



Industrial Revenue Bonds





Technically: A "loan" from an investor (Bond Purchaser) to a company where the loan proceeds and repayment flow through the City (Issuer)

▼ Practically: A mechanism through which a company may receive certain tax-exemptions in exchange for the creation of increased economic activity and jobs in the City

▼ Only qualified "projects," (land, building, equipment, and improvements) as defined in the Municipal Industrial Revenue Bond Act are eligible



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- Y Available Tax Abatements
 - Property Tax on real and personal property

 - Compensating Tax on equipment from out of state
 - Taxes of other overlapping jurisdictions
- ▼ Payments In Lieu Of Taxes (PILOTs or PILTs) to recover some of this foregone tax revenue
- T "Claw-backs"



- 1. The Company contacts the City and applies for IRB assistance
- 2. The City and the Company begin to negotiate the terms of the IRB (amount, Company commitments, duration of tax exemption, etc.)
- 3. City considers a Non-binding Inducement Resolution
 - Allows the Company to start benefiting from the gross receipts tax exemption
- 4. The City notifies the County is notified of the City's intent to issue IRBs
- 5. The City approves the issuance of the IRB via Bond Ordinance
- 6. Bond documents including a Bond Indenture, Lease Agreement, and Bond Purchase Agreement are executed





Local Economic Development Act



- The Local Economic Development Act allows the City to provide economic support to projects that will result in increased economic activity
 - ▼ There are some limits to the amount of aid that can be provided
- The State (in certain circumstances) and other governmental entities can provide additional assistance for the same project
- Not all types of businesses are eligible
- Prior to providing any support, the City must approve an Economic Development Plan detailing its economic development goals and strategies
 - The plan cannot exceed the limits set by the Local Economic Development Act





- The assistance from the City can take many forms
 - In kind: grants of land, buildings or rights of way; building of infrastructure specific to the project, etc.
 - Purely monetary: lump sum payments from the State, lump sum payments from the City, gross receipts tax increment from local governments, gross receipts tax sharing from City, County, and State
- The City must be able to recoup its investment should the commitments from the Company not materialize
 - It is common to request a "security" from a bank or a parent company guaranteeing the reimbursement of the public aid in case of breach

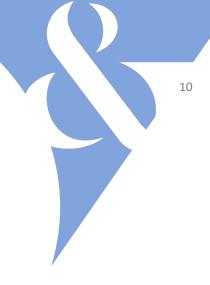




LEDA: Approval Process

- The City must have an Economic Development Plan in place approved via ordinance.
- 2. The Company contacts the City and applies for LEDA assistance
- 3. The City and the Company start negotiating the terms of the assistance (amount, employment or outcome commitments, etc.)
- 4. If applicable, other governmental entities also join the negotiations
- 5. The City approves the LEDA Plan for the specific project via ordinance and a Project Participation Agreement is executed.
- 6. In the event that other governmental entities participate in the project, an Intergovernmental Agreement or Intergovernmental Project Participation Agreement is signed.





Sherman & Howard

