GO Zone bond program nearing its expiration date

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The expiration date is nearing for Louisiana's use of a tax-free recovery bond program set up by Congress after hurricanes Katrina and Rita, with hundreds of millions of dollars in Louisiana's bond capacity still not used.

Louisiana received $7.8 billion in tax-free borrowing capacity from Congress through the federal Gulf Opportunity Zone Act to dole out to private business developments to help spur growth in 31 hurricane-impacted parishes after the storms struck in 2005.

About $59 million remains unallocated. Another $840 million has been allocated but the bonds have yet to be sold. Private developers borrowing money have until Dec. 31 to tap into the bond program.

GO Zone projects are given a special borrowing status so businesses can borrow money more cheaply. The State Bond Commission determines who gets the GO Zone bond designation.

State Treasurer John Kennedy asked developers who have outstanding GO Zone bond allocations they haven't used to explain to the Bond Commission in October whether they will use the borrowing capacity or whether the state should give it to someone else to ensure it's not lost.

Other projects are waiting in the wings. Whit Kling, director of the Bond Commission, said the commission already has applications for $300 million in projects for its October meeting.

Among the projects that haven't gone to the bond market yet are the expansion of a tank facility in St. James Parish, a biodiesel plant in St. Charles Parish and a hospital project in East Baton Rouge Parish.

Though several months ago Kennedy said he was worried the state would leave GO Zone bonds on the table, he said Thursday that he's confident the state will use nearly all its GO Zone capacity by the end of the year.

"You'll never hit it on the exact penny, but I really think we're going to use well over 95 percent because our demand has picked up," Kennedy said.

One of the latest projects to get approval for GO Zone bonds was for steelmaker Nucor. The Bond Commission agreed Thursday to let Nucor use $600 million in recovery bonds for construction costs for a massive iron and steel plant planned in St. James Parish.

Meanwhile, a similar program offering $384 million in tax-free borrowing capacity to private Louisiana businesses damaged by Hurricane Ike, which hit Louisiana two years ago, is tapped out. A final $65 million allocation was approved Thursday for Westlake Chemical Corp., for its plant in Calcasieu Parish.

For the Ike program, private businesses in 16 parishes were eligible for the replacement of losses or facility repairs, but not for new construction or expansion. Public utilities in those parishes also were eligible for repair and reconstruction projects. The tax-exempt bond status is available through December 2012.

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