



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 9, 2015

SUBJECT: **A 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 2015)**

Description

Included on the agenda of the April 13, 2015 Committee of the Whole meeting is a resolution to cede the City's Private Activity Bond Cap to the Eastern Illinois Economic Development Authority (EIEDA).

Background

In accordance with IRS Code, each home rule municipality in Illinois is authorized to issue private activity bonds on an annual basis. In 2014, the maximum amount of bonds the City may issue is capped at \$100 per capita, or \$4,175,200. The State of Illinois automatically recaptures any unissued municipal bond authority on May 1st each year. The bonds may be issued for the following eligible activities:

- 1) Below-market-rate financing for affordable housing
- 2) Multi-family affordable housing projects
- 3) Nonprofit development projects (i.e. hospitals, YMCAs, etc.)

The City has three options: serve as Issuer, which would require staff to manage the bonds; allow the State of Illinois to issue bonds on the City's behalf, which would require no Council action as it will automatically revert to the State on May 1, 2015; or, the City may cede its authority to another qualified Issuer other than the State.

Administering the bonds internally is unfeasible because the City currently does not have the staff capacity to carry out such a labor-intensive investment activity. The second option of allowing the State to issue the bonds is unlikely to result in local investment due to the large service area covered by the State of Illinois.

The final option of ceding the City's bond authority to other entities will allow for the greatest economic impact in our area. Staff is recommending an organization that has historically demonstrated successful local investment activities, such as the Eastern Illinois Economic Development Authority. The City has ceded its bond cap to this entity in the past, and this Issuer has expressed interest in managing the City's bond cap in 2015.

EIEDA

The Eastern Illinois Economic Development Authority (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, and 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.

The City of Urbana began ceding a portion of its bond cap in 2012 to EIEDA for the purpose of financing potential multi-family housing projects in the community, as other homebuyer assistance programs had either ceased or did not have an immediate need for additional bond cap. One of the successful local projects completed utilizing the bonds issued by EIEDA is the Eden Supportive Living facility located at 222 N. State Street, Champaign. The multi-family development offers 100 percent ADA accessible housing options for persons with disabilities.

By ceding the City's bond cap to EIEDA, future neighborhood revitalization projects such as the Kerr Avenue Development project, the Aspen Court/Urbana Townhomes Redevelopment project, and other important local economic development activities may benefit from bond financing.

Options

Any unused bond cap not ceded for any combination of these programs will automatically be recaptured by the State of Illinois for use by another municipality on May 1, 2015. In regard to the Resolutions presented to City Council concerning EIEDA's redevelopment programs, the following options are available:

1. Approve the Resolutions.
2. Approve the Resolutions with changes.
3. Do not approve the Resolutions.

Fiscal Impacts

Allocating the private activity bond cap to this program requires minimal expenditures. Program administrative fees incurred by the bond counsels and by the City's bond consultants would be paid with bond proceeds.

Recommendation

Staff is recommending that the City's allocation of \$4,175,200 from the City of Urbana 2015 private activity bond cap be ceded to EIEDA.

Memorandum Prepared By:

**Kelly H. Mierkowski, Manager
Grants Management Division**

Attachments:

- 1) A 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 – EIEDA, Series 2015)

RESOLUTION NO.2015-04-018R

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 MORTGAGE REVENUE BONDS; AND RELATED MATTERS

(Private Bond Cap Allocation - EIEDA, Series 2015)

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 \$100 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 all of its volume cap allocation for calendar year 2015 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 \$4,175,200 for calendar year 2015 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