



Legislation Text

File #: 21-0312, Version: 1

CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Pass the ordinance approving the transfer of \$16,313,440 of the 2021 Volume Cap 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.

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

1. In 2009 and 2010, Naperville transferred the Volume Cap to two homebuyer programs: Illinois Housing Development Authority and the City of Aurora First-Time Homebuyer Down Payment Assistance Program.
2. In 2011, Naperville 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.
3. In 2012, 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.
4. In 2013, Council approved a \$13.6 million Volume Cap transfer to the Village of Downers Grove.
5. 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.
6. In 2018, Naperville transferred the Volume Cap to the City of Aurora for use in a homebuyer program, Illinois Assist Homebuyer Down Payment Assistance Program.
7. 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 home ownership.

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 with a fee of \$155,061.

8. In 2020, the City transferred \$15.57 million to the Illinois Assist Homeownership Program and the Town of Normal to homebuyers to obtain affordable loans.

Each year, home rule municipalities receive an allocation of the Volume Cap for issuance of private activity bonds. The home rule municipality must allocate the Volume Cap or reserve it by May 1.

On January 1, 2021, the City received its allocation for the 2021 Volume Cap. The City was allocated \$110 per capita based on a population of 148,304. The total allocation the City received for 2021 is \$16,313,440. 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.

On January 19, 2021, City Council passed ordinance 21-009 which reserved the 2021 Volume Cap. The City has until December 31, 2021 to transfer the Volume Cap.

DISCUSSION:

The City received a request from Illinois Assist in conjunction with the Town of Normal to transfer the City's 2021 Volume Cap allocation, valued at \$16,313,440, for a mortgage credit certification program. The program is designed to promote home ownership 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 home ownership lower by the value of the annual federal income tax credit.

The requested transfer will be the second consecutive year Naperville supported the Illinois Assist program in Normal through the Volume Cap transfer. Naperville is one of more than 60 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.

FISCAL IMPACT:

The City has no financial exposure to the program and will experience no impact on the budget.