Bond Financing

The St. Lawrence County Industrial Development Agency is a public benefit corporation empowered to finance the acquisition, construction, or reconstruction of manufacturing, warehousing, research, commercial, industrial, and pollution control projects. One method of raising funds to accomplish these purposes is through the issuance of negotiable, tax-exempt or taxable bonds and notes.

ELIGIBILITY

Substantial companies with a strong financial position and a good operational "track record" which will create jobs through added capital investment in St. Lawrence County may apply for industrial revenue bond financing. The Internal Revenue Service Code imposes general limitations on the amount of tax-exempt financing which an industrial development agency may provide for any one project. Limitations and exceptions thereto are cited in the Internal Revenue Code, Tax Equity and Fiscal Responsibility Act of 1982 and the Deficit Reduction Act of 1984.

APPLICATION PROCEDURES

Any company considering the use of industrial revenue bond financing should first meet with representatives of the Agency to discuss the firm's financial needs and eligibility for industrial revenue bond financing.

If a company is eligible for this form of financing, a formal application must be submitted accompanied by a $2,000 filing fee. (If project financing is completed with the Agency, the filing fee will be forwarded to the St. Lawrence County Clerk's office in the form of an in-lieu-of-filing fee payment.) The company must provide evidence, in the form of a letter of intent from a reputable financing institution, that a market for the bonds exists.

The company must locate an underwriter, a bank, or a group of banks willing to purchase the Agency's bonds to be issued on behalf of the company. The company negotiates the terms and conditions of the loan with the purchaser or purchasers; this includes: maturity, interest rate, security, prepayment conditions and restrictions, if any.

Upon receipt of a complete bond application, the Agency will appoint a committee to comply with the State Environmental Quality Review procedure.

Effective January 24, 1985, the St. Lawrence County Industrial Development Agency adopted the following Additional Procedures Affecting Tax Exempt Bond Financing:

Beginning January of each year, the Agency will evaluate applications from firms and induce projects on a case-by-case basis. From January 1 of each year through June 30, the Agency will only act on bond resolutions for manufacturing or related facilities, e.g., warehousing, which meet the IDA criteria of creating new full-time jobs or preserving existing ones. Eligible projects, other than manufacturing, will be induced by the Agency based on the Agency's evaluation of the number of jobs created, value of wages and the importance of the project to community economic development.

After July 1 of each year, the Agency will consider bond resolutions for other than manufacturing projects permitted under the governing legislation. The resolutions will be considered in the order that the applications were induced by the Agency.

Inducement resolutions authorized by the Agency will be valid for 60 days from date of authorization. During the 60-day period, the applicant will secure a satisfactory financial commitment letter sufficient to cover purchase of bonds. In case of inducement for non-manufacturing projects between January 1 and June 30, the resolution will be valid through August 15 of the year in which the resolution was induced. Applicants will have until that date to evidence financial commitment.

Upon receipt of such satisfactory commitment, the inducement resolution will be extended an additional 120 days. Closing will take place on or before the 180th day after adoption of the inducement resolution.

The St. Lawrence County Industrial Development Agency may, at its sole option, extend inducement resolutions for specified periods of time if the Agency believes that such extensions are in the interest of the County's economic welfare.

FOR FURTHER INFORMATION

To obtain further details about industrial revenue bond financing in St. Lawrence County, you are encouraged to contact the Agency's Chief Executive Officer at (315) 379-9806.

We will schedule an exploratory meeting with you to identify your firm's specific needs and to determine how those needs might be met through the St. Lawrence County Industrial Development Agency.

BENEFITS OF INDUSTRIAL REVENUE BOND FINANCING

- Financing of up to 100% of the cost of land, construction, equipment, planning, and financing fees.
- A possible sales tax exemption on building materials and production-related equipment purchased from bond proceeds.

- Exemption from real estate taxes. Company and Agency will negotiate a payment-in-lieu-of-taxes agreement.
- Building, land, and equipment remain on company financial statements as assets while the lease is shown as a long-term debt on the liability side of the balance sheet.

ADDITIONAL BENEFITS OF TAX EXEMPT BONDS

- Interest income is tax-exempt to the bond holder.
- Interest rates are lower than conventional bond rates.

FINANCING COSTS

- Bond Counsel Fee – Bond Counsel is a legal firm, which specializes in tax-exempt and taxable bond issues. Usually a bank or underwriter will not participate in the purchase of a bond issue unless it has a legal opinion from a recognized Bond Counsel. The Bond Counsel reviews the company's project to assure that it qualifies under State and Federal Laws and Codes. It also prepares all documentation required for the issue. Fees vary and are dependent upon the complexity of the issue and the amount of time involved.
- Agency Fee – The St. Lawrence County Industrial Development Agency is a self-supporting agency. In order to pay its expenses, the Agency charges clients a fee equal to 1% of the face value of the tax-exempt bonds issued. The Agency fee for a taxable bond is one-half of 1%. The Agency also charges the client for any direct out-of-pocket costs such as legal advertising.
- Other Legal – An applicant company will retain an Attorney to assure that its interests are protected. The bank or buyer of the bond issue will normally have outside Counsel whose fees are usually passed on to the company. In addition, the Agency is represented by its own Counsel whose fee is charged to the Company.

All documents recorded at the St. Lawrence County Clerk's Office carry a charge of $10.00 per document and $3.00 per page.

Because of the significant fees involved, industrial revenue bond financing for projects under $1,500,000 is usually not practical. It should be noted that all of the aforementioned fees can be included in the principal amount of the bond financing.

A recognized Bond Counsel must render a positive opinion to the Agency regarding the appropriateness of a company's proposal under existing New York State Law and the Internal Revenue Service Code.
At this point, the Agency will consider an Inducement Resolution and if said resolution is approved, the Agency will appoint the company to act as its agent and the company

may proceed with the project.
Bond Counsel prepares a “first draft” of the bond documents for the review of all parties prior to the preparation of the final bond documents.
Once the Agency approves the application and the bond purchases is committed to the loan, a closing can usually be accomplished within 90 days or shortly thereafter.

BOND ISSUANCE

The Agency issues revenue bonds in its own name. These bonds are secured by a mortgage on the property and/or a lien on the machinery and equipment involved and by a subsequent lease to the company.

These bonds are issued upon the full faith and credit of the company and are not an obligation of the Agency, the municipality nor of the state. These bonds are amortized by the revenue from the project, i.e., lease payments.

The ability to sell the bonds for each project will depend on three major factors:

1. the reputation and financial position of the company;
2. the economic merits of the proposed project;
3. and prevailing bond market conditions.

Upon completion of the project, the facilities, improvements or equipment are leased to the company for a term equal to the term of the Agency’s bond issue. The annual lease payments equal the annual principal and interest due on the Agency’s bonds.

The company pays all operation and maintenance expenses associated with servicing the bonds or the project. The security for the Agency’s bonds is a first mortgage on the project and an assignment of the Agency’s rights under lease with the company. At the end of the lease term, the company is obligated to purchase the project for $1.

Contact us with any questions or to get started:

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