

VILLAGE OF DOWNERS GROVE
REPORT FOR THE VILLAGE COUNCIL MEETING
NOVEMBER 13, 2012 AGENDA

SUBJECT:	TYPE:	SUBMITTED BY:
Issuance of Private Activity Bond	Resolution Ordinance ✓ Motion Discussion Only	David Fieldman Village Manager

SYNOPSIS

Delta Development of Downers Grove LLC has submitted a request for the Village to issue private activity bonds to finance the construction of a Supportive Living Facility at 5100 Forest Avenue.

STRATEGIC PLAN ALIGNMENT

N/A

FISCAL IMPACT

N/A

RECOMMENDATION

Staff recommends denial of the request to issue private activity bonds. The proposed development is not consistent with the Village's Comprehensive Plan and cannot be approved by the Village Council because it does not comply with the Village Zoning Ordinance.

BACKGROUND

Each year the State grants each Home Rule municipality the authority to issue tax exempt bonds for certain qualifying industrial development and low income housing projects. The value of the bonds that can be issued is based on the Village's population as stated in the most recent census. State law requires the Village to grant, transfer or reserve the bonding authority by Resolution no later than May 1. Due to a lack of applications for the use of the bonding authority, the Village did not grant, transfer or reserve the bonding authority. Therefore, pursuant to State law, the Village's 2012 bonding authority is controlled by the State. The Village's bonding authority can be increased if other municipalities or entities transfer their bonding authority to the Village.

On October 18, 2012, staff received an application from Delta Development of Downers Grove LLC, located in Chicago, Illinois, for the Village to issue private activity bonds to finance the construction of a Supportive Living Facility at 5100 Forest Avenue. According to the application, the total cost of the proposed development is \$24,250,000. The petitioner is requesting that the Village issue up to \$19 million in private activity bonds. Bonding authority would be provided by other sources including the City of Naperville. However, the petitioner has not secured bonding authority for the total amount of the requested bond issuance. The application states that the City of Naperville will transfer \$9.0 million of bonding authority to the Village for this bond issuance. It is not clear how the additional bonding authority would be provided as the application states "The other volume cap will come from other sources, in denominations not yet known."

The issuance of any private activity bond would not affect the Village's financial position as the Village has no liability or responsibility for repayment of the debt. Per Village Code, a public hearing is required prior to the issuance of a private activity bond. The public hearing would be scheduled if the Council

authorizes staff to proceed with the bond issuance.

ATTACHMENTS

Application for Conduit Financing

DELTA DEVELOPMENT OF DOWNERS GROVE LLC

6756 North Harlem Avenue
Chicago, Illinois 60631
Phone (773) 775-9023
Fax (773) 594-0205

October 18, 2012

Mr. David Fieldman
Downers Grove Village Manager
801 Burlington Avenue
Downers Grove, Illinois 60515

**RE: Application for Conduit Financing for
SLF at 5100 Forest Avenue**

Dear Mr. Fieldman:

Enclosed please find our Application For Conduit Financing and Bond Cap for our proposed Supportive Living Facility development at 5100 Forest Avenue, Downers Grove IL. I have also enclosed draft #3195 in the amount of \$1,000.00 as and for the application fee. Please advise immediately should is application require any additional fees or costs.

As previously discussed, kindly place the issue of this application on the agenda for November 6, 2012 so that council may consider this bonding request with our request for approval of our SLF project.

Lastly, I have enclosed for your records, the approval letter from the Illinois Department of Health and Family Services for the relocation of our proposed SLF from 715-721 63rd Street to 5100 Forest Avenue, Downers Grove.

If you have any questions regarding this correspondence, or should you need further information, please do not hesitate to give me a call. Thank you for all your consideration and cooperation. I look forward to working with you on this project.

Very truly yours,

MJF/mbk
cc: file



Michael J. Fiandaca

201 South Grand Avenue East
Springfield, Illinois 62763-0002

Telephone: (217) 782-0545
TTY: (800) 526-5812

October 15, 2012

Mr. Michael Fiandaca
Fiandaca & Associates
6756 North Harlem Avenue
Harlem Business Center
Chicago, Illinois 60631

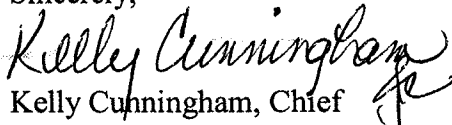
Dear Mr. Fiandaca:

This is to inform you that the Department has reviewed and approved the application you submitted for a change of location for Delta Life Services in Downers Grove. The location previously approved by the Department, 715-721 63rd Street, Downers Grove is being changed to 5100 Forest Avenue, Downers Grove.

You must report to the Department in writing any change to the application, including any changes in the development or implementation plans for the facility, as soon as such change becomes known to you.

If you have any questions, please contact me.

Sincerely,


Kelly Cunningham, Chief
Bureau of Long Term Care

Office Use Only
Date Received: _____



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: Delta Life Service Downers Grove LLC

Address: 6756 N Harlem Ave., Chicago, Illinois 60631

Phone: 847-912-9865 E-mail Address: fianlaw@earthlink.net

Agent Name: Michael J. Fiandaca

Address: 6756 N Harlem Avenue, Chicago, Illinois 60631

Phone: 847-912-9865 E-mail Address: _____

Proposed Project Location: 5100 Forest Avenue, Downers Grove, Illinois

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.

PART III: WRITTEN PROPOSAL

The project is the operation of a five story supportive living facility ("SLF") to be constructed at 5100 Forest Avenue, in Downers Grove, Illinois. The total cost of the project is estimated at \$24,250,000.00. The financing plan sources include A Class Bonds in an amount in excess of \$18,800,000.00 and B Class Bonds in the form of Tax Credit Equity. The purchaser for the A Class Bonds has yet to be identified. The sale of said bonds will be conducted by William Blair & Company. It is anticipated that it will take 6 weeks to sell the aforesaid A Class Bonds. The Tax Credit Equity Investor has been secured and it is anticipated that a closing will occur before the end of the year 2012. Financing for this project is predicated on closing before the end of the year and on a commitment to keep this facility a SLF for at least 30 years.

Construction will begin in January, 2013 and will conclude in approximately 14 months. The SLF is expected to be fully operational in the year 2014. The physical aspects of the project and projected number of vehicles entering the facility per day will be consistent with the traffic study and architectural drawing previously tendered to the Village of Downers Grove.

The facility will employ 40 - 45 full time equivalent jobs and create 130 temporary construction jobs. Once developed the Forest Avenue site will be transformed into a stunning 5 story building that will generate hundreds of thousands of dollars in real estate taxes per year. And with an annual budget of over 3 million dollars, the facility will become a significant consumer of many local goods and services for decades to come.

With 120 active residents, 40 employees and a number of daily visitors, this project is a lock to bring a substantial amount of individuals to the downtown area.

PART IV: PROPOSAL FOR BOND CAP

The total cost of the project is estimated at \$24,250,000.00. The financing plan sources include A Class Bonds in an amount not to exceed \$19,000,000.00. The City of Naperville has indicated that it will transfer \$9,000,000 in bond cap to the Village of Downers Grove for this Project. The other volume cap will come from other sources, in denominations not yet known, however, with the understanding that the village of Downers Grove has no volume cap and is not expected to provide any such cap, but instead, shall be the recipient of the aforesaid required bond cap and shall act as issuer of same for Delta Life Service Downers Grove LLC for the sole purpose of the development of the Supportive Living Facility at 5100 Forest Avenue in Downers Grove, Illinois.