

VILLAGE OF DOWNERS GROVE
REPORT FOR THE VILLAGE COUNCIL WORKSHOP
MAY 13, 2008 AGENDA

SUBJECT:	TYPE:	SUBMITTED BY:
Request to Cede Village's Bond Cap Authority to the Illinois Housing Development Authority	✓ Resolution Ordinance Motion Discussion Only	David Fieldman Deputy Village Manager

SYNOPSIS

An ordinance has been prepared to cede the Village's bond cap authority to the Illinois Housing Development Authority (IHDA) in the amount of \$1,307,605 for the purposes of developing a mortgage program and/or Mortgage Credit Certificate program for first time homebuyers purchasing a home in Downers Grove.

STRATEGIC PLAN ALIGNMENT

The Five Year Plan and Goals for 2007-2012 identified *Exceptional Municipal Organization*. A supporting objective of this goal is *Top Quality Core Services Responsive to Current and Future Community and Citizen Needs*.

FISCAL IMPACT

Pursuant to the Village Council's Debt Management Policy, the Village may charge any administrative fee up to two percent of the amount of the authority ceded. The extent to which the Village would become involved in IHDA's proposed mortgage programs will determine additional costs incurred by the Village.

RECOMMENDATION

Staff recommends action at the discretion of the Village Council.

BACKGROUND

Staff received a complete application for ceding the Village's bond cap authority from IHDA dated April 30, 2008. In the required written proposal, IHDA requested the remaining balance of the Village bond cap authority be ceded and used to develop a mortgage program and/or a Mortgage Credit Certificate Program (described below) for first time homebuyers purchasing a home in Downers Grove. The letter did not detail the level of Village involvement in the development of these programs, if any.

In response to a similar letter of interest received in 2007, the Village Council was presented with a summary of homeownership programs which IHDA sponsors. Upon ceding the Village's bond cap authority to IHDA, the Village would become eligible to participate in any or all of the following three programs.

1. **30-Year Fixed-Rate Program:** IHDA offers mortgages having interest rates typically below the average market rates. This program also includes down payment assistance.
2. **HELP Program:** IHDA holds that many potential borrowers do not qualify for mortgages because they do not possess enough available capital to put toward a down payment and origination fees (which include closing costs). With the HELP Program, IHDA offers grants to go toward the down payment costs and closing fees. If this program is used IHDA will hold the mortgage.
3. **Mortgage Credit Certificate (MCC) Program:** Homebuyers may apply an MCC to any type of mortgage loan they acquire. The MCC allows homebuyers to receive a reduction in their federal income tax in an amount equal to 20 percent of their annual mortgage interest payments.

IHDA's three programs are available to homebuyers who meet the following requirements:

- Have not owned a home of their own in the last three years
- Meet the program's income and purchase price limits
- Live within the municipality's corporate limits
- Live in the house as a principal residence
- Move in within 60 days of closing.

On April 22, 2008, the Village Council approved an ordinance to cede \$2,868,955 of the Village's bond cap authority to the Village of Romeoville and to reserve the remaining balance of \$1,307,605.

ATTACHMENTS

Application from IHDA

Ordinance



April 30, 2008

David Fieldman, Deputy City Manager
Village of Downers Grove
801 Burlington Ave
Downers Grove, Illinois 60515

401 N. Michigan Ave.
Chicago, IL 60611

312-836-5200 Main
312-836-5222 TDD

www.ihda.org

Dear Mr. Feildman,

Attached to this correspondence is an "Application for Conduit Financing and Bond Cap Authority". On behalf of the Illinois Housing Development Authority (the "Authority"), I am requesting the Village to cede to the Authority any bond cap remaining from their 2008 Home Rule Community allocation. It is my understanding that the Village has preserved \$1, 307,605 in bond cap authority and at this time has not designated a use for the cap.

I have met several times with Village staff and Commissioners offering the Authority's services and expertise in developing a first time homebuyer program for the Village. Please consider this letter and application as a formal request that the Village of Downers Grove cede their remaining bond cap authority to the Illinois Housing Development Authority. The Authority will use the bond cap to develop a mortgage and/ or Mortgage Credit Certificate Program for first time homebuyers purchasing a residence within the corporate boundaries of Downers Grove.

Since we are a public agency and will be absorbing all of the costs associated with any bond sale or tax credit election, I am further requesting that the \$100 application fee be waived. Pursuant to Part V of the application, I have included a separate letter addressed to the Village Manager requesting the waiver.

Thank you for your consideration.

Sincerely,

Roger G. Morsch, Director
Business and Product Development

CC: William Waldack, Commissioner



Village of Downers Grove

Application for Conduit Financing and Bond Cap Authority

Please fill out the following information and provide all required documents by March 1. Applications submitted after March 1 will be considered on a first-come first-served basis and are subject to bond cap availability.

Part I: Applicant Information

Applicant Name: Illinois Housing Development Authority

Address: 401 North Michigan Avenue; Chicago, IL 60611

Phone: (312) 836-5200 E-mail Address: _____

Agent Name: Roger G. Morsch

Address: 401 North Michigan Avenue; Chicago, IL 60611

Phone: (312) 836-5230 E-mail Address: Rmorsch@IHDA.ORG

Proposed Project Location: Village of Downers Grove

Part II: Intent

Application includes request(s) for the following (please check all that apply):

- Conduit Financing
- Private Activity Bond
- Bond for Non-Profit Organizations (categorized as 501 (c)(3))
- Bond Cap Authority

Part III: Written Proposal for Conduit Financing Applicants

Please attach a written proposal that includes, but is not limited to, the following information, where applicable:

1. A description of the project including whether original issuance, refinancing, recollateralization or other action sought
2. A statement indicating the amount of funding required for the project and a description of the purpose for which such funding will be used

3. A description of any proposed financing arrangement for the project (e.g., loan agreement, or Village to own the project and lease to applicant)
4. A statement of the public purpose to be served by the issuance of economic development revenue bonds for the project
5. An anticipated construction schedule and schedule for completing the financing
6. The name and address of the proposed purchaser of the economic development revenue bonds proposed to be issued, if known
7. A complete description, with such supporting exhibits as may be appropriate, of the physical aspects of the project
8. Projected number of vehicles entering the facility area per day
9. Ability of the streets to carry additional load
10. Drainage/storm sewer requirements
11. Utility requirements
12. Ability of the schools to accommodate possible enrollment increases
13. Financial Stability of the Applicant
14. Description of principal business of applicant
15. Number of employees anticipated at the new facility
16. Number of new jobs to be created
17. Number of management level employees
18. Types of skills required by the facility's employees
19. Yearly payroll/average employee salary
20. Projected appraised/assessed value of the facility's real personal property in Downers Grove
21. Number of years the prospective tenant has been in business
22. Number of plant relocations since 1960, if applicable
23. Civic Awareness
24. For 501 (c) (3) bonds: A statement of the public purpose to be served by the issuance of 501 (c) (3) revenue bonds for the project

Part IV: Written Proposal for Bond Cap Authority Applicants

Please attach a written proposal that includes, but is not limited to, the following information, where applicable:

1. The amount of the bonding authority to be ceded
2. To what entity the bond will be ceded
3. A description of the project of use of bonding authority

Part V: Application Fee

Conduit financing applications shall include a \$1000 application fee. Applicants seeking to cede the Village's bonding authority shall include a \$100 application fee. A separate letter to the Village Manager shall be included if that applicant wishes the application fee to be waived, pursuant to the Council Policy with Regard to Fee Waivers.



**ILLINOIS
HOUSING
DEVELOPMENT
AUTHORITY**

401 N. Michigan Ave.
Chicago, IL 60611

312-836-5200 Main
312-836-5222 TDD

www.ihda.org

April 30, 2008

Cara Pavlicek, City Manager
Village of Downers Grove
801 Burlington Ave
Downers Grove, Illinois 60515

Dear Ms. Pavlicek,

On behalf of the Illinois Housing Development Authority (the "Authority"), I am requesting the Village to cede to the Authority any bond cap remaining from their 2008 Home Rule Community allocation. It is my understanding that the Village has preserved \$1, 307,605 in bond cap authority and at this time has not designated a use for the cap. The formal application was sent to Deputy City Manager, David Fieldman

Since we are a public agency and will be absorbing all of the costs associated with any bond sale or tax credit election, I am officially requesting that the \$100 application fee be waived. This correspondence is made pursuant to Part V of the application which requires "A separate letter to the Village Manager shall be included if the applicant wishes the application fee to be waived..."

Thank you for your consideration.

Sincerely,

Roger G. Morsch, Director
Business and Product Development

CC: William Waldack, Commissioner

ORDINANCE NO. _____

AN ORDINANCE APPROVING THE TRANSFER OF VOLUME CAP IN CONNECTION WITH
PRIVATE ACTIVITY BOND ISSUES, AND RELATED MATTERS

WHEREAS, the Village of Downers Grove, DuPage 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 \$85 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 345/6 *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 2008 in the amount of \$1,307,605 to the Illinois Housing Development Authority (the “Issuer”) to be applied toward the issuance of private activity bonds by the Issuer (the “Bonds”) or for such other purpose permitted by this Ordinance;

NOW, THEREFORE, Be It Ordained by the Mayor and Village Council of the Village of Downers Grove, DuPage County, Illinois, as follows:

SECTION 1. That, pursuant to Section 146 of the Code and the Act, volume cap of the Municipality for calendar year 2008 in the amount of \$1,307,605 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 Ordinance shall be deemed to be an allocation of such volume cap to the issuance of the Bonds or such other bonds.

SECTION 2. That the Municipality and the Issuer shall maintain a written record of this Ordinance 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 Village 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 Ordinance.

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

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

SECTION 6. That this ordinance shall be in full force and effect from and after its passage and publication in the manner provided by law.

Mayor

Passed:

Published:

Attest: _____

Village Clerk

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