

Lake County Partners



Location. Collaboration. Opportunity.

FY 2008

Lake County

Private Activity Bond Clearinghouse

IRB

Application Information Kit

Multi-family Housing

Lake County Partners, Processing Agent

For Additional Information, please contact
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LCP Website: www.lakecountypartners.com

Industrial Revenue Bonds – Tax Exempt Financing

Executive Summary

- Industrial Revenue Bonds provide a method of financing the capital expenditures of affordable multi-family housing developments at interest rates that range from 65% to 80% of the borrower's conventional bank interest rates.
- As a result of these lower rates, you can realize substantial savings versus conventional loans.
- Lake County Partners acts as a conduit for corporations to access these tax-exempt bonds. By contract, Lake County Partners is Lake County's authorized IRB agent and the processing agent for the Private Activity Bond Clearinghouse housed in Buffalo Grove.
- Lake County Partners, and its predecessor the Lake County Economic Development Commission, have assisted in over 7 multi-family IRB transactions representing over \$52.0 million in borrowings for Lake County companies in the last nine years.

Eligibility Requirements

What can be financed?

- New Construction
 - New affordable multi-family housing project
 - Expansion to a currently owned facility
- Existing Facilities
 - Purchase and renovation of an existing affordable multi-family housing project.
- Refunding of existing IRBs can be accomplished within certain restrictions.

Other restrictions:

To qualify for bond financing, a project must also conform to a series of legal requirements. Bond counsel and your own counsel can best advise you on those requirements.

Issuance Process – Overview

- **Financing Process:** Work with the Bank to develop a financing plan either to enhance the issue with a letter of credit or to purchase the bonds directly.
- **Working with Lake County Partners:** Apply to Lake County Partners for an Inducement Resolution.
 - An Inducement Resolution is an action by the municipal approval body inducing the company to locate its project/expand its facility within the jurisdiction of Lake

- County. The Inducement Resolution represents an intention to issue bonds subject to review of the documentation and legal opinion of bond counsel.
- There are strict rules about spending money or signing a binding commitment on a project prior to inducement. **Expenditures made more than 60 days prior to inducement are not eligible for tax exempt financing.**
- **Documentation:** Select bond counsel and authorize draft documentation.
 - Bond counsel, an attorney with expertise in bond law, delivers an opinion upon closing of the bonds regarding the tax-exempt qualifications of the issue. Bond counsel also drafts the majority of the bond documents.
 - Lake County Partners has working relationships with several firms that can act as bond counsel, bank counsel and, if necessary, underwriter's counsel. The packaging of these services results in lower expenses for the borrower.
 - **Public Approval Process/Final Bond Resolution**
 - Return to Lake County Partners with completed documentation for bond resolution hearing (formal approval).
 - Prior to passage of the bond resolution, a public hearing (TEFRA hearing) is held to give the public an opportunity to speak out on the issue. It is extremely rare for any opposition to be expressed in tax-exempt transactions.
 - **Volume Cap Application**
 - The State of Illinois is allotted approximately \$625 million in volume cap for Private Activity Bonds each year (\$85 per Illinois resident). The volume cap is divided between state agencies, municipal issuers and Home Rule Communities.
 - LCP aggregates the Lake County Home Rule communities' cap in a Clearinghouse Pool hosted by the Village of Buffalo Grove, a Home Rule Community. LCP is the processing agent for that pool; annually, we collect \$25.0+ million of PABC for the pool.
 - When demand for Cap exceeds the amount of Cap available, Lake County Partners ranks projects based on job creation, capital investment and other objective criteria and allocates the volume cap based on this ranking.
 - If volume cap has been depleted in a given year, the bond issue can be delayed until the following year. In this case the Bank will generally provide conventional financing to bridge the transaction.
 - All the unexpended volume cap is transferred to Lake County by the pool at the end of the year and rolled-over consistent with the IRS guidelines.
 - **Closing and Funding the Transaction**
 - All the bond proceeds are drawn down at closing. Funds not immediately needed may be reinvested with the trustee subject to strict limitations on earnings from those investments. Investment earnings cannot exceed interest expenses.
 - The company has up to three years after closing to expend all the bond proceeds. Funds not spent within three years must be used to redeem bonds.

Private Activity Bond Clearinghouse's IRB Application Process

An application is attached. Please fill this out and forward two copies to:
David Young; President Lake County Partners; 28055 Ashley Circle, Suite 212;
Libertyville IL 60048.

Pre-Submission Requirements:

- You have identified an underwriter for the project
- You have retained a bond counsel
- You have a clear understanding of the project
- You have confirmed that the site's zoning/lot size/infrastructure will facilitate the project

Bond Process:

Do not view these steps as sequential; they can be done concurrently, as long as there is continuous communication between the parties:

- Please answer the questions on the attached application and provide me with two copies, at the above address
- Attach a non-refundable check for \$2,500 to your application, made payable to Lake County Partners.
- Attach a copy of your company's last three years and current interim financial statements to your application; we will keep your financials confidential
- Please be advised that the remainder of your fee will be due at the closing (your total processing fee will equal 1% of the total project amount; there is a \$5,000 minimum fee)
- LCP will facilitate a meeting with the host community and other related parties; one component of this meeting will be a site tour, where you will have an opportunity to detail and explain your project to the assembled officials.
- LCP will review your application and forward its recommendation to the appropriate County Board committees on through to the full board.
- Your application will be scheduled for review at a public hearing, prior to the approval of the Bond Resolution.
- Concurrent with this process, your Bond Counsel and Municipal Approval Authority's Counsel will be working to prepare and approve the required documents, including Resolutions, MOU, a Notice of Public Hearing, the Bond Purchase Agreement and the myriad of closing documents required to fulfill the tests of the IRS tax exempt regulations and the demands of a Bond Sale and Closing
- The process of securing an Inducement Resolution can take up to 30-45 days after we receive your application.
- The authorization of the bond expires one year after passage by the Lake County Board, unless it has been extended or the sale has been initiated. It is the responsibility of the applicant to inform the approving authority of the status of its project and request any necessary extension.

Lake County Partner's IRB Application

1. How will the facility be constructed, rehabilitated, or otherwise changed with the proceeds from the Industrial Bond sale? Describe how the proceeds of the Bond sale will be used.
2. Will the facility zoning facilitate the project?

If yes, attach a copy of the zoning map showing the appropriately zoned parcel, as well as a clearly marked map showing the location of the project. If no, do not proceed with the remainder of this form until the appropriate zoning is in place.

3. List the name and address of your company.

Company name:
Address:
City, State, Zip:
Phone:
Fax:
E-mail:
Company President/CEO

4. Identify the contact person at the company responsible for managing the details of this bond issue. If the property of the project is to be owned by a Trustee, please provide the names of all beneficial owners and trustees of the Trust as well as the name and address of the Trust.
5. Identify the owners of the company as well as its officers and operational principals.
6. Identify any corporate officers or policy makers who are related to people who work or serve in Lake County government or the local units of government at the project site. This question seeks to identify any potential conflict of interest with government.
7. Identify corporate contacts with governmental agencies at the federal and state level. At the county level, list only those with the Lake County government.
8. Provide the name and address of your Bond Counsel, Bank Counsel, Underwriter and Underwriter's Counsel, Owner's Counsel and Trustee. The States Attorney's Office requires that all bond issues be reviewed by their Outside Counsel and any legal costs incurred for this purpose shall be borne by you.
9. Are there water and sewer utilities on site? What size water in-flow pipe will the company require at the new site? What is the size of the company's present water in-flow pipe? What size is available to the site? What size sewer pipe is available to handle your discharge, is it adequate?
10. If the company has prepared a traffic analysis, please attach a copy of it. Please attach a statement regarding the volume of traffic and weight classifications of vehicles associated with the proposed site.

11. Provide the estimated cost of the project and of any other capital expenditures anticipated at the new location within the next three years.
12. Estimate the number of new permanent and temporary jobs that will be created (by employment category if possible) and probable recruitment source (for example: out of 75 employees, 25 will be recruited nationally and 50 will be recruited from Lake County sources). You should note any intention to work with the Lake County Job Center or any other employment programs in your statement.
13. Identify the average pay scales for your existing and future employees by employment category.
14. Describe the types of skills necessary for the various work force levels in the company.
15. Identify the owner of the facility.
16. Attach one copy of your Employer Information Report EEO-1. If such a form has not been prepared, then the following questions should be answered.
 - a. Describe those actions that the company will take to ensure equal employment opportunities for all people.
 - b. Describe the current work force (as of the first day of the current month): its characteristics of race, sex, creed, national origin, age and handicap.
 - c. Any other statement or evidence that documents the affirmative employment nature of your work force should be included.
17. Identify the Bond Retirement Plan, and the bond purchaser and any conditions of bond issuance.
18. Identify restrictions in any existing debt instruments that are applicable to the issuance of this Industrial Revenue Bond.
19. Summarize any impending or current litigation against the company or which the company has undertaken.
20. Include a letter of bank commitment, a check for \$2,500, a complete copy of your company's last three years' audited financials and the most recent quarterly financials.