



Legislation Text

File #: 18-263, **Version:** 1

CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Pass the ordinance approving the transfer of \$14,894,565 of the 2018 Volume Cap to the City of Aurora in shared effort to assist qualified homebuyers in the City of Naperville.

DEPARTMENT: Finance Department

SUBMITTED BY: Rachel Mayer, Director of Finance

BOARD/COMMISSION REVIEW:

NA

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 this authority, bond issuers are able to finance projects at interest rates below that of 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 has transferred all or portions of its Volume Cap to other organizations, these include:

- In 2009 and 2010, Naperville transferred the volume cap to two homebuyer programs: Illinois Housing Development Authority and to the City of Aurora First-Time Homebuyer Down Payment Assistance Program.
- In 2011, Naperville transferred the volume cap to the Will Kankakee Regional Development Authority. This organization works with home rule communities to accumulate volume cap and then identifies expanding businesses that can benefit from the tax-exempt borrowing rates.
- In 2012, Council approved a transfer of \$4 million of the 2012 Volume Cap to the Village of Addison to support SWD, Inc, a fastener sorting corporation expansion project.
- In 2013, Council approved the transfer of all of the Volume Cap (\$13,563,435) to the Village of Downers Grove.
- In 2016, the County of Winnebago requested Naperville to transfer \$4,400,000 of the volume cap allocation to be used for the purpose of making a first mortgage loan to Cellusuede Products, Inc.

Each year each home rule municipality receives their allocation of the Volume Cap for the issuance of private activity bonds. The home rule municipality must allocate the volume cap or reserve it by May 1.

On January 1, 2018, the City received its allocation for the 2018 Volume Cap. The City was allocated \$105.00 per capita based on a population of 141,853. The total allocation the City received for 2018 is \$14,894,565. The bonding authority may be used for financing projects within the City or it may choose to sell or cede our volume cap for projects in other Illinois communities.

On March 20, 2018, City Council passed ordinance 18-025 which reserved the 2018 Volume Cap. The City has until December 31, 2018 to transfer the Volume Cap.

DISCUSSION:

In early 2018, the City received a request from the Illinois Assist Homebuyer Down Payment Assistance Program ("Assist") in conjunction with the City of Aurora to transfer the City's 2018 allocation of Volume Cap valued at \$14,894,565. The program goal is to allow communities to achieve affordable home ownership. Assist is a program that offers individuals and families with a FHA/VA/RD, 30-year, fixed-rate mortgage and offers a full 3.00% cash grant on the amount borrowed on a mortgage to qualified home buyers for homes in Naperville. The cash assistance may be used to offset some or all of the home loan's down payment and closing costs. As, City of Naperville residents are eligible participants in the program, the City is not requesting a fee for this transfer.

FISCAL IMPACT:

The City has no financial exposure to the program. There are also no administrative responsibilities for a participating community.