
Overview of State Financing Programs Available Through the

Commerce Finance Center

A Division of the
North Carolina Department of Commerce



CFC Programs

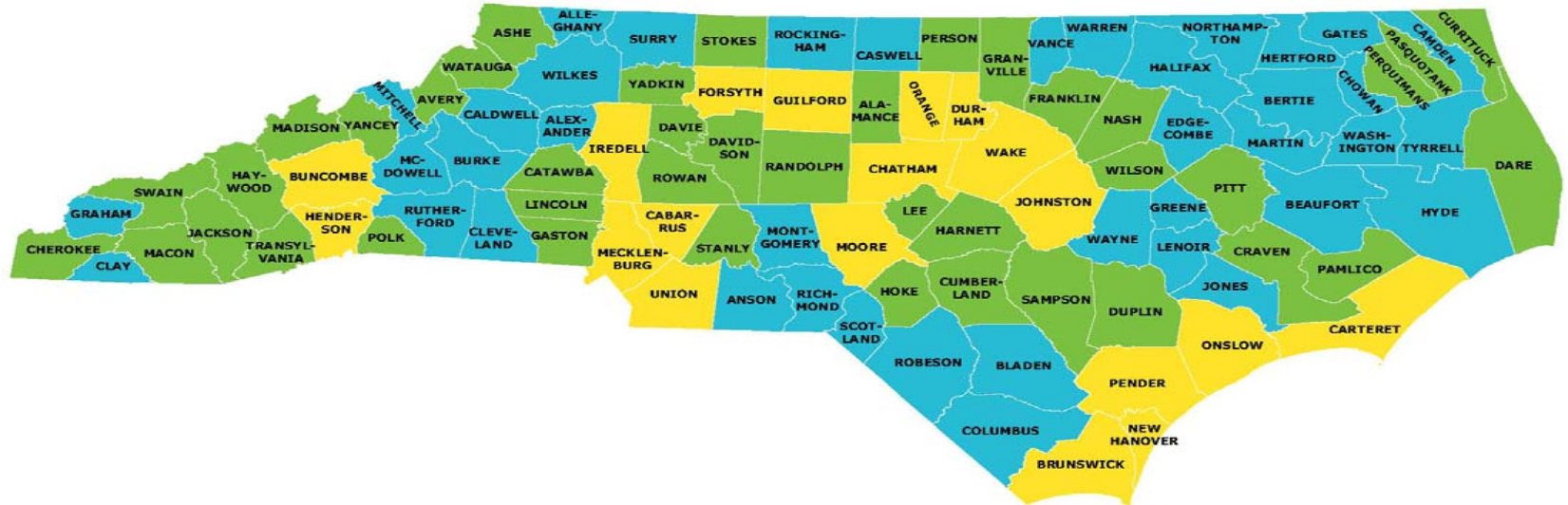
- Community Development Block Grants (CDBG)
- One North Carolina Fund (One NC)
- Industrial Revenue Bonds (IRB'S)
- Industrial Development Fund (IDF)
- Job Development Investment Grant (JDIG)

County Tier Designations

- NC's 100 counties are ranked annually based on economic well-being determined by the following factors:
 - Unemployment rate
 - Median household income
 - Percentage population growth
 - Per capita adjusted assessed property value
 - Small county provisions
- Each county is assigned a tier ranking based on a three-tier system (tier 1 is most distressed, tier 3 least distressed)
- State incentives are tailored to provide more benefit in lower tier counties

Tier Designations

2010 Article 3J County Tier Designations



2010 Tier Designation

- Tier 1
- Tier 2
- Tier 3



Community Development Block Grants (CDBG)

- Provides federal funding (HUD) for units of local government with projects that involve a new or expanding business creating or retaining jobs
- NC Department of Commerce administers the program on behalf of HUD
- Eligible applicants include county or municipal governments, with the exception of “entitlement communities” (23 cities and 2 counties that receive funding directly from HUD)
- CDBG funds must benefit low or moderate-income persons - usually through the provision of job creation or retention (at least 60%)
- CDBG-ED funds may be applied for at any time during the year

CDBG

➤ CDBG funds are provided in the form of:

1. Grants for publicly owned and maintained infrastructure improvements (water, sewer, gas, rail, or municipal electricity)
 - No local match required if project is located in a county that is designated as one of the 27 most distressed
 - Maximum grant is \$1 million in tiers 1 & 2 and \$750,000 in tier 3 (maximum grant funding per job also applies)
2. Shell manufacturing building loans
 - 1:1 local match required
 - Maximum loan is \$1 million in **all** tier designations (\$35,000 maximum loan per job also applies)
 - 5 year interest @ 2% interest
 - Interest only for the first two years
3. Building Reuse Loans for vacant properties
 - Grant funds provided to local government applicant that in turn loans the funds to the project business
 - Loan is forgiven if business holds created jobs for 5 years
 - Maximum loan amount is \$750,000 @ \$20,000 per job for tax credit eligible business and \$12,000 per job for non-tax credit eligible business

One North Carolina Fund (OneNC)

- Discretionary grant program that provides cash grants to companies with high-impact projects in the state
- Unit of local government must serve as pass-through for grant funds
- Grants are based on job creation and capital investment commitments made by the project business
- Average wage must meet 3J Wage Standards for Tiers 2 & 3
- Projects must be competitive with locations outside North Carolina

One NC (continued)

- State Grant Funds must be used by the project business for one of the following activities:
 - Installation or purchase of equipment
 - Structural repairs, improvements, or renovations of *existing* buildings
 - Construction of or improvements to utility infrastructure public or privately owned

One NC (continued)

- A local government's match must equal the value of the grant. The match can be:
 - Cash
 - Fee Waivers
 - In Kind Services
 - Donation of land, buildings or other assets (supported by independent appraisal)
 - Provision of infrastructure

One NC (continued)

- If a company announces its intent to undertake a project in NC, begins hiring, or purchasing assets prior to final approval of the grant, it is assumed the grant is not necessary for the project to go forward in the state.
- The announcement of the project is coordinated with the Department of Commerce , the Office of the Governor and other state and local agencies involved with the project.

Industrial Revenue Bonds (IRB's)

- Industrial Revenue Bonds (also called industrial development bonds, IDB's, IRB's and qualified small issue bonds) are debt securities issued under both federal and state law to assist new and expanding manufacturing and industrial facilities in all 100 counties of the state.
- IRB's can be either tax-exempt or taxable
- A governmental authority issues the bonds and lends the money to a company (the "borrower") for capital investment needs.
- The borrower is obligated to repay the bonds – the governmental entity acts as a pass-through and has no liability for payments on the bonds, closing costs, etc.

Eligible Businesses for Tax-Exempt Financing

- ✓ New and Expanding Manufacturing Facilities in all 100 Counties
– production of tangible personal property
- ✓ Private Solid Waste Disposal Facilities
- ✓ Certain Private Waste Water Treatment Facilities
- ✓ Certain Recycling Facilities

IRB'S (continued)

The bond proceeds may be used for...

- ✓ Capitalizable costs (investment in buildings, new machinery and equipment and land)
- ✓ Existing facilities so long as the amount equal to 15% of the purchase price is spent on rehabilitation
- ✗ Funds cannot be used for working capital
- ✗ Funds cannot be used to purchase used equipment unless part of an existing plant that is also being purchased

IRB'S (continued)

➤ Advantages:

- Income on the bonds is exempt from federal and North Carolina income tax, so the Borrower pays a lower interest rate
- County gets additional jobs and tax revenues from the facility
- IRB's can be used in conjunction with other incentives
- As much as 100% of the project costs may be financed

➤ Disadvantages:

- There are many rules to consider when determining whether the Project qualifies
- Bond financing may restrict the Company's ability to sell the plant in the future

Industrial Development Fund (IDF)

Basic IDF

- Provides infrastructure grants to units of local government designated as one of the 66 most distressed counties
- Infrastructure improvements must be necessary to serve a project business that commits to create jobs
- Not all types of business are eligible to benefit from IDF funding - must be an eligible business type under Article 3J
- Infrastructure improvements must be publicly owned and maintained
- Maximum grant is \$5,000 per job, capped at \$500,000
- No local match requirement for top 27 most distressed counties

Utility Account

- Separate account within IDF that is funded from 25% of Job Development Investment Grant payments made to companies located in tier 3 and 15% from companies located in tier 2
- Same structure as Basic IDF, but does not require a project business to commit to create jobs - the project must simply demonstrate that job creation will likely result from the infrastructure improvements made

Job Development Investment Grant (JDIG)

- Discretionary grant program that provides a limited number cash grants to companies with high-impact projects in the state
- Grant amount is based on the withholding taxes associated with new jobs
- Project businesses must meet job creation, average wage, and capital investment commitments in order to receive annual grant disbursements
- Five member Economic Investment Committee (EIC) evaluates projects and makes decisions regarding JDIG awards, funding levels, and the terms of the grants.
- By statute, the EIC is authorized to award up to 25 grants per year
- Grants range from 10% to 75% of the withholdings associated with eligible positions for up to twelve years
- Projects located in tier 3 are reduced 25% and those located in tier 2 are subject to a 15% reduction of the total JDIG grant. Proceeds are transferred to the state's Utility Account to fund infrastructure projects in the most distressed counties
- Projects must be competitive with locations outside North Carolina

CFC Contact Information

- Stewart Dickinson, Director (919) 715-6560
- David Spratley, JDIG (919) 715-2064
- George Sherrill, CDBG (919) 715-6559
- Kenny Stagg, CDBG (919) 733-5397
- Susan Rather, OneNC (919) 733-3735
- Mary Mae Johnson, IRB (919) 733-0886
- Mark Poole, IDF (919) 733-4907
- CFC Main (919) 733-5297
- Diane Hucke, Article 3J
Department of Revenue (919) 733-8510
- www.nccommerce.com