



DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

Grants Management Division

m e m o r a n d u m

TO: Laural Lunt Prussing, Mayor, City of Urbana

FROM: Elizabeth H. Tyler, FAICP, Community Development Director

DATE: April 5, 2012

SUBJECT: **RESOLUTION EVIDENCING THE INTENTION OF THE CITY OF URBANA, CHAMPAIGN COUNTY, ILLINOIS, TO TRANSFER VOLUME CAP IN CONNECTION WITH PRIVATE ACTIVITY BOND ISSUES, MULTI-FAMILY REVENUE BONDS; AND RELATED MATTERS (Private Bond Cap Allocation –EIEDA, Series 2012)**

Description

Included on the agenda of the April 9, 2012 meeting of the Urbana Committee of the Whole is a resolution to allocate the City's Private Activity Bond Cap to the Eastern Illinois Economic Development Authority (EIEDA).

Background

In accordance with the IRS Code, each municipality in Illinois is allowed to issue private activity bonds in the amount of \$95 per capita population for 2012. The City's private activity bond cap must be allocated or reserved before May 1, 2012. The options include reserving the bond cap for a local eligible project, or ceding the bond cap to another community for participation in an eligible activity. Any unused bond cap not ceded for any combination of these options will automatically be recaptured by the State of Illinois for use by another municipality. The City of Urbana has a total of \$3,918,750 in 2012 Private Activity Bond Cap available that can provide below-market-rate financing for the following activities:

- 1) Affordable housing programs
- 2) Multi-family affordable housing projects
- 3) Nonprofit development projects (i.e. hospitals, YMCAs, etc)
- 4) Industrial development projects (i.e. manufacturing)

Last year the City ceded its bond cap portion to the City of Aurora, Kane, Will, DuPage, and Kendall Counties, Illinois (City of Aurora) for participation in the AssistUrbana homebuyer assistance program. This program ceased in 2011 but is being replaced by a new product that offers both downpayment and mortgage credit certificate financing products. David Rasch, the

representative for the Administrator of the Assist MCC Program, indicated that there was not an immediate need for additional bond cap this year, but that the City should consider ceding its bond cap to the Assist MCC program in 2013.

The Illinois Housing Development Authority (IHDA) has also informed staff that it is not accepting additional funding for its Mortgage Credit Certificate Program at this time. As such, staff is recommending that the full 2012 bond cap allocation be ceded to the Eastern Illinois Economic Development Authority (EIEDA).

Program History

EIEDA was created in July, 2005 by Illinois Public Act 94-0203. The Act allows EIEDA to issue taxable and tax-exempt bonds for the purpose of developing, constructing, acquiring, improving properties or facilities for business entities locating, or expanding, within the territorial jurisdiction of EIEDA. The jurisdiction includes the following counties: Champaign, Coles, Douglas, Edgar, Ford, Iroquois, Moultrie, Piatt, Shelby, and Vermilion.

EIEDA will soon issue \$15.5 million in bonds to support the Eden Supportive Living project, which will serve young, disabled adults at the former Howard Johnson building located at the corner of Church and Park Street in Champaign, IL. This will be the first multi-family development project undertaken in the Eastern Illinois area since the EIEDA's inception.

The City does not wish to act as an Issuer at this time due to the heavy administrative capacity required to oversee this type of program. By ceding the City's bond cap to EIEDA, the City may be able to access these funds for neighborhood revitalization projects such as the Kerr Avenue Development project and other important economic development activities. Allowing EIEDA to serve as Issuer removes any financial liability on the part of the City and could provide a means of financing future community development projects. Any funds that are not used within the City limits will benefit the Eastern Illinois area, which increases the potential for local lender involvement and helps to address regional affordable housing needs.

During its March 27, 2012 regular meeting, the Urbana Community Development Commission forwarded the attached Resolution with a unanimous recommendation for approval.

Options

1. Approve the Resolution Evidencing the Intention of the City of Urbana, Champaign County, Illinois, to Transfer Volume Cap in Connection with Private Activity Bond Issues, Multi-Family Revenue Bonds; and Related Matters
2. Approve the Resolution with changes.
3. Do not approve the Resolution.

Fiscal Impacts

There will be no fiscal impact to the City Budget in ceding volume cap to EIEDA, and any financial risk associated with issuing the bonds is removed from the City's responsibility. The City could see benefits from local projects if they are supported with the bond financing provided through EIEDA in the future.

Recommendation

Staff and the Urbana Community Development Commission recommend Council approve the Resolution ceding the City of Urbana's 2012 private activity bond cap of \$3,918,750 to EIEDA.

Memorandum Prepared By:



**Jen Gonzalez, Grant Coordinator
Grants Management Division**

Attachments:

- 1) RESOLUTION EVIDENCING THE INTENTION OF THE CITY OF URBANA, CHAMPAIGN COUNTY, ILLINOIS, TO TRANSFER VOLUME CAP IN CONNECTION WITH PRIVATE ACTIVITY BOND ISSUES, MULTI-FAMILY REVENUE BONDS; AND RELATED MATTERS (Private Bond Cap Allocation – EIEDA, Series 2012)
- 2) Relevant minutes from the March 27, 2012 regular meeting of the Urbana Community Development Commission (Unapproved)

RESOLUTION NO. _____

RESOLUTION APPROVING THE TRANSFER OF VOLUME CAP IN CONNECTION WITH PRIVATE
ACTIVITY BOND ISSUES, SINGLE-FAMILY MORTGAGE REVENUE BONDS, AND RELATED
MATTERS

(Private Bond Cap Allocation - EIEDA, Series 2012)

WHEREAS, the City of Urbana, Champaign County, Illinois (the "Municipality") is a municipality and a home rule unit of government under Section 6 of Article VII of the 1970 Constitution of the State of Illinois; and

WHEREAS, Section 146 of the Internal Revenue Code of 1986, as amended (the "Code"), provides that the Municipality has volume cap equal to \$95 per resident of the Municipality in each calendar year, which volume cap may be allocated to certain tax-exempt private activity bonds; and

WHEREAS, the Illinois Private Activity Bond Allocation Act, 30 ILCS 345/1 et seq., as supplemented and amended (the "Act"), provides that a home rule unit of government may transfer its allocation of volume cap to any other home rule unit of government, the State of Illinois or any agency thereof or any non-home rule unit of government; and

WHEREAS, it is now deemed necessary and desirable by the Municipality to transfer its volume cap allocation for calendar year 2012 to the Eastern Illinois Economic Development Authority (the "Issuer") to be applied toward the issuance of multi-family revenue bonds by the Issuer (the "Bonds") or for such other purpose permitted by this Resolution;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF URBANA, CHAMPAIGN COUNTY, ILLINOIS, AS FOLLOWS:

Section 1. That, pursuant to Section 146 of the Code and the Act, volume cap of the Municipality in the amount of \$3,918,750 for calendar year 2012 is hereby transferred to the Issuer, which shall issue the Bonds using such transfer of volume cap, without any further action required on the part of the Municipality, and the adoption of this Resolution shall be deemed to be

an allocation of such volume cap to the issuance of the Bonds or other private activity bonds.

Section 2. That the Municipality and the Issuer shall maintain a written record of this Resolution in their respective records during the term that the Bonds or any other such bonds to which such volume cap is allocated remain outstanding.

Section 3. That the Mayor, the City Clerk and all other proper officers, officials, agents and employees of the Municipality are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents and certificates as may be necessary to further the purposes and intent of this Resolution.

Section 4. That the provisions of this Resolution are hereby declared to be separable, and if any section, phrase or provision of this Resolution shall for any reason be declared to be invalid, such declaration shall not affect the remainder of the sections, phrases and provisions of this Resolution.

Section 5. That all resolutions, orders, or parts thereof, in conflict herewith are, to the extent of such conflict, hereby superseded; and that this Resolution shall be in full force and effect upon its adoption and approval.

PASSED by the City Council this _____ day of _____, _____.

AYES:

NAYS:

ABSTAINS:

Phyllis D. Clark, City Clerk

APPROVED by the Mayor this _____ day of _____, _____.

Laurel Lunt Prussing, Mayor



UNAPPROVED
MINUTES
COMMUNITY DEVELOPMENT COMMISSION MEETING
Tuesday, March 27, 2012, City Council Chambers
400 South Vine Street, Urbana, IL 61801

[...]

Call to Order: Chairperson Cobb called the regular meeting of the Community Development Commission to order at 7:16 p.m.

Roll Call: Connie Eldridge called the roll. A quorum was present.

Commission Members Present: Fred Cobb, Janice Bengtson, Chris Diana, George Francis, Theresa Michelson, Jerry Moreland, Brad Roof, and Anne Silvis

Commission Members Absent: Dennis Vidoni

Others Present: Kelly H. Mierkowski, Jennifer Gonzalez, Connie Eldridge, and Matt Murphy, Community Development Services; Robin Arbiter, Lierman Neighborhood Action Committee (LNAC); Eric Trusner, Kerrie Lee Dunn, and Paula Vanier, Persons Assuming Control of Their Environment (PACE); Aaron P. Smith, Homestead Corporation; Janice McAteer, Developmental Services Center (DSC); Darlene Kloepfel, Champaign County Regional Planning Commission (CCRPC)

[...]

A Resolution Evidencing the Intention of the City of Urbana, Champaign County, Illinois to transfer Volume Cap in Connection with Private Activity Bond Issues, Multi-Family Revenue Bonds; and Related Matters (Private Activity Bond Cap Allocation – EIEDA, Series 2012) – Ms. Gonzalez stated that each year the City of Urbana is allowed to cede its Private Activity Bond Cap Allocation, since the City does not usually issue its own bonds. In the past, the City has ceded the bond cap to AssistUrbana, a homebuyer assistance program which has lagged because the bond market has been slow. It is being replaced by Assist MCC Program, which offers down payment and mortgage credit certificate financing products. This new program does not need the City's bond cap for the 2012 cycle, nor does the IHDA MCC Program. If funds are not ceded to another issuer, then they are returned to the State of Illinois.

Eastern Illinois Economic Development Authority (EIEDA), created by the State of Illinois to promote economic development, requested the City cede its bond cap to its organization. An example of a project currently financed through EIEDA is the Eden Supportive Living Facility located at the former Howard Johnson building in downtown Champaign will be converted to a multi-family development project that will serve young, disabled adults.

Paula Vanier, an Urbana resident and an employee of PACE, does not support the Eden Supportive Living Facility. She indicated that, to live in this development, a resident must be able to get

himself into and out of bed. Ms. Gonzalez stated there is no other option for the bond cap except to return it to the State of Illinois. The City of Champaign is ceding funds to this project, but the City of Urbana's bond cap will likely not be used for this project because it already has enough bonds through the City of Champaign's allocation.

Kerrie Lee Dunn, an Urbana resident and a board member of PACE, was concerned that persons with disabilities be considered and have access during the decision making process for all projects in the AAP. Chairperson Cobb remarked that anything that has an impact on people with disabilities should be particularly looked at, and Ms. Dunn agreed. Persons with disabilities make up 20% of the population and also support the local economy. Ms. Vanier stated that anyone at any time might become disabled.

Ms. Gonzalez noted that projects using federal funds must follow federal regulations. The bond cap system has a board that reviews projects that are brought to them. Commissioner Moreland suggested that City-staff channel communication between PACE and EIEDA. Ms. Gonzalez will look into the public process for this project.

Commissioner Michelson moved to recommend to City Council approval of a Resolution Evidencing the Intention of the City of Urbana, Champaign County, Illinois to transfer Volume Cap in Connection with Private Activity Bond Issues, Multi-Family Revenue Bonds; and Related Matters (Private Activity Bond Cap Allocation – EIEDA, Series 2012). Commissioner Bengtson seconded the motion, and the motion carried unanimously.

[...]

UNAPPROVED