



MANAGER'S MEMO ITEM

ITEM: Resolution Authorizing Reallocation of Bond Volume Cap to the Illinois Housing Development Authority (IHDA)

WORKSHOP DATE: January 10, 2006

PREPARED BY: David Fieldman, Deputy Village Manager

BID AMOUNT: N.A.

ACCOUNT: _____

BUDGET AMOUNT: N.A.

PURPOSE: To allocate the Village's bond volume cap authority to IHDA to fund the rehabilitation of two housing developments located in Downers Grove

BACKGROUND:

Each year, the State grants each Home Rule municipality the authority to issue tax exempt bonds for certain qualifying low income housing and industrial development projects. The amount of the bonding authority is based on Village population. The municipalities have the option to issue the bonds themselves or reallocate the bonding authority to other State agencies or municipalities. In 2006, the Village should receive \$3,897,920 in bonding authority. The owner of Immanuel Residences at 1122 Gilbert and Peace Memorial Manor at 3737 Highland is working with Scott Canel of Alan Ives Construction to rehabilitate these two multi-family developments. The developer is working with the Illinois Housing Development Authority (IHDA) to finance these projects. The developer and IHDA have requested that the Village reallocate our bond volume cap authority of \$3,897,920 to IHDA to assist in the financing of these two projects.

ANALYSIS:

The developer would purchase and rehabilitate both properties. The developer would also establish substantial capital replacement reserves and operating reserves for both properties. The total cost of these activities is \$17.6 million.

The developments consist of 269 units operating under HUD low income housing programs. Tenants in these units must be 62 years of age or older or at least 18 years of age with a disability.

Upon the completion of the project, HUD would enter into an agreement with the property owner to extend the low income housing program for an additional 20 years.

The developer is proposing to finance the project using debt and equity. Debt financing would be provided using the tax exempt bonds in question. The bonds would be issued by IHDA and backed by U.S. Department of Housing and Urban Development (HUD). The developer is also securing additional volume cap authority from other Illinois municipalities. Equity would be provided by a Chicago based not for profit institution and backed by the IHDA Low Income Housing Tax Credit program.

The reallocation of the Village's volume cap authority would have no financial impact to the Village.

ATTACHMENTS:

A: Resolution

STAFF RECOMMENDATION:

Staff recommends that the Council approve the attached Resolution authorizing reallocation of bond volume cap to the Illinois Housing Development Authority (IHDA).

REQUESTED COURSE OF ACTION:

Place this item on the January 17, 2006 Village Council Active Agenda for approval.

RESOLUTION NO. _____

**A RESOLUTION AUTHORIZING REALLOCATION OF BOND VOLUME
CAP TO THE ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

WHEREAS, Section 146 of the Internal Revenue Code of 1986, as amended (the "Code") grants Illinois home rule municipalities bond volume cap in the amount of \$80.00 per person per year to issue private activity bonds; and

WHEREAS, the Village of Downers Grove, Illinois (the "Municipality") is a municipality and a home rule unit of government duly organized and validly existing under Section 6(a) of Article VII of the Constitution and the laws of the State of Illinois (the "State"); and

WHEREAS, the most recent Bureau of Census estimate of the population of the Municipality is 48,724; and

WHEREAS, pursuant to the Code, the Municipality is therefore entitled to an allocation of \$3,897,920.00 of tax-exempt bond volume cap for the calendar year 2006 ("Bond Cap") from the Local Government Pool established by the State pursuant to the Illinois Private Activity Bond Allocation Act, 30 ILCS 345/1, et seq. ("Illinois Private Activity Bond Allocation Act"); and

WHEREAS, the Municipality has determined that there exists within its borders, a recognized need for decent, safe, quality housing affordable to persons of low and moderate income; and

WHEREAS, under the Illinois Private Activity Bond Allocation Act, the Municipality may transfer and reallocate to the Illinois Housing Development Authority (the "Authority") its Bond Cap; and

WHEREAS, it is in the best interest of the Municipality to aid in the financing of a multifamily rental development to be located within the Municipality (the "Development") by transferring and reallocating its Bond Cap to the Illinois Housing Development Authority ("IHDA") to be used for the issuance of tax-exempt bonds, the proceeds of which will be used to help finance the Development;

NOW, THEREFORE, BE IT RESOLVED by the Village of Downers Grove, as follows:

1. That the Village Council of Downers Grove makes the findings and determinations set forth in the preamble. The terms defined in the preamble are adopted for the purposes of this Resolution.
2. The Municipality hereby agrees and does hereby reallocate all \$3,897,920.00 of its 2006 Bond Cap to IHDA.
3. This Resolution shall constitute the agreement of the Municipality to a different allocation under Section 146(e)(3) of the Code and the "writing" required under Section 6 of the Illinois Private Activity Bond Allocation Act.
4. The Municipality hereby covenants and warrants that it has taken no action or issued any bonds which would abrogate, diminish or impair its ability to fulfill the written agreement, covenants and undertakings on its part under this Resolution.

5. The Mayor and all other proper officials, agents and employees of the Issuer are hereby authorized and empowered to do all acts and things and to execute all documents and instruments as may be necessary to further the purposes and intent of this Resolution.

Mayor

Passed:

Attest: _____

Village Clerk