

COUNCIL WORKSHOP ITEM

ITEM: 2003 Private Activity Bond Cap
DATE: March 3, 2003
PREPARED BY: Steven Rockwell, CEcD, Director of Economic Development
PURPOSE: Approval by reservation ordinance to sell the entire Village's 2003 Private Activity Bond Value Cap (Industrial Revenue Bonds (IRB)) currently estimated @ \$3,654,300 to the Village of Matteson, Illinois for a fee of 1.50%, per Stern Brothers Incorporated bid dated January 20, 2003

DISCUSSION:

As in previous years, the Village has been contacted by a community requesting that we cede our 2003 Private Activity Bond (IRB) to them for either their or clients' tax free use. Our over \$3.6 million cap must be allocated to a user by May 1, 2003 or it will be ceded to the State for general use. You may recall that in prior years, the Village has either traded or sold its unused cap. This year we have not had any request from other municipalities to trade or purchase the cap. However, we have had one inquiry from a private entity to purchase it. Stern Brothers & Co. is working with the Village of Matteson and Affordable Housing Partners, a developer of affordable multifamily housing, to acquire land and construct an affordable senior housing project in Matteson, Illinois. The project, Matteson Glyns Apartments, is a 150-unit apartment complex which will serve the need for affordable senior housing in and around Matteson and create more than 20 construction jobs primarily drawn from the immediate area.

Stern Brothers intends to raise approximately \$10 million of private activity bonding authority to finance the acquisition price of the land and costs of renovation. Stern Brothers will compensate the Village of Downers Grove a fee of 1.50% (\$54,814.50) based on a population of 48,724 for committing the 2003 bonding authority in the amount of \$3,654,300 to this worthy project. The Village will be paid for the bond cap upon the passage of the ordinance.

ATTACHMENT:

Prescribed reservation ordinance and an offer letter from Stern Brothers dated January 20, 2003

RECOMMENDATION:

At this time, staff recommends that the Village sell the entire \$3,654,300 (estimate) in IRB volume cap to Stern Brothers Incorporated. This will result in approximately \$ 54, 814 If the council concurs, it would be appropriate to approve the required reservation ordinance to that effect..



January 20, 2003

Mr. Steve Rockwell
Director of Economic Development
Village of Downers Grove
801 Burlington Avenue
Downers Grove, Illinois 60515

Re: Matteson Glyns Apartments, Matteson, IL

Dear Mr. Rockwell:

Stern Brothers & Co. is working with the Village of Matteson and Affordable Housing Partners, a developer of affordable multifamily housing, to acquire land and construct an affordable senior housing project in Matteson, Illinois.

The project, Matteson Glyns Apartments, is a 150-unit apartment complex which will serve the need for affordable senior housing in and around Matteson and create more than 20 construction jobs primarily drawn from the immediate area.

Toward that end, we are seeking 2003 volume cap from Illinois home rule communities to assist Matteson in financing the project. We intend to raise approximately \$10 million of private activity bonding authority to finance the acquisition price of the land and costs of renovation.

We will compensate the Village a fee of 1.50% (\$54,814.50) based on a population of 48,724 for committing the 2003 bonding authority in the amount of \$3,654,300 to this worthy project. The Village will be paid for the bond cap upon the passage of the ordinance.

Please call me with a date convenient for you to schedule the reservation ordinance, a copy of which is attached, for board review and passage. I look forward to hearing from you.

Sincerely,

David S. Rasch
Managing Director

enclosures

ORDINANCE NO. _____

**AN ORDINANCE RESERVING 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 \$75.00 per resident of the Municipality in each calendar year, which volume cap may be reserved and allocated to certain tax-exempt private activity bonds; and

WHEREAS, the Illinois Private Activity Bond Allocation Act, 30 *Illinois Compiled Statutes 1998*, 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 ; and

WHEREAS, it is now deemed necessary and desirable by the Municipality to reserve all of its volume cap allocation for calendar year 2003 to be applied toward the issuance of private activity bonds (the "*Bonds*"), as provided in this Ordinance, or to be transferred, as permitted by this Ordinance;

NOW, THEREFORE, Be It Ordained by the Mayor and 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, the entire volume cap of the Municipality for calendar year 2003 is hereby reserved by the Municipality, which shall issue the Bonds using such volume cap, as shall be directed by Stern Brothers & Co., or shall use or transfer such volume cap in such manner as shall be directed by Stern Brothers & Co., 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; *provided*, that any such transfer shall be evidenced by a written instrument executed by the President or any other proper officer or employee of the Municipality; *provided further*, upon the adoption of this Ordinance, there shall be paid to the Municipality a fee by the obligor of the bonds of one and one-half percent (1.50%) of the volume cap so reserved.

SECTION 2. That the Municipality shall maintain a written record of this Ordinance in its 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.

Presented, passed, approved and recorded this ___ day of _____, 2003.

Approved:

Mayor

[SEAL]

ATTEST:

Village Clerk

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