

INDUSTRIAL BOND FINANCING

AN ATTRACTIVE SOURCE OF FUNDS FOR EXPANSION

Public sector financing can support private development projects that will fuel economic growth in communities. The lower interest rates and longer payment terms characteristic of programs such as tax-exempt Industrial Revenue Bonds (IRBs) can be used to finance a significant part of an industrial project. Here are some aspects to consider:

Because private development projects tend to be larger in scope and the potential exists for them to create jobs and expand a community's tax base, a variety of businesses find these funds attractive. However, other companies may not pursue government-issued loans due to the increased complexity of the application and approval process.

If you are thinking about expansion, there are many ways you can benefit from this low-cost, flexible financing solution.

IRBs are issued at rates lower than conventional loans because interest paid on the bonds is exempt from both federal and state income tax.

INDUSTRIAL REVENUE BOND BASICS

Industrial Revenue Bonds (IRBs) are tax-exempt loans issued by state or local governments to finance a private company's expansion, construction or acquisition of manufacturing facilities and equipment. Local and state governments support these projects because they can improve the economic well-being of a community.

IRBs are issued at rates lower than conventional loans because interest paid on the bonds is exempt from both federal and state income tax. The lower interest rate reduces the cost of financing and makes projects more attractive to pursue. Additionally, these bonds can mature in 20 to 30 years as compared to five to 10 for typical bank loans.

HOW YOU CAN QUALIFY

If your project involves manufacturing, waste disposal/recovery or wastewater treatment then you probably meet the qualifications for an IRB. The next step is reviewing capital expenditures at the project site for the three years prior and subsequent to the issuance of the bonds, which must be \$20 million or less.

Most public sector loan programs have specific goals that must be addressed if a company is to obtain financing. You will have to put together a project description and outline how the community can benefit from your project — whether it be through the creation or retention of jobs, increasing the tax base or attracting other businesses to the area.

HOW TO APPLY FOR AN IRB

Here are some general steps you must take in order to obtain a bond:

- Discuss the project with your lender to help identify what financing structures are best suited to our company and project.
- Contact the Lawrence County Industrial Development Authority (LCIDA), the agency legally authorized to issue bonds for projects in Lawrence County, and start the application process and provide legal documentation.
- The application procedure for IRB financing typically requires in excess of 30 days. LCIDA will approve the project. From this point, any expenditure incurred less than 60 days prior to that date can be included in the project.
- The overall process from application to funding can take 90 to 120 days. You can use interim bridge financing if you need to proceed more quickly.

COST AND OTHER CONSIDERATIONS

There are some upfront costs associated with issuing an IRB. These include ancillary costs like underwriter fees and additional legal fees.

Any assets financed with tax-exempt IRBs must be depreciated on a straight-line basis.

And, the process to issue an IRB can be complicated; however, the right selection of experienced counsel and financial partners will make the process go more smoothly. And, in most cases, the benefits gained from 20 years of interest savings significantly the time and effort involved in getting an IRB.

For more information, contact the Lawrence County Industrial Development Authority at 724-658-1488.