

**VILLAGE OF DOWNERS GROVE**  
**REPORT FOR THE VILLAGE COUNCIL MEETING**  
**MAY 20, 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.

**UPDATE & RECOMMENDATION**

This item was discussed at the May 13, 2008 Workshop. Staff has amended the proposed ordinance to include a 1% administrative fee to be charged to IDHA on the ceded bond authority amount of \$1,307,605. This administrative fee will be rebated to IDHA if the organization utilizes a minimum of 50% of the ceded bond cap to assist first-time home buyers purchasing homes within the Village of Downers Grove during the first 36 months of the program.

Staff recommends approval on the May 20, 2008 active agenda.

**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**

Ordinance



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*”) for the purpose of developing a mortgage program or mortgage credit certificate program for first-time homebuyers in Downers Grove (the “*Program*”);

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 an administrative fee of one percent (1%) (\$13,076.05) shall be assessed by the Village and paid by IDHA. However, this administrative fee shall be rebated to the IDHA if IDHA utilizes a minimum of fifty percent (50%) of the ceded bonding authority to assist first-time home buyers to be located within Downers Grove within thirty-six (36) months of the Program.

SECTION 3. 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 4. 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 5. 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 6. 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 7. That this ordinance shall be in full force and effect from and after its passage and publication in the manner provided by law.

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Mayor

Passed:

Published:

Attest: \_\_\_\_\_  
Village Clerk

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