



Financing, Loan & Guarantee Programs

Bond Financing

If You Are:

A creditworthy manufacturing company, a 501(c)(3) not-for-profit organization, or an exempt facility in New Jersey.

You Can Apply For:

Long-term financing under the Bond Financing Program.

In The Amount Of:

- \$500,000 to \$10 million in tax-exempt bonds for for-profit companies, with either a fixed or variable interest rate, and terms up to 20 years for real estate and 10 years for equipment.
- \$500,000 with no dollar limit in tax-exempt bonds for qualified not-for-profit organizations.

Eligible Uses/To Be Used For:

- Tax-exempt bonds for eligible for-profit companies can be used to finance capital improvements and expansions, including real estate acquisitions, new equipment, machinery, building construction, and renovations.
- Tax-exempt bonds for not-for-profit organizations seeking capital to expand community services can be used to finance land and building acquisitions, new construction and renovations, equipment purchases, debt refinancing and working capital.
- Government tax-exempt bonds can be used for projects that are owned and operated for the benefit of local, county and state government bodies.
- Taxable bonds may be used for working capital and debt refinancing, and are permitted only under certain circumstances for tax-exempt financing for not-for-profit borrowers.

Benefits:

The EDA issues bonds to provide long-term financing, generally with a lower cost, through a fixed or variable interest rate. Both private and public projects located in certain designated areas may be eligible for added benefits through Recovery Zone Bonds, as created by the American Recovery and Reinvestment Act (ARRA).

Program Details:

Through a federally authorized program, the EDA issues conduit tax-exempt private activity bonds, the proceeds of which are used to provide financing. Borrowers must meet the eligibility requirements outlined in the Internal Revenue Code (IRC) in order to qualify for tax-exempt bond financing, including:

- Manufacturing/processing facilities

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- Governmentally owned public airports, docks, wharves
- Facilities that furnish water, electric, and gas; sewer facilities; and solid waste disposal, including certain recycling facilities
- Commercial and industrial projects in federal Empowerment Zones or Enterprise Communities
- Certain facilities for governmental bodies, which qualify as tax-exempt governmental obligations
- Certain not-for-profit 501(c)(3) entities, including service organizations, educational institutions and health care facilities
- Certain assisted living facilities, which qualify as residential rental projects

Taxable bonds are also available for a wide variety of businesses, such as manufacturing, commercial, warehouse, and distribution, etc. Taxable bonds offer similar flexibility in structuring rates and terms but are not subject to the restrictions placed on tax-exempt financing under the IRC.

Bonds are sold via direct purchase or public offering. A financial intermediary, typically a bank, will directly purchase bonds from the EDA once it has performed a credit review on the applicant's project. The bank sets the interest rate, terms and other financial details. In a public offering, bonds are purchased by an underwriter and sold to private investors in the public marketplace and may be structured with a bank's commitment to provide a letter of credit (LOC) or a municipal bond insurance policy. Market conditions will determine the interest rate, while the bond's terms and other financial details are set by the LOC provider.

Fees:*

- Application fee: \$1,000
- Closing fee for tax-exempt bonds: 0.5% of tax-exempt bond amount of up to first \$15 million; 0.375% of the next \$10 million and .5% of the bond amount in excess of \$25 million
- Closing fee for taxable bonds: one half of the closing tax-exempt bond fee noted above
- Closing fee for not-for-profit corporations and governmental bodies: 0.5% of tax-exempt bond amount up to \$10 million and 0.25% above this amount
- Closing fees for conduit bond transactions: capped at \$300,000
- Guarantee fee: If required, will be up to 0.5% sized to percentage guarantee required, not to exceed 0.5%. (For example, 25% guarantee will require a 0.25% fee, 50% guarantee will require a 0.5% guarantee)

Division of Taxation Tax Clearance Certificate Application Processing Fee: \$75 for standard processing; \$200 for expedited processing (response within three business days).

For more information on Bond Financing, visit www.njeda.com.

*All fees are non-refundable.