

**SILICON VALLEY / SAN JOSE**  
**Business JOURNAL**

Friday, January 15, 2010

## Infusion of tax-exempt bonds a boon to Fremont

Silicon Valley / San Jose Business Journal - by [David Goll](#)

One city on the border of Santa Clara County will raise more than \$7.4 million in tax-exempt bonds authorized through the federal stimulus program. Fremont will use the dollars to fund business growth and public infrastructure improvements.

At this point, it's the only Silicon Valley city eligible for the bond money. But the region's largest city, San Jose, which didn't initially qualify for the program because of earlier unemployment figures, is hoping to catch it on the rebound. More than \$1.2 billion was allocated to California's cities and counties out of the nationwide total of \$25 billion.

### Bond fund aids Fremont

Fremont, a city of 213,000, qualified for Recovery Zone Facility Bonds at least partly because of its unemployment rate, which rose from 3.5 percent in October 2007 to 5.1 percent in October 2008. Angela Tsui, Fremont's economic development coordinator, said that level has since increased to 8.4 percent as of October 2009.

The bonds must be issued by Dec. 31 and recipients have three years to use the proceeds, according to Tsui.

"We've had lots of interest," said Tsui regarding competition among businesses for the Recovery Zone Facility Bonds, which federal officials want used to retain existing jobs or create new ones. "We expect it will be used by manufacturing companies, high-tech companies, to improve equipment to expand production."

Tsui said the largest portion of money — more than \$4.4 million — would go to two or three manufacturing businesses in the city for major capital improvement projects, such as the purchase of new equipment. She said companies are submitting applications for the money this month. The remaining nearly \$3 million in what are called Recovery Zone Economic Development Bonds will be used to improve public infrastructure. Tsui said the most likely use of those bond proceeds will be to seismically upgrade the **Fremont Police** headquarters at 2000 Stevenson Blvd., or go toward the 5.4-mile, \$678 million BART extension from the existing Fremont station to the Warm Springs district.

Financial terms required of the companies or government agencies receiving proceeds from bond sales will be decided on a case-by-case basis, according to Joe DeAnda, spokesman for state treasurer Bill Lockyer. Tsui said facility bonds are similar to industrial development bonds, which are typically offered at 30 points below the prime interest rate. At today's prime rate of 3.25 percent, the interest rate on these bonds would be 2.95 percent.

### Not every city benefits

Since the bond program was geared to cities with a population of at least 100,000, the only other eligible Silicon Valley cities were San Jose, Santa Clara and Sunnyvale.

Sunnyvale officials couldn't be reached for comment. However, Carol McCarthy, deputy city manager of Santa Clara, said leaders governing the city of 117,000 residents decided not to pursue the funds because they did not think Santa Clara met the "recovery zone" designation.

A "recovery zone" is defined as having significant levels of poverty, unemployment, home foreclosures or general distress.

Officials in San Jose, the Bay Area's largest city with more than 1 million residents, said it didn't qualify for the first round of funding because its unemployment rate wasn't high enough during the December 2007 to December 2008 time frame used by the federal government to measure economic distress.

"The very next month, we lost 30,000 jobs in the city," said Tom Manheim, San Jose's director of communications, describing the events of January 2009. The most recent unemployment figure for the city is 12 percent, he said.

Manheim said San Jose officials are "putting themselves in position" to secure Recovery Zone Facility Bonds if they become available in the near future. Deciding who qualifies is the job of the **California Debt Limit Allocation Committee**. The committee reviews how a city plans to use the funds that are due by the end of January.

The committee is part of the state treasurer's office. It was created to set and allocate California's annual debt ceiling and to administrator the tax-exempt bond program. According to DeAnda from the state treasurer's office, there could be excess funds coming out of that process.

Fremont City Hall  
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"If a city that has been allocated funds doesn't present a plan or can't spend the entire amount, we anticipate there could be some unused money," DeAnda said. "San Jose still has a chance."

#### **Recovery Zone Facility Bonds**

California cities are eligible for these proceeds from tax-exempt bonds through the federal stimulus program. Fremont is the only city in Silicon Valley benefiting from the program.

City — Amount

Fremont — \$7.4 million

Oakland — \$12.6 million

Berkeley — \$14.5 million

Sacramento — \$20 million

Alameda County — \$21.6 million

Long Beach — \$54.5 million

Los Angeles — \$448 million

Source: California State Treasurer's Office

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