



SMALL ISSUE INDUSTRIAL DEVELOPMENT REVENUE BONDS

Tax-exempt bond financing for employment generating manufacturing facilities is available through the Economic Development Corporation of Pierce County (EDCPC), the authorized local issuer for such federally approved bonds. Interest payments to bondholders are not subject to United States income tax. As a result, bond buyers are willing to accept lower rates of interest on IDRBs, thus reducing project financing costs for the participating companies.

Both federal and state law limits the use of Small Issue IDRBs to the financing of manufacturing or processing projects that retain and/or create jobs. For such projects, eligible costs are those related to:

- Acquisition, construction and improvement of land, buildings, docks, wharves, roads, parking, utilities and landscaping
- New machinery and equipment
- Architectural designs, engineering work and feasibility studies
- Consulting, accounting and legal fees
- Financing arrangements and interest accrued during construction

The amount of IDRB financing possible is determined by US law and is based on the total capital investment in the facility. Up to \$10 million in bonds may be issued for projects whose total capital investment is under \$20 million. For the purpose of calculating total capital investment in a facility, a six-year period is used, beginning three years prior to the proposed IDRB issue.

The dollar amount of an IDRB is also affected by market conditions and bond issuance costs. In order to achieve a desirable effective rate (including annual fees) and to attract buyers, a single issue will likely range from \$2 million to \$10 million.

The following are the steps in making application for an IDRB in Pierce County:

- Discuss the project with the IDRB representative at the EDCPC
- Secure the services of qualified bond counsel
- Secure the services of a bond underwriter or placement agent
- Begin obtaining from a rated bank a standby letter of credit
- Conduct public hearings as required by law and obtain jurisdictional approvals, all with the assistance of the EDCPC and legal counsel
- Complete all financing arrangements with the assistance of underwriter and bond counsel
- Issue bonds

SOURCE: Economic Development Board for Tacoma-Pierce County
03/08