



DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

Grants Management Division

m e m o r a n d u m

TO: Laurel Lunt Prussing, Mayor

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

DATE: April 14, 2011

SUBJECT: **RESOLUTION EVIDENCING THE INTENTION OF THE CITY OF URBANA, CHAMPAIGN COUNTY, ILLINOIS, TO TRANSFER VOLUME CAP IN CONNECTION WITH PRIVATE ACTIVITY BOND ISSUES, SINGLE-FAMILY MORTGAGE REVENUE BONDS; AND RELATED MATTERS (Private Bond Cap Allocation – AssistUrbana, Series 2011)**

Description

Included on the agenda of the April 18, 2011 Urbana City Council meeting is a resolution to allocate the City's Private Activity Bond Cap to the AssistUrbana Program (Assist) issued by the City of Aurora, Kane, DuPage, Will and Kendall Counties, Illinois, and administered by Monarch Mortgage Management, LLC.

Issues

The issue is whether the Urbana City Council should approve the Resolution allocating the use of the City of Urbana's 2011 private activity bond cap to the Assist program in the amount of \$3,798,575. The City's private activity bond cap must be allocated or reserved before May 1, 2011. The options include reserving the bond cap for a local eligible project, or ceding the bond cap to another community for participation in a qualified homebuyer program. 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.

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 2011. The State of Illinois each year recaptures any bond allocation unused by the City as of May 1. The City may elect to use its allocation, allow its allocation to be recaptured by the State, or voluntarily cede its allocation to the State or to any Home Rule community. The City of Urbana has a total of \$3,798,575 in 2011 Private Activity Bond Cap available that can be utilized for:

- 1) Below-market-rate financing for affordable housing programs
- 2) Below-market-rate financing for limited types of industrial developments

Last year the City of Urbana ceded half (50%) of its bond cap portion to the Illinois Housing Development Authority (IHDA) for participation in the Mortgage Credit Certificate (MCC) program, and the other half (50%) was ceded to the City of Aurora, Kane, Will, DuPage, and Kendall Counties, Illinois (City of Aurora) for participation in the AssistUrbana homebuyer assistance program. This year IHDA has informed staff that it is not accepting additional funding for the MCC Program at this time. As such, staff is recommending that the full 2011 bond cap allocation be ceded to the Assist Program.

In 2005, Mayor Tod Satterthwaite executed an intergovernmental agreement with more than 90 cities and counties across Illinois, indicating the City of Urbana's intent to cede a portion of its private activity bond cap to another Home Rule unit of government, or in this case, the City of Aurora. The City of Aurora serves as the issuer for these bonds. The Program Administrator for the Assist Program is Monarch Mortgage Management LLC, and Stern Brothers & Co. is the underwriting manager. Ceding our bond cap to the City of Aurora and its participating counties allows the community to benefit from the bond proceeds without having to administer an eligible program internally. This also removes any financial risk involved in issuing the bonds on the market on the part of the City of Urbana.

AssistUrbana offers downpayment and closing cost assistance to income qualified households in Urbana and other targeted areas throughout Illinois. The Assist Program provides 30-year fixed rate FHA/VA mortgage loans or conventional loans at competitive interest rates through these participating local lenders. The program also provides non-repayable, non-taxable grants for down payments and closing costs up to 4.25 percent of the home mortgage amount. In order to qualify for the Assist program, participating households are required to meet income and purchase price limits. The current guidelines for the program are as follows:

<u>Maximum Household Income Limits</u>		
Non-targeted areas	1-2 person household	\$69,400
	3 or more persons	\$79,810
Targeted area	1-2 person household	\$83,280
	3 or more persons	\$97,160

<u>Maximum Purchase Price Limits (Single-family home)</u>		
Non-targeted areas	Existing or new construction	\$258,690
Targeted area	Existing or new construction	\$316,177

Program History

AssistUrbana was first started under the name of *AccessUrbana* in 1995 and has subsequently assisted over 250 families with purchasing homes in Urbana. In 2008, AssistUrbana leveraged \$1,429,522 million in home loans for 14 Urbana families, providing an average loan of \$102,109. In 2009 and part of 2010, the program was put on hold due to a lagging bond market but was resumed in December of 2010 to provide homebuyer opportunities for the 2011 program year.

Since December 2010, five originations have been completed utilizing the Assist Program thus far, representing \$598,298 in home loans and an average loan amount of \$119,659. The program is currently being offered by several local lenders, including: Busey Bank, Bank of America, and Wells Fargo, with additional banks expected to participate in the upcoming months.

The Assist Program is marketed by the City and local lenders through direct mailers, seminars, and media advertising. If the City decides to cede its 2011 bond cap to the Assist Program, the Program Administrator would have three years to use it.

Options

The City must allocate or reserve its private activity bond authority for 2011 by May 1, 2011. The City can cede or reserve its private activity bond cap to one or both of the following activities:

- A reservation fund for the purpose of financing limited types of industrial development
- The AssistUrbana Program

Fiscal Impacts

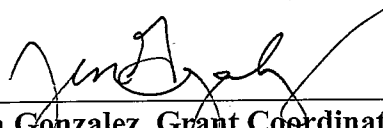
Allocating the private activity bond cap to this program requires minimal expenditures to produce flyers for marketing. For the Assist program, some Community Development staff time to organize and market the programs will be required.

Program administrative fees incurred by the bond counsels and by the City's bond consultants would be paid with bond proceeds. For the homebuyer program, the City would have no liability for bond repayment since the City would not be the bond issuer, and all mortgage repayments would be government-insured.

Recommendation

Staff researched the potential for bond cap to be utilized for eligible activities other than for single-family homeownership, including the possibility of ceding to an economic development authority or reserving for an industrial project. Because there are no potentially viable projects of these types currently in the City of Urbana, nor are surrounding areas currently seeking bond cap for such projects, staff is recommending Council approve the Resolution allocating the City of Urbana 2011 private activity bond cap of \$3,798,575 to the AssistUrbana Program.

Memorandum Prepared By:



Jen Gonzalez, Grant Coordinator
Grants Management Division

Attachments:

RESOLUTION EVIDENCING THE INTENTION OF THE CITY OF URBANA, CHAMPAIGN COUNTY, ILLINOIS, TO TRANSFER VOLUME CAP IN CONNECTION WITH PRIVATE ACTIVITY BOND ISSUES, SINGLE-FAMILY MORTGAGE REVENUE BONDS; AND RELATED MATTERS (Private Bond Cap Allocation – AssistUrbana, Series 2011)

RESOLUTION NO. _____

RESOLUTION EVIDENCING THE INTENTION OF THE CITY OF URBANA, CHAMPAIGN COUNTY, ILLINOIS, TO TRANSFER VOLUME CAP IN CONNECTION WITH PRIVATE ACTIVITY BOND ISSUES, SINGLE-FAMILY MORTGAGE REVENUE BONDS; AND RELATED MATTERS

(Private Bond Cap Allocation - AssistUrbana, Series 2011)

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 Illinois Compiled Statutes 2006, 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 a portion of its volume cap allocation for calendar year 2011 to the City of Aurora, Kane, DuPage, Will and Kendall Counties, Illinois (the "Issuer") to be applied toward the issuance of single family mortgage 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 \$3,798,575 for calendar year 2011 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, resolutions or 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