

**NORTH CAROLINA
DEPARTMENT OF COMMERCE**

**Commerce Finance Center
Stewart J. Dickinson, Director
301 North Wilmington Street
4318 Mail Service Center
Raleigh, North Carolina 27699-4318**

**INDUSTRIAL REVENUE BONDS
COMMUNITY DEVELOPMENT BLOCK
GRANTS
INDUSTRIAL DEVELOPMENT FUND
ONE NORTH CAROLINA FUND
JOB DEVELOPMENT INVESTMENT
GRANTS
CREDITS FOR GROWING
BUSINESSES (ARTICLE 3J)**

*For information on our programs,
please contact our office or visit
our website:*

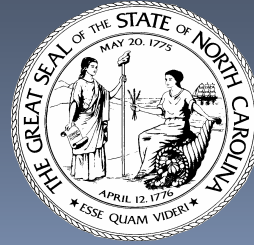
Phone (919)733-5297

Fax (919)715-5297

www.nccommerce.com/finance



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**North Carolina
Department of Commerce**

**COMMERCE
FINANCE
CENTER
PROGRAMS**

**Commerce Finance Center
One Step Financing**

The function of the Commerce Finance Center (CFC) is to administer the duties charged to the Secretary of the North Carolina Department of Commerce by the General Assembly. In many cases, CFC is responsible for the development of a package which combines funds made available from Industrial Revenue Bonds, Community Development Block Grants, the Industrial Development Fund, the One North Carolina Fund, Job Development Investment Grants and Article 3J Credits. CFC also acts as staff to the North Carolina Private Activity Bond Volume Cap committee as defined in the Tax Reform Act of 1984.

Our goal is to provide a "one-stop" financial center to which existing employers and relocating companies come for the articulation of the financing alternatives available in North Carolina. It is CFC's responsibility to encourage decisions that create new jobs and save existing jobs, and to entice prospective employers to North Carolina in order to provide better paying jobs for its citizens.

FINANCING AND INCENTIVE PROGRAMS

INDUSTRIAL REVENUE BONDS

Industrial Revenue Bonds (IRBs) offer businesses a convenient, long term, flexible financing vehicle. Because the interest received by bondholders is exempt from federal and North Carolina income taxes, the bondholder is willing to accept a lower rate of interest in exchange for tax-free income. Typically IRBs are issued as floating rate debt supported by a letter of credit issued by a bank, and have an interest rate that is approximately 60-70% of the prevailing prime rate. Terms of the bond issue are negotiable, and the costs of issuing bonds can be spread out over the term of the bond issue.

IRBs can be used to finance the entire project, including the cost of land, construction of new or expanded facilities, acquisition and installation of depreciable property such as equipment, and construction period interest. IRBs are available to finance qualified manufacturing facilities and certain solid waste disposal facilities in North Carolina.

The state's principal role in the issuance of IRBs is to assist borrowers through the process and to approve the bond applications. North Carolina benefits from new jobs and increased tax revenue from the bond financed facility.

Generally an issue should be at least \$1.5-2.0 million to be cost effective.

The regulations governing bond issuance are a combination of federal laws and regulations and North Carolina statutes.

IRBs can be used in all 100 counties.

COMMUNITY DEVELOPMENT BLOCK GRANTS

CDBGs may be accessed by a local government applicant on behalf of a for-profit business that will create new jobs (or sometimes retain existing jobs). Project activities must benefit persons qualifying as low or moderate income. Projects may involve grants for public facilities needed to serve the target business or, on a limited basis, loans to assist the business with purchase of machinery and equipment or construction costs. Public facility projects may provide grants of up to 75% of the proposed costs with a 25% cash match by the local government applicant. *(Note: No local match is required for projects in the 25 most distressed counties or 21st Century counties.)* Loan projects must involve a participating NC bank that will provide 50% or more of the funds needed by the project company. Tiers 1 and 2 counties may apply for up to \$1 million and Tier 3 up to \$750,000 per project. **Shell Building** loans require a 100% local match with all counties eligible for up to \$1 million.

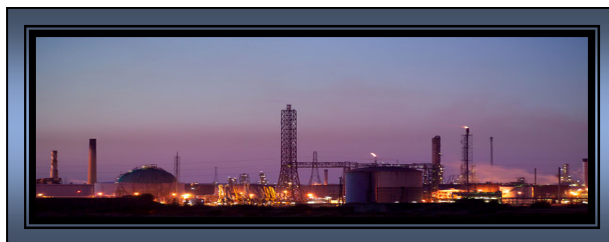
CREDITS FOR GROWING BUSINESSES (ARTICLE 3J CREDITS)

In July, 2006, the NC General Assembly passed legislation (House Bill 2170) that created a new tax credit program, Article 3J Credits. Article 3J provides three types of tax credits to eligible taxpayers that undertake qualifying activities in North Carolina: 1) Credit for Creating Jobs, 2) Credit for Investing in Business Property, and 3) Credit for Investment in Real Property (tier 1 only). These credits may be combined to offset up to 50% of

the taxpayer's state income and franchise tax liability, and unused credits may be carried forward for up to five years (15-year carry forwards apply to the Credit for Investing in Real Property and 20-year carry-forwards exist for taxpayers that invest at least \$150 million over a two-year period).

JOB DEVELOPMENT INVESTMENT GRANTS

JDIG is a discretionary incentive program which provides a limited number of annual cash grants directly to new and expanding businesses that need the grant in order to locate a project in North Carolina. The project must provide economic benefits to the State and meet other specified criteria. Grants are based on job creation that creates a net increase in employment in the State, and investment commitments made by companies in their formal applications to the State submitted prior to a location decision. A five member committee is authorized to award a specified number of grants per year, subject to a cap set by the legislature. Grant amounts range from 10% to 75% of withholding taxes paid for new employees in eligible positions created by a company over a specified number of job creation years. Grants are disbursed annually for a period of up to twelve years, following satisfaction of performance criteria set out in grant agreements, such as requirements regarding provision of employee health



insurance, a specified wage standard, and environmental and workplace safety standards.

INDUSTRIAL DEVELOPMENT FUND

IDF assists town, city or county governments with incentive industrial financing for those industries eligible through Article 3J in the top 65 distressed counties. As an incentive for job creation by new or expanding industry, local units of government offer assistance for improved infrastructure (in the form of grants) or for building renovation and equipment (in the form of loans). For either grants or loans, the amount funded depends on the number of new, full-time jobs created and cannot exceed \$5,000 per job or \$500,000 per project. Public facility projects require local government match of 25% or more, except in the top 25 distressed counties.

Economic Emergency Assistance may be provided to units of local government that have experienced within the past 12 months either a loss of 500 or more manufacturing jobs in the county, or a loss of manufacturing jobs equal to at least 10% of the manufacturing workforce in the county. The maximum amount of funds accessible for a project is set out by statute, and designation is at the discretion of the Secretary of Commerce.

Utility Account funds are provided as incentives for job creation and investment in the top 65 distressed counties to benefit industries eligible to participate in the Article 3J credits. Funds may be used for construction or improvements to water, sewer, gas, telecommunications, electrical utility lines or equipment for existing, new or proposed industrial buildings to be used for eligible industrial operations. The maximum funding level for each project is \$500,000.

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Subject to availability, One North Carolina Fund grants may provide funding for the installation or purchase of new equipment; structural repairs, improvements or renovation of existing buildings to be used for expansion; construction of or improvement to new or existing water, sewer, gas or electric utility distribution lines; equipment for existing buildings and/or new buildings. The company must agree to meet the hourly wage test as required for the William. S. Lee Act and the local units of government must agree to provide matching financial assistance to the company.

PROJECT SOURCE AND USE OF FUNDS EXAMPLE:

Source

Industrial Revenue Bonds	\$4,000,000
Company Investment	500,000
Town	50,000
One NC	50,000
Industrial Development Fund	150,000
Community Development Block Grant	250,000

Total Project Sources \$5,000,000

Use

Land and Building (IRB)	\$4,000,000
Water (IDF)	150,000
Construction & Rehabilitation (Company)	400,000
Machinery & Equipment: (Company)	100,000
(One NC)	50,000
Sewer (CDBG)	250,000
Administration & Planning (Town)	50,000

Total Project Uses \$5,000,000

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