

# Industrial Revenue Bond Program

The IFA (Illinois Finance Authority) issues tax-exempt Industrial Revenue Bonds on behalf of manufacturing companies to finance the acquisition of fixed assets such as land, buildings and equipment. Bond proceeds may also be used for either new construction or renovation.

## *Benefits of Industrial Revenue Bond Financing:*

- ◆ Long-term financing at interest rates lower than conventional financing---usually below Prime
- ◆ Fixed or variable rate financing
- ◆ Financing of up to 100% of project cost (subject to credit approval and underwriting standards of the borrower's bank)

## *Type of Financing:*

- ◆ Because of significant up-front costs of issuance, Industrial Revenue Bond issues of less than \$1.5M generally are not cost effective
- ◆ Smaller fixed-asset projects may be eligible for financing through other IFA loan programs
- ◆ For most companies, bank participation is necessary before bonds can be sold to investors; the participating bank makes the credit decision, structures the terms and sets collateral requirements
- ◆ Banks can either (1) guarantee the bonds by providing a Direct Pay Letter of Credit or (2) purchase bonds directly to hold as an investment in their portfolio.

## *Eligibility:*

- ◆ Qualified Industrial Revenue Bond projects include facilities which are primarily used to manufacture or process tangible products.
- ◆ The Internal Revenue Code defines all IRB eligibility requirements.
- ◆ Final determination of project eligibility is subject to a legal opinion from a recognized municipal bond attorney
- ◆ A completed Economic Disclosure Statement (EDS) and a Volume Cap Application must accompany the Industrial Revenue Bond application.

## *Fees:*

- ◆ A non-refundable application fee
- ◆ Closing fees and other applicable charges