

Missouri Development Finance Board

2015 MEDC Fall Conference

MDFB

1. Welcome & Introduction

2. Board Overview

3. Board Programs





BOARD OVERVIEW

The Board

- Created by statute in 1982
- RSMO Sections 100.250 to 100.297 and RSMO Sections 100.70 to 100.850 (BUILD)
- The Board's Mission: "To assist infrastructure and economic development projects in Missouri by providing the critical component of the total financing for projects which have a high probability of success but are not feasible without the Board's assistance." Adopted by the Members in November 1996
- The Board's primary function is to assist in the financing of large-scale Missouri business recruitment and expansion, and public infrastructure improvements

Key Mission Components

- Infrastructure and Economic Development Projects
 - Capital projects for state and local governments, private businesses and not-for-profits
- Critical Component of the Total Financing
 - But-for test applied when using Board credit
 - But-for test not necessary when serving as a conduit
- High Probability of Success
 - Evaluating feasibility is key when using Board resources

Who Are We?

- A “body corporate and politic created within the Department of Economic Development”
 - A component unit of the State of Missouri
 - Specific powers set forth in statute
 - No power to bind or obligate the State or its credit
 - Property and income exempt from taxation
 - Occasionally receives project-specific appropriations

Board Members

12-Voting Member Board

- 8 volunteer members appointed by Governor
Not more than 5 from the same party
- Lieutenant Governor (ex-officio)
- 3 Department Directors (ex-officio)

- Members confirmed by the Senate
- Chair appointed by the Governor
- Members elect remaining officers



BOARD PROGRAMS

Programs

- Primary Programs
 - Tax Credit for Contribution
 - BUILD Missouri
- Other Programs and Activities
 - Conduit Bond Issuance (Public purpose and private activity)
 - MIDOC Loan Program (Public infrastructure)
 - Small Business Loan/Disaster Loan Program
 - Parking Garage ownership
 - Bond Guarantee Tax Credits
- Expired Programs
 - DREAM Initiative; MODESA

Tax Credit for Contribution

- Board authorized to award 50% tax credits on contributions received
 - Contributions may only be used for the statutory purposes allowed (public infrastructure & facilities)
 - Calendar year tax credit amount is limited by statute
 - \$10M annually
 - Additional \$15M annually with the approval of 3 cabinet officers
 - Credits may be sold (75% to 100% of par value)
 - Credits may be carried forward (10-year maximum)
 - Credits authorized since inception: \$466,529,577

Tax Credit for Contribution

- Procedure: (new in 2016)
 - Pre-Application process to request further consideration from the board
 - Selected Applicants will be invited to give a presentation before the board
 - Letter of Invitation to selected applicants allowing them to submit a Final Application

Tax Credit for Contribution

- Procedure:
 - Two Annual Competition Rounds of \$5M each
 - \$4.5M for Metro/Large City applicants
 - \$500,000 for Rural/Small City applicants

Round 1 deadlines:

Pre-Applications – February 28, 2016

Presentations to board – March meeting

Final Applications – April 30, 2016

Round 2 deadlines:

Pre-Applications - June 30, 2016

Presentations to board – July meeting

Final Applications – August 31, 2016

Tax Credit for Contribution

- Policies:
 - Evaluation Criteria
 - State Economic Impact
 - Local Government Participation
 - Public Investment
 - “But For” Test
 - Public Purpose Benefit/Impact



BUILD Missouri

- “Business Use Incentives for Large Scale Development”
- Finances a portion of capital investments by companies seeking to locate or expand in Missouri by providing refundable state tax credits
- Incentive program for job creation and investment
- Annual cap not to exceed \$25 million in credits issued

BUILD Missouri

- **BUILD Process**

- DED submits a proposal to eligible companies
- Program application is reviewed by both DED and MDFB staff
- DED makes recommendation to the Board
- Board must approve the financing
- Financing is structured as a bond issue
- Board staff monitors the project and conducts compliance reviews for the term of the bonds
- Most borrowings are set up on 15-year maturity

BUILD Missouri

- **BUILD Tax Credits**

- BUILD Tax Credits are performance based
- The amount of eligible tax credits are based on meeting the jobs and investment agreed upon with DED
- If job numbers or investment are not met the amount of eligible tax credits can be reduced, suspended or terminated
- Board also has the ability to recapture credits issued if minimum jobs numbers or investment are not met at the end of the 3-year ramp-up period (the “initial test date”)
- Companies are required to submit job & investment reports throughout the term of the bonds. The employment data is verified with Dept. of Labor & Industrial Relations (DOLIR)

BUILD Missouri

Status of Issues – 1997 to Present

- 55 Bonds Issued
 - 38 Active issues
 - \$117 Million in total Bond Amounts
 - \$2.25 Billion in Total Investments
 - 12,961 New Jobs
 - 4 Issues Pending to Close
 - \$45.2 Million in Bond Amounts
 - \$421 Million in Total Investments
 - 3,264 Projected New Jobs

BUILD Missouri

- **BUILD Program Fee**
 - \$1,000 application fee
 - Issuance fee of 2.5% of principal amount of bonds
 - Annual fee of 0.5% of principal amount outstanding on each anniversary date of issuance



Conduit Bond Issuance

- Eligibility:
 - State and local governmental entities, nonprofits and private borrowers.
 - Bonds are usually issued as tax-exempt which provides lower interest rates. (Borrower must meet all federal tax code qualifications.)
 - Requires substantial borrower credit strength. Private borrowers typical need a highly rated bank letter of credit.

Conduit Bond Issuance

- Common Uses:
 - Public Infrastructure Improvements
 - Manufacturing Facilities and Equipment
 - Cultural and Recreational Facilities



Conduit Bond Issuance

- Issuance Fees

- Private Activity = 0.30% on first \$25 million; maximum fee of \$75,000
- Public Activity = 0.25% on first \$25 million; 0.10% thereafter; maximum fee of \$75,000
- State Agency = 0.20% on first \$25 million; 0.10% thereafter; maximum fee of \$75,000
- Refundings (Private) = no application fee; will reduce issuance fee to 0.20% up to \$25 million; maximum refunding fee is \$50,000
- Refundings (Public) = no application fee; will reduce issuance fee to 0.165% up to \$25 million; 0.66% thereafter ; maximum refunding fee is \$50,000

Small Business Loan Program

- \$2 million authorized from Board's balance sheet to capitalize loan fund
- Maximum loan of \$50,000, 10-year term, fixed interest rate of 3%, not more than 15 employees
- 59 loans have been funded with \$1,719,160 obligated
- \$898,500 fund balance available to lend


Small Business Loan Program

- Loan proceeds can be used for working capital, inventory, equipment and real estate improvements
- Board and DED staff work on application review and closing loans
- Policies and Funding Guidelines are included in the Loan Application packets provided to prospective borrowers

Small Business Disaster Loan Program

- In June 2011, the Small Business Loan Program was expanded to provide financial assistance and access to capital for businesses located in a Presidentially designated disaster area
- Maximum loan of \$50,000, 10-year term, and choice of a 3% interest rate with a 2-year principal and interest deferral period, or 1% interest rate for the 10-year term
- These businesses are not required to meet the maximum number of employees requirement of the regular Small Business Loan Program
- 6 Disaster Loans were awarded in the Joplin area in 2011
- 82 Disaster Loans were made in the Ferguson area in 2014 & 2015

Bond Guarantee Program

- Provides a public entity a bond tax credit as additional collateral enhancement.
 - Credits are only issued in the event of a default.
 - Borrower (public entity) must demonstrate reasonable credit repayment ability.
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Bond Guarantee Program

- Program capacity \$50 million in principal amount outstanding.
- Approximately \$25.9 in capacity remaining.
- Primary uses have been blight remediation in urban core with firm commitment for private on-site &/or immediately adjoining follow-up development investment.

MIDOC Loan Program

- **Purpose:** Provide low interest debt financing for public infrastructure projects that will improve local facilities, address health and safety concerns, and develop a greater capacity for growth
- Maximum loan amount = \$150,000
- 3% Annual Interest rate for a term up to 20 years
- 85 loans originated, totaling \$6,006,651
- Approximately \$1.5M available

MIDOC Loan Program

- MIDOC loans are generally used to supplement other sources of financing for an infrastructure project (DNR, USDA, DED)
- Priority activities have been water and sewer system improvements necessary to correct deficiencies that, if uncorrected, are likely to result in health and safety hazards to system users

Missouri Development Finance Board

Questions?

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