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Don't ignore the financing options that LDCs offer

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L.I.'s not-for-profit organizations have largely displaced its manufacturers as the area's primary economic engines. Despite this shift in the economic landscape, the authority of Industrial Development Agencies (IDAs) to finance not-for-profit and "civic facility" projects expired on January 31, 2008. Without this financing option, many of L.I.'s largest employers have limited opportunities for low cost financing.

LDCs can serve as an alternative to IDA assistance. Under N.Y. law, LDCs are authorized to issue tax-exempt bonds on behalf of the not-for-profit community, and can therefore offer it access to the tax-exempt capital markets and its low cost financing opportunities. LDCs may also serve as entities eligible to issue tax-exempt Recovery Zone Private Activity Bonds, allowing for-profit companies to borrow at tax-exempt rather than taxable rates. Interest on a qualified Private Activity Bond is exempt from federal and NYS income taxation. Typical borrowing rates can be substantially lower than interest rates on conventional borrowing.

Additional benefits an LDC may offer can include sales and use tax exemptions on construction materials and eligible equipment, and a mortgage recording tax exemption. Further, by working with an LDC affiliate, loans, energy discounts, hiring assistance and training incentives, business planning and counseling, and employee housing assistance may be available.

Given these substantial benefits, LDCs should not be overlooked by both for-profit and not-for-profit organizations as they seek means by which to obtain low cost financing for their commercial real estate projects.

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