



## Bond Financing

**IF YOU ARE:** A credit-worthy small or mid-sized company operating in New Jersey, or a 501 (c)(3) nonprofit organization.

**YOU CAN APPLY FOR:** Affordable bond financing solutions 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 nonprofit organizations.

**ELIGIBLE USES/TO BE USED FOR:**

- Tax-exempt bonds for 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 nonprofit organizations seeking capital to expand community services can use the funding for 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 nonprofit borrowers.

**BENEFITS:** The EDA issues bonds to provide long-term loans at attractive below-market interest rates, either fixed or variable. Bond Financing gives eligible companies/organizations access to capital they are otherwise unable to obtain on their own, and at cheaper rates than if they went through a traditional commercial banks.

**PROGRAM DETAILS:** Through a federally authorized program, the EDA issues conduit tax-exempt private activity bonds, the proceeds of which are used to provide low-interest, fixed-asset loans. 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
- 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 nonprofit 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: \$500, non-refundable
- Closing fee for tax-exempt bonds: ½% of tax exempt bond amount of up to first \$15 million; ⅜% of the next \$10 million and ½% of the bond amount in excess of \$25 million
- Closing fee for taxable bonds: ½ of the closing tax-exempt bond fee noted above
- Closing fee for not-for-profit corporations and governmental bodies: ½ of tax exempt bond amount up to \$10 million and ¼% above this amount
- Closing fees for conduit bond transactions: capped at \$300,000
- Guarantee fee: If required, will be ½% of guarantee amount times the number of years the guarantee is in effect