



Tax-Exempt Revenue Bonds

Fact Sheet for Nonprofits, 501(c)(3)

What are tax-exempt revenue bonds:

- Form of financing – from the borrower’s perspective, similar to a loan
- Bonds (funds) are issued by a bank
- Grand Traverse Economic Development Corporation (GT EDC) involvement allows for the tax-exempt status
- Borrower receives a lower interest rate because of the purchasers benefit of tax-exempt income
- Interest rate is set by bank and based off credit of borrower – Typically 1 to 2 points below prime
- Term is variable and set by bank – Typically 15 to 20 years

What can be financed:

- Nonprofit organizations (no maximum amount):
 - Capital assets
 - Land
 - Buildings
 - Site work and equipment
 - Soft costs and fees
 - New construction
 - New equipment
 - Renovations of or improvements to existing facilities
 - Acquisitions of existing buildings and used equipment

Grand Traverse County Tax-Exempt Revenue Bond Project Examples:

- Children’s House expansion of existing facilities, \$2.5 million
- Involved Citizen Enterprises construction of Centre Ice Arena, \$3.5 million
- YMCA construction of the West YMCA facilities, \$4 million
- Meadow Valley construction of a senior living campus, \$44 million

Process:

1. Potential borrower meets with Traverse Connect to determine eligibility
2. Traverse Connect assists borrower with application
3. Traverse Connect reviews application with bond counsel to develop resolution to bring to GT EDC Board
4. Bond counsel issues a legal opinion validating the tax-exempt status of the bonds
5. GT EDC Board approves resolution
6. Notice of public hearing
7. Public hearing
8. Traverse Connect works with bond counsel to create second resolution
9. Grand Traverse County Board of Commissioners approves resolution
10. Bond closing