
Mesquite city, TX		1,814,000	2,721,000
Midland city, TX		0	0
Pasadena city, TX		0	0
Plano city, TX		3,807,000	5,710,000
San Antonio city, TX		0	0
Waco city, TX		0	0
Wichita Falls city, TX		1,776,000	2,664,000
Anderson County, TX		0	0
Andrews County, TX		0	0
Angelina County, TX		1,410,000	2,114,000
Aransas County, TX		0	0
Archer County, TX		199,000	298,000
Armstrong County, TX		17,000	26,000
Atascosa County, TX		0	0
Austin County, TX		0	0
Bailey County, TX		0	0
Bandera County, TX		0	0
Bastrop County, TX		0	0
Baylor County, TX		0	0
Bee County, TX		0	0
Bell County, TX	Residual	0	0
Bexar County, TX	Residual	0	0
Blanco County, TX		0	0
Borden County, TX		0	0
Bosque County, TX		0	0
Bowie County, TX		0	0
Brazoria County, TX		0	0
Brazos County, TX		0	0
Brewster County, TX		0	0

Area	Recovery Zone		
	Residual	Economic Development Bond	Recovery Zone Facility Bond
Bliscoe County, TX		0	0
Brooks County, TX		0	0
Brown County, TX		17,000	26,000
Burleson County, TX		0	0
Burnet County, TX		1,169,000	1,753,000
Caldwell County, TX		0	0
Calhoun County, TX		0	0
Calhoun County, TX		0	0
Cameron County, TX	Residual	2,212,000	3,318,000
Camp County, TX		112,000	167,000
Carson County, TX		49,000	73,000
Cass County, TX		384,000	576,000
Castro County, TX		0	0
Chambers County, TX		0	0
Cherokee County, TX		0	0
Childress County, TX		0	0
Clay County, TX		237,000	396,000
Cochran County, TX		0	0
Coke County, TX		101,000	152,000
Coleman County, TX		0	0
Collin County, TX	Residual	4,379,000	6,566,000
Collingsworth County, TX		66,000	99,000
Colorado County, TX		0	0
Comal County, TX		0	0
Comanche County, TX		0	0
Concho County, TX		0	0
Cooke County, TX		0	0
Coryell County, TX		0	0
Cottle County, TX		0	0
Crane County, TX		0	0
Crockett County, TX		0	0
Crosby County, TX		0	0
Culberson County, TX		66,000	99,000
Dallam County, TX		0	0
Dallas County, TX	Residual	6,350,000	9,525,000
Dawson County, TX		0	0
Deaf Smith County, TX		0	0
Delta County, TX		63,000	94,000
Denton County, TX	Residual	5,725,000	8,588,000
DeWitt County, TX		3,000	5,000
Dickens County, TX		0	0
Dimmit County, TX		0	0
Donley County, TX		0	0
Duval County, TX		0	0
Eastland County, TX		0	0
Ector County, TX		0	0
Edwards County, TX		0	0
Ellis County, TX		1,835,000	2,753,000
El Paso County, TX	Residual	530,000	795,000
Erath County, TX		0	0
Falls County, TX		0	0
Fannin County, TX		0	0
Fayette County, TX		0	0

Area	Recovery Zone		
	Residual	Economic Development Bond	Recovery Zone Facility Bond
Fisher County, TX		0	0
Floyd County, TX		0	0
Foard County, TX		0	0
Fort Bend County, TX	Residual	0	0
Franklin County, TX		0	0
Freestone County, TX		0	0
Frio County, TX		0	0
Gaines County, TX		0	0
Galveston County, TX		0	0
Garza County, TX		0	0
Gillespie County, TX		0	0
Glasscock County, TX		0	0
Goliad County, TX		0	0
Gonzales County, TX		0	0
Gray County, TX		0	0
Grayson County, TX		45,000	68,000
Gregg County, TX		0	0
Grimes County, TX		0	0
Guadalupe County, TX		0	0
Hale County, TX		0	0
Hall County, TX		0	0
Hamilton County, TX		0	0
Hansford County, TX		0	0
Hardeman County, TX		0	0
Hardin County, TX		740,000	1,110,000
Harris County, TX	Residual	0	0
Harrison County, TX		0	0
Hartley County, TX		0	0
Haskell County, TX		0	0
Hays County, TX		0	0
Hemphill County, TX		0	0
Henderson County, TX		0	0
Hidalgo County, TX	Residual	0	0
Hill County, TX		0	0
Hockley County, TX		0	0
Hood County, TX		0	0
Hopkins County, TX		0	0
Houston County, TX		0	0
Howard County, TX		0	0
Hudspeth County, TX		0	0
Hunt County, TX		994,000	1,492,000
Hutchinson County, TX		0	0
Inon County, TX		31,000	47,000
Jack County, TX		0	0
Jackson County, TX		0	0
Jasper County, TX		297,000	445,000
Jeff Davis County, TX		0	0
Jefferson County, TX	Residual	1,564,000	2,496,000
Jim Hogg County, TX		94,000	141,000
Jim Wells County, TX		0	0
Johnson County, TX		454,000	680,000
Jones County, TX	Residual	0	0
Karnes County, TX		35,000	52,000

Area	Recovery Zone		
	Residual	Economic Development Bond	Recovery Zone Facility Bond
Kaufman County, TX		1,197,000	1,795,000
Kendall County, TX		0	0
Kenedy County, TX		0	0
Kent County, TX		0	0
Kerr County, TX		0	0
Kimble County, TX		0	0
King County, TX		0	0
Kinney County, TX		0	0
Kleberg County, TX		0	0
Knox County, TX		0	0
Lamar County, TX		2,276,000	3,418,000
Lamb County, TX		0	0
Lampasas County, TX		0	0
La Salle County, TX		0	0
Lavaca County, TX		412,000	618,000
Lee County, TX		0	0
Leon County, TX		0	0
Liberty County, TX		0	0
Limestone County, TX		0	0
Lipscomb County, TX		0	0
Live Oak County, TX		0	0
Llano County, TX		0	0
Loving County, TX		0	0
Lubbock County, TX	Residual	0	0
Lynn County, TX		0	0
McCulloch County, TX		0	0
McLennan County, TX	Residual	0	0
McMullen County, TX		0	0
Madison County, TX		0	0
Manion County, TX		94,000	141,000
Martin County, TX		0	0
Mason County, TX		0	0
Matagorda County, TX		0	0
Maverick County, TX		0	0
Medina County, TX		0	0
Menard County, TX		0	0
Midland County, TX	Residual	0	0
Milam County, TX		366,000	534,000
Mills County, TX		0	0
Mitchell County, TX		0	0
Montague County, TX		0	0
Montgomery County, TX	Residual	0	0
Moore County, TX		0	0
Morris County, TX		0	0
Motley County, TX		0	0
Nacogdoches County, TX		0	0
Navarro County, TX		0	0
Newton County, TX		0	0
Nolan County, TX		0	0
Nueces County, TX	Residual	0	0
Ochiltree County, TX		0	0
Oldham County, TX		0	0
Orange County, TX		1,162,000	1,743,000

Area	Recovery Zones		Recovery Zone Facility
	Residual	Economic Development Bond	
Palo Pinto County, TX		0	0
Panola County, TX		0	0
Parker County, TX		331,000	497,000
Parmer County, TX		0	0
Pecos County, TX		377,000	565,000
Polk County, TX		31,000	47,000
Potter County, TX	Residual	77,000	115,000
Presidio County, TX		0	0
Rains County, TX		0	0
Randall County, TX	Residual	272,000	408,000
Reagan County, TX		0	0
Real County, TX		0	0
Red River County, TX		387,000	581,000
Reeves County, TX		0	0
Refugio County, TX		0	0
Roberts County, TX		0	0
Robertson County, TX		0	0
Rockwall County, TX	Residual	980,000	1,471,000
Runnels County, TX		0	0
Rusk County, TX		0	0
Sabine County, TX		321,000	481,000
San Augustine County, TX		551,000	827,000
San Jacinto County, TX		0	0
San Patricio County, TX		0	0
San Saba County, TX		0	0
Schleicher County, TX		0	0
Scurry County, TX		0	0
Shackelford County, TX		0	0
Shelby County, TX		0	0
Sherman County, TX		0	0
Smith County, TX		0	0
Somervell County, TX		0	0
Starr County, TX		0	0
Stephens County, TX		0	0
Sterling County, TX		0	0
Stonewall County, TX		35,000	52,000
Sutton County, TX		0	0
Swisher County, TX		0	0
Tarrant County, TX	Residual	2,107,000	3,161,000
Taylor County, TX	Residual	0	0
Terrell County, TX		0	0
Terry County, TX		0	0
Theockmerlon County, TX		0	0
Titus County, TX		373,000	560,000
Tom Green County, TX		1,932,000	2,749,000
Travis County, TX	Residual	0	0
Trinity County, TX		0	0
Tyler County, TX		0	0
Upshur County, TX		0	0
Upton County, TX		0	0
Uvalde County, TX		0	0
Val Verde County, TX		324,000	487,000
Van Zandt County, TX		0	0

Area	Recovery Zone		Recovery Zone Facility
	Residual	Economic Development Bond	
Victoria County, TX		0	0
Walker County, TX		0	0
Walker County, TX		0	0
Ward County, TX		0	0
Washington County, TX		0	0
Webb County, TX	Residual	0	0
Wharton County, TX		0	0
Wheeler County, TX		0	0
Wichita County, TX	Residual	572,000	858,000
Wilbarger County, TX		0	0
Willacy County, TX		0	0
Williamson County, TX	Residual	0	0
Wilson County, TX		0	0
Winkler County, TX		0	0
Wise County, TX		171,000	256,000
Wood County, TX		0	0
Yoakum County, TX		0	0
Young County, TX		0	0
Zapata County, TX		0	0
Zavala County, TX		269,000	403,000

California

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Area	Recovery Zone		
	Residual	Economic Development Bond	Recovery Zone Facility Bond
California		806,225,000	1,209,338,000
Anaheim city, CA		6,573,000	9,859,000
Bakersfield city, CA		0	0
Berkeley city, CA		1,558,000	2,337,000
Burbank city, CA		5,832,000	8,748,000
Chula Vista city, CA		0	0
Concord city, CA		1,831,000	2,746,000
Corona city, CA		7,482,000	11,223,000
Costa Mesa city, CA		2,572,000	3,857,000
Daly City city, CA		0	0
Downey city, CA		5,210,000	7,815,000
Elk Grove city, CA		1,372,000	2,058,000
El Monte city, CA		4,791,000	7,187,000
Escondido city, CA		0	0
Fairfield city, CA		934,000	1,401,000
Fontana city, CA		5,421,000	8,131,000
Fremont city, CA		2,970,000	4,456,000
Fresno city, CA		0	0
Fullerton city, CA		2,705,000	4,058,000
Garden Grove city, CA		3,196,000	4,794,000
Glendale city, CA		10,043,000	15,085,000
Hayward city, CA		1,833,000	2,750,000
Huntington Beach city, CA		4,752,000	7,128,000
Inglewood city, CA		4,962,000	7,488,000
Irvine city, CA		3,268,000	4,902,000
Lancaster city, CA		5,076,000	7,614,000
Long Beach city, CA		22,235,000	33,353,000
Los Angeles city, CA		179,460,000	269,191,000
Modesto city, CA		904,000	1,358,000
Moreno Valley city, CA		7,360,000	11,041,000
Norwalk city, CA		4,630,000	6,945,000
Oakland city, CA		5,054,000	7,581,000
Oceanside city, CA		0	0
Ontario city, CA		7,113,000	10,669,000
Orange city, CA		2,817,000	4,225,000
Oxnard city, CA		2,713,000	4,069,000
Palmdale city, CA		5,136,000	7,704,000
Pasadena city, CA		7,410,000	11,115,000
Pomona city, CA		6,233,000	9,350,000
Rancho Cucamonga city, CA		7,048,000	10,572,000
Richmond city, CA		1,316,000	1,973,000
Riverside city, CA		13,774,000	20,662,000
Roseville city, CA		2,091,000	3,136,000
Sacramento city, CA		8,042,000	12,063,000
Salinas city, CA		0	0
San Bernardino city, CA		7,068,000	10,602,000
San Buenaventura (Ventura) city, CA		1,925,000	2,887,000
San Diego city, CA		0	0
San Francisco County/city, CA		0	0
San Jose city, CA		0	0
Santa Ana city, CA		5,872,000	8,807,000
Santa Clara city, CA		0	0

California (Cont'd)

Area	Recovery Zone		
	Residual	Economic Development Bond	Recovery Zone Facility Bond
Santa Clara city, CA		8,847,000	13,270,000
Santa Rosa city, CA		2,965,000	4,448,000
Simi Valley city, CA		2,207,000	3,311,000
Stockton city, CA		3,508,000	5,262,000
Sunnyvale city, CA		0	0
Thousand Oaks city, CA		2,264,000	3,397,000
Torrance city, CA		7,980,000	11,970,000
Vallejo city, CA		1,221,000	1,832,000
Victorville city, CA		2,582,000	3,828,000
Visalia city, CA		0	0
West Covina city, CA		5,309,000	7,964,000
Alameda County, CA	Residual	8,844,000	12,986,000
Alpine County, CA		0	0
Amador County, CA		1,021,000	1,531,000
Butte County, CA		1,685,000	2,527,000
Calaveras County, CA		1,016,000	1,524,000
Colusa County, CA		0	0
Contra Costa County, CA	Residual	10,700,000	16,050,000
Del Norte County, CA		0	0
El Dorado County, CA		3,471,000	5,206,000
Fresno County, CA	Residual	0	0
Glenn County, CA		285,000	427,000
Humboldt County, CA		82,000	123,000
Imperial County, CA		0	0
Inyo County, CA		0	0
Kern County, CA	Residual	0	0
Kings County, CA		2,951,000	4,426,000
Lake County, CA		64,000	97,000
Lassen County, CA		0	0
Los Angeles County, CA	Residual	180,989,000	271,484,000
Madera County, CA		0	0
Marin County, CA		0	0
Mariposa County, CA		0	0
Mendocino County, CA		443,000	665,000
Merced County, CA		0	0
Modoc County, CA		0	0
Mono County, CA		329,000	494,000
Monterey County, CA	Residual	0	0
Napa County, CA		0	0
Nevada County, CA		3,357,000	5,035,000
Orange County, CA	Residual	29,732,000	44,598,000
Placer County, CA	Residual	4,561,000	6,841,000
Plumas County, CA		337,000	505,000
Riverside County, CA	Residual	49,801,000	74,702,000
Sacramento County, CA	Residual	16,467,000	24,701,000
San Benito County, CA		0	0
San Bernardino County, CA	Residual	46,083,000	69,139,000
San Diego County, CA	Residual	0	0
San Joaquin County, CA	Residual	5,121,000	7,681,000
San Luis Obispo County, CA		0	0
San Mateo County, CA	Residual	0	0
Santa Barbara County, CA		0	0

California (Cont'd)

Area	Residual	Recovery Zone	
		Economic Development Bond	Recovery Zone Facility Bond
Santa Clara County, CA	Residual	0	0
Santa Cruz County, CA		0	0
Shasta County, CA		3,890,000	5,834,000
Sierra County, CA		0	0
Siskiyou County, CA		139,000	208,000
Solano County, CA	Residual	1,950,000	2,925,000
Sonoma County, CA	Residual	6,369,000	9,554,000
Stanislaus County, CA	Residual	1,154,000	1,732,000
Sutter County, CA		0	0
Tehama County, CA		0	0
Trinity County, CA		69,000	89,000
Tulare County, CA	Residual	0	0
Tuolumne County, CA		0	0
Ventura County, CA	Residual	4,326,000	6,488,000
Yolo County, CA		3,724,000	5,585,000
Yuba County, CA		0	0