



DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

Grants Management Division

m e m o r a n d u m

TO: Elizabeth H. Tyler, FAICP, Community Development Director

FROM: Kelly Mierkowski, Manager, Grants Management Division

DATE: April 4, 2013

SUBJECT: **RESOLUTION EVIDENCING THE INTENTION OF THE CITY OF URBANA, CHAMPAIGN COUNTY, ILLINOIS, TO TRANSFER VOLUME CAP IN CONNECTION WITH PRIVATE ACTIVITY BOND ISSUES, MULTI-FAMILY REVENUE BONDS; AND RELATED MATTERS (Private Bond Cap Allocation – EIEDA, Series 2013)**

Description

Included on the agenda of the April 8, 2013 meeting of the Committee of the Whole is a resolution to allocate the City's Private Activity Bond Cap to the Eastern Illinois Economic Development Authority (EIEDA).

Background

In accordance with the IRS Code, each municipality in Illinois is allowed to issue private activity bonds in the amount of \$95 per capita population for 2013. The City's private activity bond cap must be allocated or reserved before May 1, 2013. The options include reserving the bond cap for a local eligible project, or ceding the bond cap to another community for participation in an eligible activity. Any unused bond cap not ceded for any combination of these options will automatically be recaptured by the State of Illinois for use by another municipality. The City of Urbana has a total of \$3,944,210 in 2013 Private Activity Bond Cap available that can provide below-market-rate financing for the following activities:

- 1) Affordable housing programs
- 2) Multi-family affordable housing projects
- 3) Nonprofit development projects (i.e. hospitals, YMCAs, etc)
- 4) Industrial development projects (i.e. manufacturing)

Last year the City of Urbana ceded its bond cap portion to the Eastern Illinois Economic Development Authority (EIEDA), as the AssistUrbana homebuyer assistance program ceased operating in 2011. David Rasch, the representative for the Administrator of the Assist Mortgage

Certificate Credit (MCC) Program, indicated that there was not an immediate need for additional bond cap last year, but that the City should consider ceding its bond cap to the Assist MCC program in 2013.

Mr. Rasch informed staff that the Servicing Agreement, which was negotiated with US Bank to be the new Master Servicer for Illinois Assist, was to be adopted by the Aurora City Council in March 2013, and they would be ready to make loans shortly thereafter. Mr. Rasch indicated that the bond cap would most likely be used for MCCs in conjunction with their first-time home buyer loans. Mr. Rasch then contacted staff on March 20, 2013 to state that due to a change in the Master Servicer for the program, they had temporarily suspended the origination of program loans. He indicated they anticipated lending activity would commence with the new master servicer on or about May 15, 2013. Staff is not recommending the bond cap be ceded to Assist MCC because of the non-performance of the program in the last several years, and concern about the feasibility of the program for 2013.

The Illinois Housing Development Authority (IHDA) has informed staff that it is accepting additional bond cap funding for its Down Payment Assistance Program at this time, but would not be forming any special programs for the City of Urbana with the bond cap as they have done in the past. Therefore, staff is not recommending the City's bond cap be ceded to IHDA.

As such, staff is recommending that the full 2013 bond cap allocation be ceded to the Eastern Illinois Economic Development Authority (EIEDA) again this year, as any funds that are not used within the City limits will benefit the Eastern Illinois area.

Program History

EIEDA was created in July, 2005 by Illinois Public Act 94-0203. The Act allows EIEDA to issue taxable and tax-exempt bonds for the purpose of developing, constructing, acquiring, improving properties or facilities for business entities locating, or expanding, within the territorial jurisdiction of EIEDA. The jurisdiction includes the following counties: Champaign, Coles, Douglas, Edgar, Ford, Iroquois, Moultrie, Piatt, Shelby, and Vermilion.

The City does not wish to act as an Issuer at this time due to the heavy administrative capacity needed to oversee this type of program and the financial risks it would involve. By ceding the City's bond cap to EIEDA, the City may be able to access these funds for neighborhood revitalization projects such as the Kerr Avenue Development project and other important economic development activities. Allowing EIEDA to serve as Issuer removes any financial liability on the part of the City and could provide a means of financing future community development projects.

During its March 26, 2013 regular meeting, the Urbana Community Development Commission forwarded the attached Resolution with a unanimous recommendation for approval.

Options

1. Approve the Resolution Evidencing the Intention of the City of Urbana, Champaign County, Illinois, to Transfer Volume Cap in Connection with Private Activity Bond Issues, Multi-Family Revenue Bonds; and Related Matters.
2. Approve the Resolution with changes.
3. Do not approve the Resolution.

Fiscal Impacts

There will be no fiscal impact to the City Budget in ceding volume bond cap to EIEDA, and any financial risk associated with issuing the bonds is removed from the City's responsibility, as the responsibility is assumed by EIEDA. The City could see benefits from eligible local projects in the future if they are supported with the bond financing provided through EIEDA.

Recommendation

Staff and the Urbana Community Development Commission recommends that the Urbana City Council approve the Resolution ceding the City of Urbana's 2013 private activity bond cap of \$3,944,210 to EIEDA.

Memorandum Prepared By:

**Kelly H. Mierkowski, Manager
Grants Management Division**

Attachments:

- (1) RESOLUTION EVIDENCING THE INTENTION OF THE CITY OF URBANA, CHAMPAIGN COUNTY, ILLINOIS, TO TRANSFER VOLUME CAP IN CONNECTION WITH PRIVATE ACTIVITY BOND ISSUES, MULTI-FAMILY REVENUE BONDS; AND RELATED MATTERS (Private Bond Cap Allocation – EIEDA, Series 2013)
- (2) Relevant minutes from the March 26, 2013 regular meeting of the Urbana Community Development Commission (Unapproved)

RESOLUTION NO."4235/26/23;T

**RESOLUTION APPROVING THE TRANSFER OF VOLUME CAP IN CONNECTION WITH PRIVATE
ACTIVITY BOND ISSUES, SINGLE-FAMILY MORTGAGE REVENUE BONDS, AND RELATED
MATTERS**

(Private Bond Cap Allocation - EIEDA, Series 2013)

WHEREAS, the City of Urbana, Champaign County, Illinois (the "Municipality") is a municipality and a home rule unit of government under Section 6 of Article VII of the 1970 Constitution of the State of Illinois; and

WHEREAS, Section 146 of the Internal Revenue Code of 1986, as amended (the "Code"), provides that the Municipality has volume cap equal to \$95 per resident of the Municipality in each calendar year, which volume cap may be allocated to certain tax-exempt private activity bonds; and

WHEREAS, the Illinois Private Activity Bond Allocation Act, 30 ILCS 345/1 *et seq.*, as supplemented and amended (the "Act"), provides that a home rule unit of government may transfer its allocation of volume cap to any other home rule unit of government, the State of Illinois or any agency thereof or any non-home rule unit of government; and

WHEREAS, it is now deemed necessary and desirable by the Municipality to transfer its volume cap allocation for calendar year 2012 to the Eastern Illinois Economic Development Authority (the "Issuer") to be applied toward the issuance of multi-family revenue bonds by the Issuer (the "Bonds") or for such other purpose permitted by this Resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF URBANA, CHAMPAIGN COUNTY, ILLINOIS, AS FOLLOWS:

Section 1. That, pursuant to Section 146 of the Code and the Act, volume cap of the Municipality in the amount of \$3,944,210 for calendar year 2013 is hereby transferred to the Issuer, which shall issue the Bonds using such transfer of volume cap, without any further action required on the part of the Municipality, and the adoption of this Resolution shall be deemed to be

an allocation of such volume cap to the issuance of the Bonds or other private activity bonds.

Section 2. That the Municipality and the Issuer shall maintain a written record of this Resolution in their respective records during the term that the Bonds or any other such bonds to which such volume cap is allocated remain outstanding.

Section 3. That the Mayor, the City Clerk and all other proper officers, officials, agents and employees of the Municipality are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents and certificates as may be necessary to further the purposes and intent of this Resolution.

Section 4. That the provisions of this Resolution are hereby declared to be separable, and if any section, phrase or provision of this Resolution shall for any reason be declared to be invalid, such declaration shall not affect the remainder of the sections, phrases and provisions of this Resolution.

Section 5. That all resolutions, orders, or parts thereof, in conflict herewith are, to the extent of such conflict, hereby superseded; and that this Resolution shall be in full force and effect upon its adoption and approval.

PASSED by the City Council this _____ day of _____, _____.

AYES:

NAYS:

ABSTAINS:

Phyllis D. Clark, City Clerk

APPROVED by the Mayor this _____ day of _____, _____.

Laurel Lunt Prussing, Mayor