



## Legislation Text

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File #: 22-0019, Version: 1

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### CITY COUNCIL AGENDA ITEM

#### **ACTION REQUESTED:**

Pass an ordinance reserving the City's 2022 Volume Cap

**DEPARTMENT:** Finance Department

**SUBMITTED BY:** Rachel Mayer, Finance Director

#### **BOARD/COMMISSION REVIEW:**

N/A

#### **BACKGROUND:**

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.

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 can finance projects at interest rates below that of the conventional market.

#### **DISCUSSION:**

On an annual basis, each home rule municipality receives its allocation of the Volume Cap for the issuance of private activity bonds. The home rule municipality must either allocate the volume cap or reserve it by May 1 of each year.

On January 3, 2022, the City received its allocation for the 2022 Volume Cap. The 2022 allocation remains at \$110 per capita. Based on a population of 147,986, under federal legislation through the State of Illinois for the issuance of private activity bonds, the total 2022 allocation for the City is \$16,278,460. The bonding authority may be used for financing projects within Naperville or used to sell or cede the cap to projects in other Illinois communities. The City has no immediate plans to use the 2022 amount, but will reserve funds or, should the need arise, allocate to other jurisdictions in need of funds.

For two consecutive years, the City, being one of 60 local agencies that participate in the Illinois Assist Program, has transferred its allocation of the Volume Cap to the Town of Normal, to be applied toward the issuance of single-family mortgage revenue bonds as was permitted under the program.

The Illinois Assist Program is designed to promote homeownership and provide first-time home

buyers and veterans with qualifying credit scores, a federal income tax credit of up to \$2,000 per year for the life of their mortgage.

According to the Governor's Office of Management and Budget, the allocation approval letter to home rule units of government is valid for a period of 60 calendar days from the date of the letter, or through December 31, 2022, whichever date is first.

**FISCAL IMPACT:**

N/A