

Article/Bond Programs

The Palm Beach County Department of Housing & Economic Sustainability operates a number of loan programs that assist businesses in Palm Beach County to grow and expand by offering long term financing at favorable rates in partnership with Federal and private financial institution. These programs consist of the HUD Section 108 program, a USDA program for businesses in rural areas of the County, an EPA Brownfield Clean-up loan and a Department of Energy Loan for energy improvements. Eligible uses for these funds include working capital and fixed asset needs.

Additional resources that benefit in the financing of a project is through conduit revenue Bonds, which are available to both for-profit and non-profit businesses to secure fixed asset financing, and can generally be utilized to finance up to 100% of a project. The advantages for non-profits is that the Bonds are usually tax-exempt, which means that the interest earned on the Bonds is tax exempt to the purchaser for federal income tax purposes and, in some cases, also exempt from other forms of federal alternative minimum taxes to the purchaser. Because of this feature, tax-exempt bonds frequently have a lower interest rate and longer terms than conventional financings. For-profit businesses also benefit through lower rates and longer terms subject to the underwriting of the project. Bonds are typically purchased and underwritten by institutional investors and banks to ensure that the business wishing to obtain the financing can generate sufficient cash flow to support the debt, as well as providing sufficient collateral to the purchaser of the bonds.

The Internal Revenue Code requires that certain tax-exempt debt be approved by an elected governmental agency after a public hearing, but does not obligate that agency to make any payments on the Bond. The Bond is paid solely from revenues derived from the borrower and is not the liability of the governmental agency. Over the past 10-years, Bonds approved by Palm Beach County have generated a \$2 billion economic impact to our local area, created 1,568 new jobs and retained 5,439 jobs. Approved Bonds provided financing for the Education, Health, Arts, for-profit and non-profit industries. Examples of types of bonds which may be taxable or tax exempt include:

1. 501(c)(3) Bonds- These are tax exempt bonds for nonprofits to assist them in meeting their fixed assets needs. The interest earned on these bonds are generally both exempt from Federal income tax and alternative minimum tax making them attractive to purchasers.
2. Small Issue Industrial Revenue Bonds- Are bonds issued to assist manufacturing companies in meeting their fixed asset needs such as purchasing or building a structure and /or machinery and equipment. There is a \$10-million-dollar cap on these bonds and the interest earned is tax exempt from Federal income tax for the purchaser of the bonds. Also, such bonds normally require an allocation of the State of Florida private activity bond volume cap. A business can generally use these IRBs for expansion or construction of manufacturing facilities. Usually, they are issued in amounts of \$1 million but can be up to \$10 million in specific scenarios.
3. Taxable Bonds- Insurance Companies and certain institutional investors purchase these bonds issued by the County for their portfolios which can assist private for-profit companies with their fixed asset and working capital needs. These bonds may also be issued in tandem to pay for such items not typically permitted by tax exempt bonds such as working capital or excess costs of issuance. For instance, a non-profit might have its fixed asset needs funded by a tax exempt 501(c)(3) bond and its working capital needs by a taxable bond.

Bonds may be an attractive way to finance the capital needs of your non-profit or for-profit business. To learn more about the Department of Housing & Economic Sustainability, or any of the County's economic development and business investment programs, please contact me at 561-233-3600 or showard@pbcgov.org.