



## BUCKS COUNTY Industrial Development Authority

11 Welden Drive, Suite 100  
Doylestown, Pennsylvania 18901  
P. 267-880-6071 F. 267-880-6584  
www.buckscountyida.com

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### Tax Exempt Financing Frequently Asked Questions

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The Bucks County Industrial Development Authority (BCIDA) provides capital financing for non-profit organizations and manufacturing companies through its Industrial Revenue Bond and Mortgage Program. There are two types of tax-free facilities available through this program:

**Mortgages:** A bank can provide a tax-exempt mortgage to the entity through the BCIDA. An installment sale agreement between the entity and BCIDA is assigned to the bank which establishes the repayment of the loan. Interest earned by the bank is exempt from Federal and State taxes. The bank, in turn, passes on a lower interest rate to the borrower.

**Bonds:** The BCIDA can issue bonds for financing of a project. These bonds are tax-exempt to the bondholders. The bonds are backed by a letter of credit from a bank. Usually only projects over \$1 million are funded through a stand-alone bond issue due to the initial costs of issuing the bonds.

#### Who Qualifies for Tax-Exempt Bond & Mortgage Financing?

**Non-Profit Entities:** Charitable organizations described in Section 501 (c) (3) of the Internal Revenue Code. These include nursing homes, health care facilities and educational facilities.

**Manufacturing Companies:** Defined under federal law as “the manufacturing or production of tangible property (including processing resulting in a change in condition of such property).” A manufacturing facility can include office space, research and development space, and warehousing space, provided they are located on the premises of the manufacturing facility, are directly related to it, and compose less than 25 percent of the financing to be obtained. As part of the application process, companies will be required to obtain a legal opinion regarding their eligibility under the federal law.

**Exempt Facilities:** Certain facilities including solid waste disposal facilities, mass commuting facilities, docks, airports, hazardous waste disposal facilities, sewage facilities, water and electricity furnishings facilities, and other facilities designated by federal law as eligible for tax-exempt financing.

#### What are the Eligible Uses of the Funds?

**Land:** Includes acquisition, site preparation and improvements, infrastructure development (i.e. water, sewer, and rail) and environmental testing. The cost of land cannot exceed 25 percent of the total real estate acquisition cost.

**Building:** Includes acquisition, construction, rehabilitation, engineering, architectural, legal and other related cost. For a building acquisition, an amount equal to at least 15 percent of the tax-exempt portion used to acquire the building and any equipment contained within must be used for rehabilitation. This rehabilitation must be done within two years of the funding date.

**New Equipment:** Includes acquisition, delivery and installation. Used equipment may only qualify if contained in a building being acquired through tax-exempt financing.

**Soft Costs:** Includes legal, architectural, engineering, surveying, test boring, title insurance, appraisals, accounting, and financing costs for the project.

**Refinancing:** Includes existing tax exempt debt associated with real estate and/or equipment. Refinancing of conventional debt is limited to nonprofits.

### **What is the Minimum and Maximum Size of the Mortgages or Bonds?**

There is no minimum size for tax-exempt mortgages or bonds, although generally it is not economical to issue bonds for amounts under \$1,000,000. Amounts under \$1,000,000 are usually funded through a tax-exempt mortgage.

Under federal tax law, the borrower and occupant, along with their affiliates, together cannot incur more than \$20,000,000 of capital costs, in the city or township of the project, during the six-year period beginning three years before the date when the proposed bonds will be issued and ending three years after the issuance of the bonds. These capital costs include the current financing costs and any outstanding tax-exempt debt.

Up to \$1,000,000 of small issue financing, including prior outstanding small issues, is allowed without regard to other 6-year capital costs.

The project borrower and occupant, along with their affiliates, together cannot have outstanding tax-exempt financing anywhere in the United States or its territories or possessions in excess of \$40,000,000, including the current financing. Tax-exempt financing for exempt facilities counts against the \$40,000,000 limit, but not against the \$20,000,000 limit.

The non-profit entity and all related persons cannot have more than \$150,000,000 of outstanding non-hospital tax-exempt financing, including the proposed financing.

There is no maximum loan size for exempt facility bonds.

### **What is the Loan Term and Rate?**

The rate and term of the loan is established by the bank for tax-exempt mortgages. The rate and term of a bond issue is determined by the pricing of the bonds, the letter of credit fee and other costs associated with the bond issue.

### **How Many New Jobs Must be Created as a Result of a Project?**

Both new and existing full-time permanent jobs, at the project site, are counted for this program. Existing jobs include jobs which will be transferred to the project site. Tax-exempt manufacturing projects must retain or create, within three years of the financing one full-time permanent job for every \$50,000 of financing requested. Non-profit and exempt facility projects must retain or create, within three years of the financing, a total of at least ten full-time permanent jobs per financing.

### **What Are the Fees for BCIDA for This Type of Loan?**

Application Fee: \$1,500

Placement Fee: 1% due at closing

Closing Fee: 40 basis points

Legal Fee: Not to exceed \$5,000 - \$7,000

### **What is the Application Procedure?**

Entities wishing to apply for tax-exempt financing should contact the Bucks County Industrial Development Authority at 267-880-6071. Applications are accepted on a rolling basis. The BCIDA Board meets the first Thursday of each month to consider all loan projects submitted by their loan review committee for action. Following BCIDA approval, the application will be forwarded to the Bucks County Commissioners for their approval and then to the Pennsylvania Department of Community & Economic Development for approval.

### **Bond Counsel Opinion Requirement**

A preliminary opinion from a qualified bond counsel must be provided at the time of application to the BCIDA. This opinion should specify the federal tax-exempt category for which the project qualifies. The bond counsel that provides this opinion should be listed in *The Bond Buyers Municipal Marketplace*. Bond Counsel legal fees are separate from the BCIDA legal fees.

### **When Can the Project Construction or Acquisition Begin?**

Project construction and/or acquisition cannot begin until approval has been received from the Bucks County Industrial Development Authority. Deposits on real estate made prior to the approval are financeable through the program if the acquisition of the real estate occurs after the approval. Equipment, especially that which may have an extended delivery time, may be ordered prior to project approval and the costs (including advance payments) may be financed, provided that the equipment is “off the shelf” and is not custom built equipment, and provided that delivery and final payment of the equipment occur after approval.



**900 E. Clymer Avenue**  
**Sellersville Borough**

5 Year Straight LERTA - starting year 2016

**Proposal:** 6 Lot Subdivision for Industrial Use  
**Proposed Lot Size Average:** 4.0 - 10.0

**Projected Average Retail Per Improved Lot:** **\$3,000,000**

**Projected Real Estate 2% Transfer Tax: (One-time)**

Real Estate Transfer Tax (Borough 0.5%) \$15,000  
Real Estate Transfer Tax (Pennridge SD 0.5%) \$15,000  
Real Estate Transfer Tax (County 0.5%) \$15,000  
Real Estate Transfer Tax (State 0.5%) \$15,000  
**\$60,000**

**Estimated Assessed Land Value** 53,083

**Estimated Assessed Building Value** 246,917

<b>Annual Projected Real Estate Tax on Land value:</b>	<b>5-year total</b>
Borough (20) \$1,062	\$5,308
Pennridge SD (129.6227) \$6,881	\$34,404
County (23.20) \$1,232	\$6,158
<b>Total Annual Projected Real Estate Tax \$9,174</b>	<b>\$45,870</b>

<b>Annual Projected Real Estate Tax on Building value:</b>	<b>5-year total</b>
Borough (20) \$4,938	\$24,692
Pennridge SD (129.6227) \$32,006	\$160,030
County (23.20) \$5,728	\$28,642
<b>Total Annual Projected Real Estate Tax \$42,673</b>	<b>\$213,364</b>

**Annual Projected Income Tax/50 Employees:**

Average Income (Bucks County) \$53,786  
Borough Earned Income Tax (0.5%) \$13,447  
Pennridge SD Earned Income Tax (1%) \$26,893  
Occupational Privilege Tax Borough (\$15) \$750  
Occupational Privilege Tax Pennridge SD (\$5) \$250  
**Total Annual Projected Tax/50 Employees \$41,340**

**Total Estimated 5-year Annual Borough Tax Revenue \$15,258**

**Total Estimated 5-year Annual Pennridge SD Tax Revenue \$34,024**

**Total Current Property Assessment** \$244,720

**Total Current Annual Property Taxes** \$41,804

**Borough** \$4,405  
**Pennridge SD** \$31,721  
**County** \$5,678