

Financing: Industrial Development Bonds (IDB)

Industrial Development Bond Overview

Industrial Development Bonds (IDBs) are tax-free bonds issued by a public body on behalf of private entities. IDBs may be used for manufacturing projects. Because interest earned by bond holders is exempt from federal and some state income tax, they provide financing at a rate lower than traditional corporate financing.

Eligible Uses

- IDBs can be used to cover land acquisition, building construction or acquisition, equipment acquisition, and financing costs.
- At least 95% of the bond proceeds must be applied to land costs or depreciable property.
- No more than 25% may be used to purchase land or an interest in land.
- No more than 2% may be used to finance issuance costs.
- An existing manufacturing facility can be acquired with bond proceeds if the owner performs rehabilitation work worth at least 15% of the purchase amount.
- The maximum bond amount for any owner or principal user is \$10 million.

Issuance Requirements

- Projects must create or retain jobs in manufacturing operations.
- The applicant must show proof of financial ability to undertake the project successfully.
- Prevailing wage must be paid to those employed on project construction and equipment installation.
- The applicant must arrange placement of the bonds with an underwriter or through private placement contingent only on Clermont County Community Improvement Corporation (CIC) and Board of Commissioners approval.
- The applicant must retain bond counsel with a national reputation to issue an unqualified opinion as to the validity and tax exemption of the issue. Fees of bond counsel may be paid from bond issue proceeds.
- The applicant will generally be required to provide a bank letter of credit.
- The company must expend all proceeds within 3 years of issuance.
- The Clermont County CIC charges a \$500 non-refundable application fee and a one-time charge of ¼ of 1% of the issuance amount.

Application and Issuance Procedure

1. Contact the Clermont County Office of Economic Development about whether IDB financing is appropriate for your project. The office can also provide information about additional financing and incentive opportunities available.
2. Complete the IDB application, which can be [downloaded](#) from our web site. The application should be submitted with the \$500 application fee made out to "Clermont County CIC, Inc."
3. The application will be reviewed by the Clermont County CIC board of directors.



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4. If recommended for approval, the application will be transmitted to the Board of County Commissioners to authorize inducement legislation.
5. The company, bond counsel, placement agent, and county prepare documentation leading to closing, delivery, and payment of the bonds.

Normally, it takes 4-6 weeks for an IDB application to be approved.

Additional Consideration

- The interest rate is negotiated between the company's bank or placement agency and the bond buyer based on the company's credit or credit enhancement. The rate may be fixed or variable.
- The company can treat the project as its own, permitting the company to take straight-line depreciation and to expense the interest costs.
- Given a relatively low interest rate environment and costs associated with bond issuance such as legal fees and underwriting expenses, IDB issuance amounts usually must exceed \$1 million to be cost-effective.

In addition providing financing for manufacturing capital investment, this program **can also be used for 501(c)(3) entities** to finance capital expenditures. Expenditure limitations do not apply, but job creation/retention requirements still apply. For more information please contact the Clermont County Office of Economic Development.

Contact

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