IRB Program Overview

Presentation to the Federation of Citizen’s Associations

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Tax Exempt Revenue Bonds have been permitted by IRS Code since early 1930’s to finance certain types of facilities and to help stimulate the economy.

On September 17, 1984 the BOS designated the EDA as the sole issuing authority for Revenue Bonds within Fairfax County.

Prior to revision of the Federal Tax Code in 1986 the EDA financed a number of different not-for-profit and for-profit facilities with the exception of risky retail establishments.
Background on IRB Program Cont’d.

- The revision of the Federal Code of 1986 dramatically curtailed the facilities that would be eligible for IRB financing.

  - 501 ©(3) entities – governmental and charitable organizations.
  
  - Manufacturing Facilities – any facility that is used to manufacture or produce tangible personal property, including processing resulting in a change in condition of such property.
Key Benefits of IRB Financing

- These bonds can be used to finance the acquisition of land, buildings, or new capital equipment. The benefit to the qualifying organization is that the bonds are tax exempt from federal and state tax and therefore allow the borrowers to get a lower interest rate on its financings. The interest rates are often 2-3% less than conventional sources.

- These bonds are not like General Obligation bonds which require the County’s full faith and credit.

- The FCEDA does not charge a processing fee for this bond issuance.
FCEDA’s IRB Processing Steps

1. Applicant decides to acquire, construct, or renovate real property in Fairfax County

2. Applicant consults with bond counsel to determine eligibility for tax exempt financings

3. Applicant begins to arrange for financings, either through a financial institution/underwriter

4. Applicant schedules a meeting with FCEDA to discuss application submission. Rodney Lusk and Tom Lawson meet with the applicant on site to review the request and discuss the EDA’s process. Have a checklist of questions that we review with the applicant.
FCEDA’s IRB Processing Steps Cont’d.

Questions that we ask applicants:

- What is scope of project? Square footage, acreage, compliance with underlying zoning, number of employees
- What are project costs? Land, site development, professional services, furniture, construction period interest and contingency
- Who is underwriting institution?
- Who is bond counsel?
- What are public benefits associated with project? Job creation, taxes generated, procured goods and services from Fairfax County based firms
- What are community benefits associated with project? Use of facilities by community organizations, provision of scholarships for disadvantaged students, volunteer/community service by employees, diversity programs
FCEDA’s IRB Processing Steps Cont’d.

Applicant submits IRB application to FCEDA for Tax Exempt Financing

Application is put on Agenda for FCEDA Commission meeting

Public Hearing is published in newspaper once a week for two consecutive weeks

FCEDA conducts a public hearing where the applicant makes a short presentation to FCEDA Commission
Commission Questions

What are the community benefits of this project?

- Use of facilities by community
- Community service by organization (scholarships, tutoring, financial/volunteer support)

Does the applicant have the ability to service the debt/repay the loans?

- Review audited financials
- Ask questions of the CFO on how debt will be serviced
Commission Questions Cont’d.

**What are the fiscal impacts of the project?**

- Employment projections
- Real estate square footage and construction costs
- Procurement by women-owned and minority/disadvantaged businesses

**Other Questions**

- Are there any zoning or county regulatory issues that need to be addressed?
- Personal property tax and average salary of employees
FCEDA Commission vote on resolution. If recommend approval will send resolution to Fairfax County Board of Supervisors.

If BOS adopts a resolution approving the issuance of bonds the bond counsel prepares the documents reflecting the financial transactions relating to the issuance of the bonds.

The FCEDA adopts a final resolution authorizing the issuance of the bonds.

Applicant can then go out to market the bonds as tax exempt.
Sample of IRB Financings

501© (3)

Public Broadcasting System (PBS)

Smithsonian Institute

Potomac School

Vinson Hall

Wolf Trap Foundation

George Mason University

Public Facilities

Public Safety Center

Wiehle Avenue Parking Garage

Providence District Office & Community Center

Government Center Properties

Manufacturing Facilities

S. Zivic Family LLC

Balmar, Inc.

Nomadic Display

Source: Google Images
Questions?