



Legislation Text

File #: 24-0396, Version: 1

CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Pass the ordinance approving the transfer of the 2024 Volume Cap in the amount of \$18,742,000, to the Town of Normal

DEPARTMENT: Finance Department

SUBMITTED BY: Rachel Mayer, Director of Finance

BOARD/COMMISSION REVIEW:

N/A

BACKGROUND:

The Volume Cap program is a federally-authorized program, which allows the state to allocate tax-exempt bond authority to various projects throughout the state. With the authority, bond issuers can finance projects at interest rates below the conventional market.

The Tax Reform Act of 1986 established a unified state Volume Cap to regulate the activities permitted to be financed with tax-exempt private activity bonds. Private activity bonds are issued by states and local authorities to provide affordable financing for a wide range of public-purpose projects, such as single-family mortgages, manufacturing facilities, multifamily housing, economic development, student loans, and certain non-profit and environmental facilities.

On February 6, 2024, City Council passed ordinance 23-007 which reserved the 2024 Volume Cap amount of \$18,742,000. The bonding authority may be used for financing projects within the City or it may choose to sell or cede the Volume Cap for projects in other Illinois communities. The City has until December 31, 2024, to use or transfer the Volume Cap.

In the past, the City transferred all or portions of its Volume Cap to other entities, these include:

- In 2009 and 2010, the City transferred the Volume Cap to two homebuyer programs: Illinois Housing Development Authority and the City of Aurora First-Time Homebuyer Down Payment Assistance Program.
- In 2011, the City transferred the Volume Cap to the Will Kankakee Regional Development Authority. The organization works with home rule communities to accumulate Volume Cap and identifies expanding businesses that can benefit from the tax-exempt borrowing rates.
- In 2012, the Council approved a transfer of \$4 million in Volume Cap to the Village of Addison to support SWD, Inc., a fastener sorting corporation expansion project.
- In 2013, the Council approved a \$13.6 million Volume Cap transfer to the Village of Downers Grove.

- In 2016, the County of Winnebago requested Naperville transfer \$4.4 million of the Volume Cap allocation to be used to make a first mortgage loan to Cellusuede Products, Inc.
- In 2018, the City transferred the Volume Cap to the City of Aurora for use in a homebuyer program, Illinois Assist Homebuyer Down Payment Assistance Program.
- In 2019, the City transferred \$15.5 million to Silver Street Development and the City of Chicago Heights to assist the community in the development of affordable homeownership. The cash provided through the Volume Cap borrowing will be used to offset down payment and closing costs for home buyers. The cap was purchased from the City for a fee of \$155,061.
- The 2020 - 2023 allocations were transferred to the Illinois Assist Homebuyer Program and the Town of Normal, as follows:
 - 2020: \$15.57 million
 - 2021: \$16.31 million
 - 2022: \$16.28 million
 - 2023: \$17.89 million

The program assists first-time homebuyers to obtain affordable loans.

DISCUSSION:

The City received a request from Monarch Mortgage Management, the program administrator for the Assist program, in conjunction with the Town of Normal to transfer the City's 2024 Volume Cap allocation, valued at \$18,742,000, for a mortgage credit certification program. The program is designed to promote homeownership by providing families with an annual federal income tax credit of up to \$2,000 per year for the life of the mortgage. Through the program, first-time homebuyers and veterans with qualifying credit scores will receive the federal income tax credit to make the ongoing cost of homeownership lower by the value of the annual federal income tax credit.

The requested transfer will be the fifth consecutive year Naperville has supported the Illinois Assist program in Normal through the Volume Cap transfer. Naperville is one of more than 70 local governments contributing to Illinois Assist. The transfer of funds will not include a fee payable to the City because the benefit accrues to residents.

Considering the City's priorities to promote attainable housing, staff discussed with Illinois Assist the potential for the program to be successful in Naperville. The program has strict limitations on purchaser income and purchase price that are determined by county. Illinois Assist indicated that the limits established in DuPage and Will counties make it very unlikely the program could succeed in Naperville given the City's housing demographics. The program is more successful in areas outside the Chicago metropolitan area, where the cost of living is lower and the price of housing more affordable.

Staff is unaware of any developments that would make use of the Volume Cap during 2024. The Naperville Development Partnership also confirmed they are not working with any developers interested in financing projects through private activity bonds.

Staff has identified no immediate use for the 2024 Volume Cap allocation and recommends transfer to the Illinois Assist program and the Town of Normal.

FISCAL IMPACT:

There is no financial impact on the budget. The City has no financial exposure to the program.