

Response to Questions on the FY 2011 Budget

Request By: Supervisor Smyth

Question: What fees for IRBs do other Northern Virginia jurisdictions charge? What revenue would Fairfax County raise if the county imposed these fees?

Response: The following response was written by the Fairfax County Economic Development Authority (FCEDA)

The short answer is that Fairfax County could adopt whatever fee structure that is deemed suitable to generate revenue. As an example, in the following chart showing the fees that are charged by other Northern Virginia jurisdictions for industrial revenue bonds, each jurisdiction independently determines its fees and terms. Similarly, if Fairfax was to charge such fees, the amount that could be raised would depend on the fee structure that would be adopted. The position of the FCEDA Commission is that charging such fees is not a good idea because to do so would detract from the County's reputation as a business-friendly environment.

Industrial Revenue Bond - Cost Comparison

Jurisdiction	Fees & Terms
Alexandria	Administrative fees range from \$0 - \$2,500. Financing fees range from ½% to 25% of the amount financing, depending on the type of issuance.
Arlington	\$5,000 filing fee and \$20,000 closing fee, combined with an annual fee of the lesser of (a) one-eighth of one percent of the outstanding principal amount or (b) \$5,000, are the only County financing fees a project will incur.
Loudoun	\$2,500 application fee and percent-based administrative fee (see attached).
Prince William	The application fee is based on the amount of financing being sought and ranges from \$100.00 to \$1000.00; (2) an annual administrative fee is also charged by the IDA. The annual administrative fee is first payable on the date the bonds are issued and then on each anniversary date thereafter until such time as the bonds are paid off using the formula of 1/10 of 1% of the unpaid balance of the bonds.
Roanoke	\$1,750 application fee and a closing fee of one mil (.001%) of the principal amount of the bond, with a minimum closing fee of \$1,000 and a maximum closing fee of \$10,000.

The Commission strongly felt that the negatives of such a policy would far outweigh the benefits. Those negatives are summarized below:

1. It is a core belief of the FCEDA Commission that economic development is a public responsibility and that the Economic Development Authority should be publicly funded.
2. The construction projects funded by IRBs are sensitive to economic cycles and, as such would not be undertaken in times of recession. Thus, the funding support necessary for economic development activities would be least available in times when they are most needed. Some potential applicants may even be dissuaded from filing applications.
3. As the only northern Virginia jurisdiction not to assess fees for the issuance of IRBs, Fairfax County enjoys a very positive reputation as a community that is supportive of business growth. The resulting fees that could be generated from IRB applications are not worth the positive value of the pro-business reputation.
4. If fees are assessed for issuing IRBs, those funds will no longer be available to the applicant for the operating expenses of their programs. As virtually all of the IRB applicants are private, non-profit organizations, there would be a resultant decline both in service provision and job creation.

Attachment: Loudoun County, VA Bond Application and Administrative Fees Chart

BOND APPLICATION AND ADMINISTRATIVE FEES

	Issue Size (Millions)	501(c)(3)		All Other Qualifying Entities
		Government/ Safety Entities	All Others	
Application Fee*	All	\$2,500	\$2,500	\$2,500
Administrative Fee*	<i>Percent "fab" or face value of bond</i>			
Initial	<\$10		0.00200	0.00200
	\$20 - 100		0.00150	0.00150
	\$100 - 250		0.00100	0.00100
	\$250+		0.00100	0.00100
Annual (10 Year Cap)	<\$10		0.00000	0.00050
(1st of each of 10 years	\$20 - 100		0.00040	0.00040
beginning at 1st anniversary	\$100 - 250		0.00030	0.00030
of the date of issue closing)	\$250+		0.00020	0.00020

Max Bond Amt	Estimated Annual Fee Income (Per Issue) (Bold = HMMI Category)		
	501(c)(3) Govt/PS	501(c)(3) Other	Other Entities
	10,000,000	\$0	\$20,000
100,000,000	\$0	\$150,000	\$150,000
250,000,000	\$0	\$250,000	\$250,000
550,000,000	\$0	\$550,000	\$550,000
10,000,000	\$0	\$0	\$5,000
100,000,000	\$0	\$40,000	\$40,000
250,000,000	\$0	\$75,000	\$75,000
550,000,000	\$0	\$110,000	\$110,000

**Estimated
10 Year Fees Annuity (Per Issue)**

501(c)(3) Govt/PS	501(c)(3) Other	Other Entities
\$2,500	\$22,500	\$72,500
\$2,500	\$552,500	\$552,500
\$2,500	\$1,002,500	\$1,002,500
\$2,500	\$1,652,500	\$1,652,500