INDUSTRIAL DEVELOPMENT AUTHORITY

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Chandler ARIZONA ONE CITY

One $aving Connection

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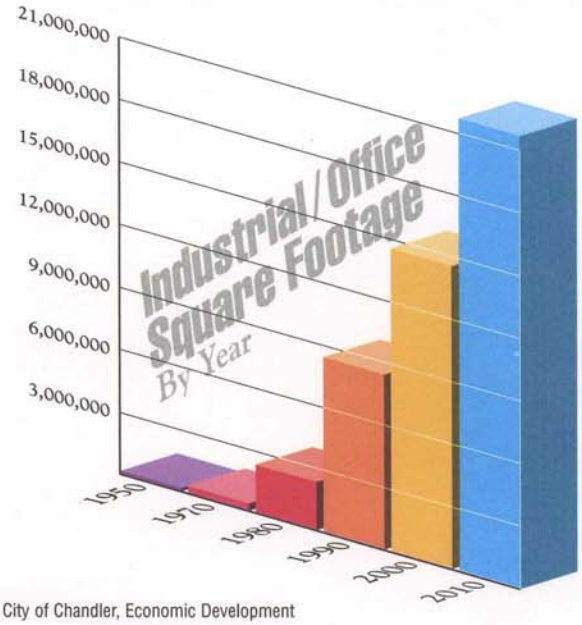
is available to expanding Chandler manufacturing companies. The Chandler Industrial Development Authority is a "conduit" lender for tax exempt bond financing of new or expanding manufacturing facilities.

This form of financing is becoming more popular with Chandler manufacturers as they expand at record rates. During the previous three years Chandler has added more than 2 million square feet of industrial space to its base.



Source: City of Chandler, Economic Development

Tax exempt bond financing can save the borrower an estimated $20,000 per year or $300,000 over a 15 year period for every $1 million dollars financed.

The Chandler Industrial Development Authority seeks to assist companies to finance their expansions and create new, quality jobs for Chandler residents. Over the past, the CIDA has assisted many companies to expand and diversify Chandler's economic base.

Chandler Economic Development Office

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Chandler manufacturers also utilize the CIDA to expand their facilities.

CIDA Tax Exempt Benefits for the Company and the Investor (Lender)

	Conventional Loan	***Tax Exempt Bonds***
Amount Financed	$1,000,000	$1,000,000
Interest Rate Paid by Company	6%	4%
Investor Tax Rate (AZ and Federal)	40%	0%
Net After Tax Yield to Investor	3.6%	4%

The Company receiving $1,000,000 CIDA financing can save $20,000 per year or $300,000 over a 15 year period. The investor can realize an annual yield increase of $4,000 or a $60,000 yield increase over 15 years in after tax dollars.

CIDA Structure

The Chandler Industrial Development Authority is a non-profit corporation, designated as a political subdivision of the State of Arizona, whose Board of Directors is appointed by the Mayor and Council.

This status gives the CIDA the ability to issue tax exempt bonds and loan the proceeds to private parties for use in qualifying projects.

Qualifying Projects

> Manufacturing Facilities
> Multi-family Housing
> Healthcare Facilities (owned and operated by non-profits)

The CIDA is a "conduit" lender. It does not directly loan its own funds, but rather, "passes funds through" from third parties that purchase the CIDA's bonds and loan them to the CIDA's borrowers. Under the Internal Revenue Code, interest paid on these qualified loans is, generally speaking, excluded from gross income when calculating Federal and State of Arizona tax liability.

The bonds are either sold to the public or privately placed with financial institutions. Often, the company can work with its own bank to secure the bond financing.

The bond proceeds can be used to finance capital expenditures made in connection with qualified projects.

Company's Costs & Considerations

The total cost for financing through CIDA will vary for each project.

- **Application Fee** - $3,000 (non-refundable)
- **Other CIDA Fees** - Depend on project size and complexity
- **Attorney Fees** - Comparable to Conventional Financing

* Applicants need to assess the overall benefit to determine that the benefit exceeds the cost.
* CIDA has adopted a "Fast Track process that speeds the process and helps reduce legal fees.

Steps for CIDA Funding

1. ***Applicant decides to seek CIDA funding, and has an estimate of the project's costs and benefits.***
2. ***Applicant prepares and submits the application with a $3,000 non-refundable fee to the CIDA for preliminary approval.***
3. ***Within 30 days, the CIDA will hold a public meeting to decide preliminary approval.***
4. ***CIDA financial and legal advisors will review the application and make a recommendation.***
5. ***CIDA requests that the Arizona Department of Commerce allocate funds against the state volume cap; if necessary.***
6. ***Applicant refines costs and works with financing source.***
7. ***Applicant submits request for final CIDA approval.***
8. ***Within 30 days, CIDA holds public meeting for final approval.***
9. ***Chandler City Council votes to decide final approval.***