



## Midwestern Disaster Area (MDA) Bonds

Midwest Disaster Area Bonds (MDAs) are targeted toward the redevelopment of areas in Wisconsin affected by the flooding that occurred in 2008. They offer the ability for a private business to receive tax-exempt financing.

The proceeds must be used in a county declared as a federal disaster area (Dane County qualifies). Total allocation for WI: \$3,830,112,000. The Dane County allocation is \$50 million.

**Eligibility:** While MDAs were initially targeted toward businesses that were directly affected by the flooding disaster, the Governor has extended eligibility to other businesses not affected by the flooding.

**Eligible costs:** Proceeds of the bonds may be used to finance the cost of:

1) Acquisition, construction, reconstruction or renovation of nonresidential real property (including fixed improvements associated with such property, but not equipment and movable fixtures). Nonresidential real property projects can include:

- Manufacturing facilities
- Retail businesses and shopping centers
- Auto dealerships
- Restaurants
- Office buildings
- Warehouses and storage facilities
- Medical office buildings and other medical facilities
- Commercial development
- Agricultural facilities

2) Qualified residential rental housing

3) A public utility project

**How it works:** Bondholder accepts a lower interest rate for the tax-free income. Even though MDAs are issued by Dane County, they are not general obligations of the County. The company or business that will use the financing pays the interest and principal on the bonds. The local government is in partnership with the business, lending its name, but not its credit, to the bond issue.

Dane County will work with existing businesses to facilitate WI Department of Commerce review. Interested businesses must demonstrate a firm commitment from a financial institution or bond underwriter to purchase the bonds demonstrating that the project is credit worthy. Documentation supporting this criteria is required before an application can be accepted for review. Projects

must demonstrate their potential jobs creation, jobs retained, and potential for long-term regional economic benefit.

**Other requirements:** If the bonds are used to acquire existing buildings, the borrower must spend at least 50% of the cost of acquisition on rehabilitation of the building. No more than 25% of the bond proceeds can be used to acquire land. No more than 2% of the bond proceeds can be used to pay issuance costs. Borrower can only use the bond proceeds to reimburse eligible costs that are incurred within 60 days prior to the adoption of the initial resolution.

Proceeds of the bonds may not be used to finance any skybox or other private luxury box, health club facility, golf course, country club, massage parlor, hot tub facility, suntan facility, racetrack or other gambling facility, or liquor store. This is stipulated under federal law.

Commerce recommends designation to the Governor's office. Governor's office designates the bonds as Midwestern Disaster Area Bonds.

Issuer/Borrower has 120 days from designation date to issue bonds. Issuer/Borrower has 15 days after the bond issue to notify Commerce of the issuance.

**Timeline:** Bonds must be issued before January 1, 2013.

Interested businesses should contact Olivia Parry, Dane County Economic Development Specialist, at 608-266-4270, or Parry@countyofdane.com.