

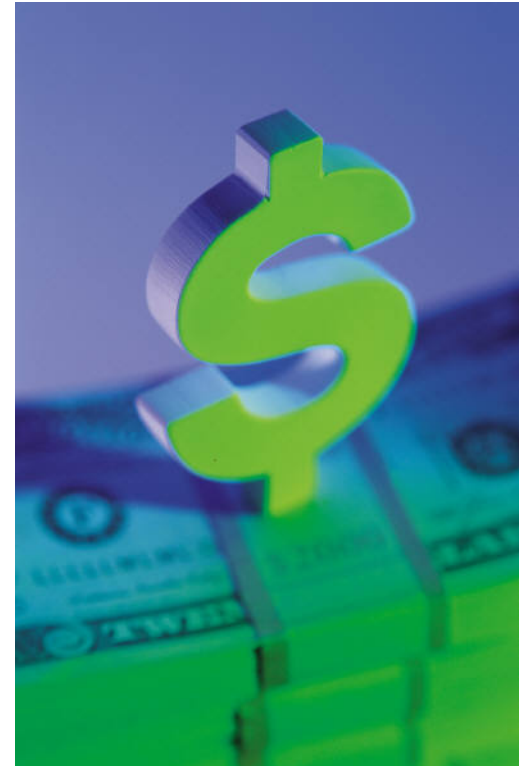


IFEA

ILLINOIS FINANCE AUTHORITY

# Energy Solutions Workshop

*Financing Options for Illinois  
Businesses and Institutions*



**Energy Education Council**  
September, 2008  
Quincy, Springfield, Mt. Vernon

# Funding Energy Solutions

- Others provide:
  - Incentives
  - Tax Credits
  - Property Tax Exemptions
  - Shared Costs - Partnerships
  - Free Money (Grants)



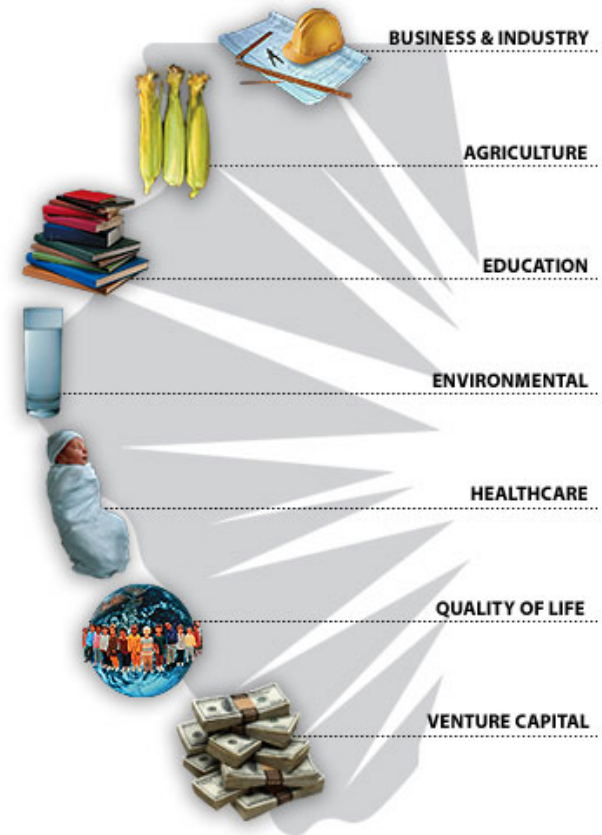
 **IFA Focus - *Lower Cost of Capital***

- Loans, Bonds

# Who is IFA?

## Illinois Finance Authority

- An independent, non-appropriated state agency
- Capital arm of economic development
- Statewide conduit authority
- Facility/fixed asset financing for
  - Businesses (mfg.'s, solid waste, pvt. utilities)
  - 501(c)(3)'s (private education, health care, etc.)
  - Local governments (municipalities, school districts, community colleges)
  - Agriculture (farms, agribusiness)
- **We bring private capital to the table**
  - Bank/Private Sector commitments are required for IFA financings



# IFA's Project Mission

## Reduce interest rates for capital projects that:

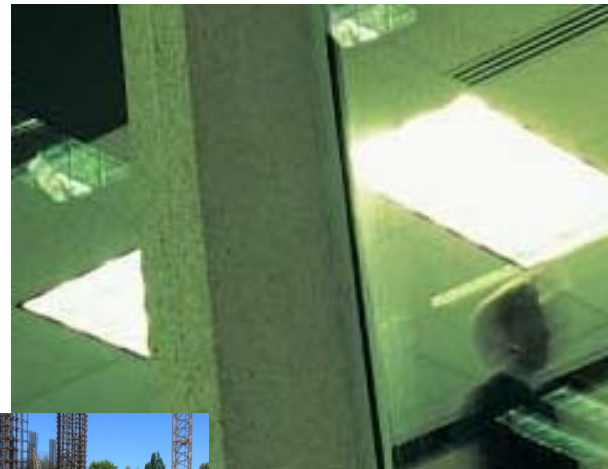
- Enhance the tax base
  - Create jobs or improve property tax base
- Enhance “quality of life”
  - Cultural, educational, health care, recreational, and social service facilities



# What can be Financed?

## 100% Financing:

- Acquisition of facilities and real property
- New construction
- Renovations
- Major equipment purchases
- To refinance all the above



**“Programs” and working capital not eligible**

**Eligible uses determined by IRS**

# Investing in Energy Solutions Can “Pay for Itself”

*Debt service may be paid out of realized energy  
and utility savings*

**For retrofit or renovation  
projects:**

- HVAC/ Insulation/ Lighting/  
Roofs/ Water Management/  
Solar & Wind/ etc. can be  
financed with:
  - **Bonds / Leases**
  - **Loans**



# New Construction “Green” for Your **GREEN**

A growing number of facilities are being designed to meet **LEED** standards

- Sustainable University Compact
- Hospital Construction
- 501(c)(3) Facilities
- Schools and Municipal Bldgs
- Manufacturing/Agri-business

## What is LEED?

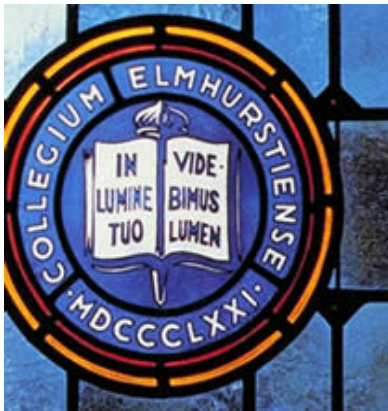
The Leadership in Energy and Environmental Design (LEED) **Green Building Rating System** is the nationally accepted benchmark for the design, construction and operation of high performance green buildings.



# Recent “GREEN” Financings

## Elmhurst College

- \$25 million 501(c)(3) bonds
- 170-bed semi-suite style student housing facility & adjacent surface parking lot
  - Designed to achieve LEEDS Silver Certification
  - Incorporated permeable paving, parking lot bioswales, rain gardens, cisterns, and native vegetation to minimize run-off into storm sewers and local waterways
  - Part of a comprehensive municipal water management plan with City of Elmhurst



**How can we help you reduce utility and environmental impact?**



# Recent “GREEN” Financings

## Loyola University, Lake Shore and Water Tower Campuses

- \$95 million CP / Multiple projects
- **One key project:** Richard J. Klarchek Information Commons – “bookless” library with advanced energy saving features:
  - Chicago's first doubleskin façade for natural ventilation and heat flow management
  - Radiant concrete slab ceilings that cool in the summer and heat in the winter
  - Shades, dampers, and blinds that respond to climate data and adjust accordingly
  - Designed to achieve LEEDS Certification



**How can we help you reduce utility and environmental impact?**

How can we help you?

# Businesses & Industry

**To build capacity and  
create new jobs**

- Participation Loans
- Industrial Revenue Bonds
- Environmental Facilities Bonds



## **IFA Participation Loans (lower blended rate):**

- Interest rate buydown program for Industrial and Commercial Projects
- IFA is a Co-Senior Lender – we purchase a Participation in a Senior Bank Loan
- The participating bank originates, underwrites, and services the loan
- No additional fee for the borrower
- Lending Limits:
  - **up to 50% of Bank Loan**
  - **\$500,000 IFA maximum lending limit**
  - 10 year maximum (balloon payments acceptable)
  - Working capital not available

# Industrial Revenue Bonds

An **Industrial Revenue Bond** [IRB] is a tax exempt bond issued by the IFA on behalf of corporations

- **Helps borrower**
  - Lower cost of financing – historically **2-3% below** conventional rates
- **Primary Users**
  - Privately owned manufacturers with \$3-\$150M in sales
- **Borrowing Amount**
  - **\$1.5M - \$10M**
- **Requires bank involvement**

# IFA as IRB Issuer

- IFA “lends” its municipal bond issuing status to manufacturing companies
  - “Converts” a conventional loan into a municipal bond
- Bond Interest is exempt from US income taxes
  - Investor accepts a sub-Prime rate
  - Manufacturer receives a sub-Prime rate
- Bonds not guaranteed by IFA or State

# Bank Role on IRBs

- Bank underwrites credit
- Bank can facilitate in 2 ways:
  - Purchases directly as Lender/Investor
  - Guarantees via Letter of Credit
    - Bank “lends” credit rating to Manufacturer
    - Provides lowest rate, but origination costs higher
- Bonds are typically variable rate unless direct purchase



## Barton Manufacturing - \$3 million IRB

- **Welding and machining - components and subassemblies for industrial equipment**
  - Plant expansion and acquisition of new equipment
  - Bonds secured by direct pay LOC
    - Bonds placed through regional bank

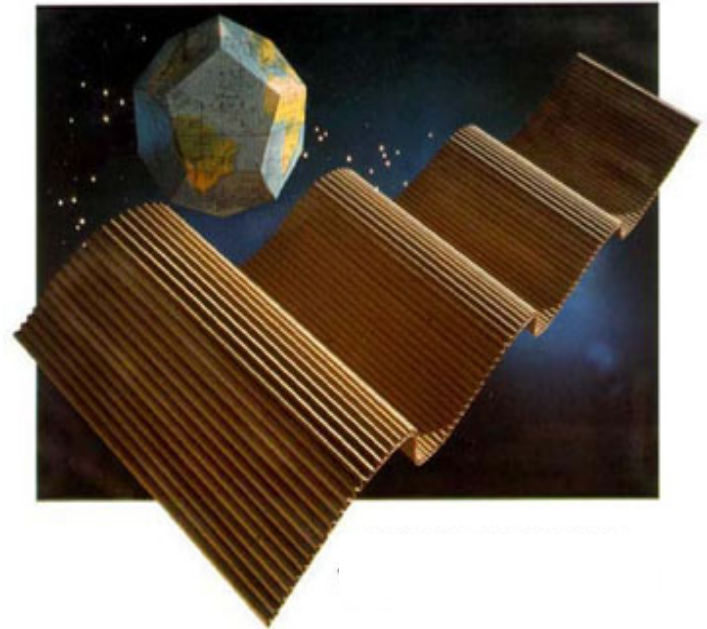


# Excel Container

## Aurora

## Excel Container - \$7 Million IRB

- Builds paperboard products and POP displays
  - Relocation / expansion in Aurora (retention)
  - Borrower's bank purchased the bonds
    - Larger regional bank with a rating



# Regis Technologies

## Morton Grove

## Regis Technologies

**\$2 M IRB + 1M refunding**

- **Small batch pharmaceuticals for use in clinical trials**
- **Expansion / build out of existing facility**
  - **Borrower's bank purchased the bonds to hold as direct investment**



# Typical Financings



- **American Allied Freight Car, Peoria - makes railroad car parts**
- **Deli Star, Fayetteville - produces meat products**
- **Roesch, Belleville - a porcelain enamel fabricator**
- **Campagna-Turano Bakery, Berwyn and Bolingbrook - make bread and baked goods**

# IRB Project Eligibility

- Fixed Assets:  
Land, buildings, and new equipment

## IRB Project Limitations

- Used equipment – can't finance
- Warehousing, transportation

**Maximum IRB amount - \$10M**

**Maximum IRB project spending limit - \$20M**

# Tax Exempt Bonds Nonprofit Organizations

To assist organizations that  
enrich our lives

## Who Can Use

- **501(c)(3)** organizations in  
Illinois

Hospitals, colleges & private  
schools, museums and  
cultural institutions, social  
and community service  
organizations, and more



# 501(c)(3) Bonds

Bondholder interest is exempt from Federal income tax

***Interest cost savings 2 – 3%***

*Debt is the obligation of the borrower, paid out of revenues*

## **501(c)(3) Revenue Bonds**

- Up to 100% financing available, ability to refinance
- Fixed or variable rate modes
- Typically over \$1.5 million to be cost effective

## **501(c)(3) Leases**

- Under \$1.5 million
- Maturity of lease will generally match the useful life of the assets financed
- Maximum term = 10 years



## YMCA of Southwest Illinois - Belleville

### **\$10 Million 501(c)(3) Bonds**

Finance new recreational facilities and  
refund existing bonds



## Kankakee County Training Center for the Disabled

### **\$1.78 Million 501(c)(3) Bonds**

Finance facility renovations



## Thresholds, Inc. - Rockford

### **\$8 Million 501(c)(3) Bonds**

Purchase land and buildings, renovate facilities



# IFA Local Government Bonds

## Statewide

### Financing for Illinois units of local government

- Provides municipalities and school districts with access to capital markets
- Can be secured by pledge of participant's State Aid Payments
- New construction & renovation, energy and infrastructure improvements, and depreciable fixed assets may be financed
- ***Stand-alone Bonds***
- ***Pooled Programs***
- ***Refinancing Bonds***



**Double Tax-Exempt --  
Federal and Illinois**

# Solid Waste Disposal Bonds

## Environmental Facilities Bonds

- Although more restricted in applicability, can often be used to **finance specific portions of larger expansion projects**
- Used by **privately-owned middle market** companies (particularly in solid-waste disposal) and **large, public companies**
- Privately owned generation facilities generally may not be funded with tax-exempt muni bonds



### BUSINESS & INDUSTRY

*... providing access to low-cost capital, we help businesses flourish and, most importantly, employ more people.*

# Definition of “Solid Waste”

What is “*Solid Waste*” according to the IRS?

- Material that has zero or negative value at the site
  - Test: no one would pay to purchase “waste” at any price
  - Material that another party would only accept free or if paid
  - Exception: transport/removal charges may be passed on
- Material must be “Solid” rather than liquid or gaseous
  - At least 4% solid at ambient temperature and pressure
    - Exceptions are made on a case by case basis

# “Solid Waste Facility” Criteria

Property used in whole or in part to:

- **Collect** (transportation vehicles, roads, transfer stations)
- **Store** (containers)
- **Treat** (scrubbers)
- **Transport** (trucks and equipment)
- **Utilize** (fuel)
- **Process** (fly and bottom ash), **or**
- **Provide for the final disposal of “Solid Waste”**  
(landfill or incineration)

# Other Opportunities

## Animal Waste / Landfill / Biomass Projects

- - IRS determination



## Bio-Fuels/ Coal Development/ Energy Projects

- Talk to us



# IFA's Report Card

*(since inception Jan 2004 – Dec 2007)*

- **790+** projects approved
  - **\$12 billion** in financing
  - **9,967 new jobs** – 24,148 construction jobs
- 
- Typical projects range from \$50 K to \$500+ million
  - Average - \$20 million
  - Nearly half (47%) are under \$50 million





# Steps with IFA

- **Review project scope** to identify costs that may be financed with tax-exempt bonds
- **Confer with advisors** and counsel to scope out potential savings & issues with tax-exempt bonding
- **Submit application** to IFA as plans emerge
- **Seek Inducement** from IFA well before incurring hard costs for the project
- **Seek final IFA approval** upon completion of substantially final documentation





# For More Information

[www.il-fa.com](http://www.il-fa.com)



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