PRIVATE ACTIVITY BOND ALLOCATION

"TAX–EXEMPT" BOND CAP

MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

PURPOSE

Provides lower-interest financing for certain types of projects.

AUTHORIZATION

Internal Revenue Code of 1986, as amended, Codified at 26 U.S.C. §§ 141 to 150

Sections 108.500 to 108.532, RSMo

ELIGIBLE AREAS

Statewide.

ELIGIBLE APPLICANTS

Certain state agencies, cities, counties and industrial development authorities.

ELIGIBILITY CRITERIA

Details about eligible bonds are in the federal tax code. It is very important that determinations of eligibility be made only after consulting the applicable federal law.

For general informational purposes, the types of projects for which tax-exempt bond cap may be allocated include:

- Multi-family housing (MFH) and/or elderly rental housing for low income residents;
- Small manufacturing facilities;
- First-time farmers;
- "Utility" projects, including water, sewer, electric and gas;
- Bonds issued to finance student loans; and
- Bonds issued to provide loans for home ownership.

PROGRAM BENEFITS/ELIGIBLE USES

The federal tax code authorizes each state an allocation of tax-exempt bond cap. The amount is based upon the state's population in the preceding year.

In Missouri, the Department of Economic Development (DED) has the authority to allocate the tax-exempt cap to projects.

Because there is no tax on interest earned by the holders of tax-exempt bonds, the interest rate is typically lower than conventional financing, including taxable bonds.

FUNDING LIMITS

Missouri's cap for 2017 is $609,300,000.

APPLICATION/APPROVAL PROCEDURE

- Once the issuing entity has passed an inducement resolution, an application is submitted to DED. Applications are accepted year-round.
- An application fee made payable to the Missouri Economic Development Advancement Fund is due at the time the application is submitted:
  - $250.00 for allocation requests up to $5 million
  - $500.00 for allocation requests between $5 million and $10 million
  - $1,000.00 for allocation requests over $10 million
- For Industrial Revenue Bond (IRB) projects only, a copy of the local Industrial Development Authority (IDA) application or relevant job, wage, and investment data must be submitted with the application.
- A "hold letter" is typically issued to every applicant pending a decision by the department.
- For Multi-Family Housing projects:
  - Projects applying for 4% LIHTC and PABA:

    Apply first to the Missouri Housing Development commission (MHDC), following their procedures and deadlines. MHDC will recommend qualifying projects to DED for approval, at which time an Application for Private Activity Bond Allocation should be submitted to DED.

- Projects applying for PABA only:

  Submit Application for Private Activity bond allocation directly to DED. DED will consult MHDC staff to obtain their recommendation prior to a decision regarding an allocation for the project.

- A decision is made on a case-by-case basis
- An allocation letter is issued if appropriate.
- The allocation is good for 60 days from the date of the letter. A 30-day extension can be granted.
- Upon issuance of the bonds, the issuer must notify DED both by telephone (no later than the next business day) and submit a report of issuance by overnight courier or certified mail (no later than five calendar days from issuance).
- An issuance fee made payable to the Missouri Economic Development Advancement Fund is due and payable at closing and remitted to DED within 30 days:
  - For an issuance up to $2 million: 5 basis points (amount x .05%)
  - For an issuance over $2 million: 10 basis points (amount x .10%)

REPORTING REQUIREMENTS

Annual activity reports must be filed no later than January 31st of the year following issuance.

ISSUERS

MISSOURI DEVELOPMENT FINANCE BOARD

MDFB is one statewide issuer of various types of tax-exempt bonds, including some for small manufacturing facility projects. Additional information about the programs and services provided by MDFB can be found at www.mdfb.org.

MISSOURI HOUSING DEVELOPMENT COMMISSION

MHDC receives bond cap for its "Mortgage Revenue Bond Program", in which the Commission partners with participating lenders to offer eligible first-time homebuyers lower interest rates.

MHDC is also an issuer for some MFH projects, and has several other programs directed toward the rehabilitation or development of affordable housing in Missouri.

For more information about the programs and services provided by MHDC, visit their web site at www.mhdc.com.

MISSOURI HIGHER EDUCATION LOAN AUTHORITY

MOHELA typically receives bond cap. The savings from the tax-exempt bond financing helps allow the Authority to offer benefits such as reduced interest rates in its Rate Relief and Public Service Reward programs. MOHELA's web site is www.mohela.com.

MISSOURI AGRICULTURAL AND SMALL BUSINESS DEVELOPMENT AUTHORITY

The Authority receives bond cap to underwrite loans to first time farmers for acquisition of land, equipment or breeding livestock. Visit its web site at www.mda.mo.gov for more information on the "Beginning Farmer Loan Program."

ENVIRONMENTAL IMPROVEMENT AND ENERGY RESOURCES AUTHORITY

EIERA is a statewide issuer for some energy and environmental projects. Visit its web site at www.dnr.mo.gov/eiera for more information.

LOCAL ENTITIES

There are many local entities, such as industrial development authorities, that can issue tax-exempt bonds. Contact the city government of the location of your proposed project for more information.

CONTACT

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