



Legislation Text

File #: 19-159, **Version:** 1

CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Pass the ordinance approving the transfer of \$15,506,610 of the 2019 Volume Cap in connection with private activity bond issues in such manner as shall be directed by Sand Creek Capital

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.
- 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.

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, 2019, the City received its allocation for the 2019 Volume Cap. The City was allocated \$105.00 per capita based on a population of 147,682. The total allocation the City received for 2019 is \$15,506,610. 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 February 5, 2019, City Council passed ordinance 19-013 which reserved the 2019 Volume Cap. The City has until December 31, 2019 to transfer the Volume Cap.

DISCUSSION:

In early 2019, the City received a request from Silver Street Development Corp. ("Silver Street") in conjunction with the City of Chicago Heights to transfer the City's 2019 allocation of Volume Cap valued at \$15,506,610. The program goal is to allow communities to achieve affordable home ownership. Silver Street is a developer of affordable multifamily housing. The cash assistance may be used to offset some or all of the home loan's down payment and closing costs.

Per Resolution 17-500, staff has been directed by City Council to restrict the proceeds from the cede of the City of Naperville's 2017-2021 Volume Cap for use in reimbursing qualifying affordable housing providers, such as Naperville Elderly Home, Inc. Naperville Elderly Homes, Inc. owns and operates the Martin Avenue Apartments, a government-subsidized, nonprofit housing center, that offers housing opportunities for seniors or persons with disabilities on a limited income, and intends to and has received approval to subdivide its property located at 310 Martin Avenue to develop an additional 68 units of age-restricted multi-family dwellings for low income seniors.

Reimbursements would be limited to only the review, permitting and inspection fees related to eligible projects and no reimbursement is guaranteed. Based on 2017 figures, the estimated costs for review, permitting and inspections related to the proposed Naperville Elderly Homes, Inc. project at 310 Martin Avenue is approximately \$114,000, with \$14,161 for development revenue and \$99,048.58 for permits and inspections.

FISCAL IMPACT:

The City has no financial exposure to the program. A fee of 1.00% (\$155,061) has been agreed to be paid for the transfer of the 2019 Volume Cap. These monies will be received by the City, and may then be used to reimburse qualifying affordable housing providers for eligible fees, estimated by Naperville Elderly Homes, Inc as \$114,000. The proceeds not used for this reimbursement will be deposited into the City's general fund.