

Memorandum Community and Economic Development

To: Thomas Thomas, City Manager
Subject: Ceding of Private Activity Bonding Cap
Date: April 16, 2014



Attached is a letter from Andrew Hamilton, Executive Director of the Quad Cities Regional Economic Development Authority (QCREDA) requesting consideration for the transfer of the city's 2014 Home Rule Volume Cap to QCREDA.

Under the Federal Tax Reform Act of 1986, the city receives an annual allocation of private activity bonding cap that can be used to provide below market rate financing for economic development and/or housing projects. The allocation is calculated on a per capita basis with the city's allocation equal to our population times \$100.00 for a total of \$3,892,00. Pursuant to a law passed by the Illinois General Assembly some years ago, the city may either allocate its bonding cap to a specific project or cede it to another city or development agency. If the city does neither, the cap reverts to the Governor's office for reallocation to projects around the state. The city must take action by May 1st to either reserve the cap for use on a specific project or cede it to another agency.

In past years, we have ceded our cap to the Quad Cities Regional Economic Development Authority (QCREDA) and to the Illinois Housing Development Authority (IHDA). Over the years PFG Thoms Proestler, Seaburg Industries, Steel Warehouse, Watts Trucking, and Augustana College have used QCREDA to finance projects in the city. Using last year's bonding cap allocation, QCREDA issued Industrial Revenue bonds on behalf of LRC which will support the Hill & Valley project. Ceding the cap to QCREDA allows the city to retain access to the cap until the end of the current calendar year.

Due to the condition of the national and state economies, cap for economic development projects is generally available as there are not many projects being financed. In addition, staff is not aware of any local projects far enough along that would be eligible to use private activity bonds as a financing tool. Therefore, staff suggests the city's entire 2014 bonding cap be ceded to QCREDA.

RECOMMENDATION:

The Community & Economic Development Department recommends Council pass an ordinance ceding the city's 2014 private activity volume bonding cap to the Quad Cities Regional Economic Development Authority.

Submitted by: Jeffery A. Eder, Assistant City Manager / Community and Economic Development Director

Approved by: Thomas Thomas, City Manager



QUAD CITIES REGIONAL ECONOMIC DEVELOPMENT AUTHORITY

622 Nineteenth Street ♦ Moline ♦ Illinois 61265 ♦ Tel: 866-325-7525 ♦ Web: www.qcreda.com

March 5, 2014

The Honorable Dennis E. Pauley, Mayor
City of Rock Island
1528 Third Avenue
Rock Island, IL 61201-8612

Dear Mayor Pauley:

The Quad Cities Regional Economic Development Authority (QCREDA) respectfully requests consideration for the transfer of your 2014 Home Rule Volume Cap to QCREDA for economic development and housing projects. We have mutually benefited from working with other communities that have allowed QCREDA to successfully issue over \$171,480,000 in bonds that have created over 2,100 jobs.

QCREDA has developed relationships with home rule communities and other regional development authorities in working together to accommodate the Volume Cap needs of their projects. Some years, we have more projects than Volume Cap and other years we have more Volume Cap than projects. At the end of the calendar year, Volume Cap can be carried forward for three years, but once carried forward, it can no longer be transferred. We have developed a mutually beneficial relationship between communities, counties and other regional development authorities to graciously share this valuable resource for the benefit of the region. We feel it is fair to help a neighbor that has helped us in the past. The rising tide raises all of the boats.

As you may be aware, home rule communities receive a direct allocation in 2014 equal to their population times \$100. The 2014 State of Illinois Allocation guidelines identify Rock Island's population at 38,920, so your 2014 Volume Cap Allocation is \$3,892,000. You are required to obligate this allocation by May 1st of each calendar year or it automatically goes back to the State of Illinois for reallocation to other entities in June of each calendar year. If the City of Rock Island would consider passing an ordinance transferring their 2014 allocation to QCREDA prior to May 1st, then QCREDA would be able to keep this cap until December 31st. This action would allow the City to maintain control of their Volume Cap past May 1st.

QCREDA is interested in serving in this capacity in order to develop a relationship with home rule communities to be able to trade cap in up and down years. We respectfully request if you have no need for the cap by September 1st that you allow us to use it to benefit of job creation. If the City is interested, I have taken the liberty of enclosing a draft ordinance for you to review as well as a draft letter to the Governor's Office. I am available to meet with any city official you wish regarding this matter. Please call me at 866-325-7525 if you have any questions.

Sincerely,

Executive Director

ORDINANCE
A SPECIAL ORDINANCE AUTHORIZING THE CEDING
OF PRIVATE ACTIVITY
BONDING AUTHORITY

WHEREAS, the Internal Revenue Code of 1986 provides that the amount of private activity bonds which may be issued by the City of Rock Island (“City”) as a constitutional home rule unit is equal to its population multiplied by \$100.00; and

WHEREAS, the Illinois Private Activity Bond Allocation Act (30 ILCS 345/1 et seq.) provides, among other things, that the corporate authorities of any home rule unit may reallocate to a state agency any portion of its unused allocation of volume cap; and

WHEREAS, the City of Rock Island has available year 2014 volume cap and desires to utilize this cap in cooperation with the Quad Cities Regional Economic Development Authority (QCREDA) to support the projects that will create jobs and expand the City’s tax base;

NOW THEREFORE, be it ordained by the City Council of the City of Rock Island, Illinois:

Section 1. Consent to Reallocate to QCREDA. The City hereby agrees to reallocate to the Quad Cities Regional Economic Development Authority its 2014 private activity bonding volume cap in the amount of \$3,892,000. Said private activity volume bonding cap shall be used to support projects that will provide job opportunities and new investments.

Section 2. Letter of Agreement. The City Finance Director is hereby authorized to execute a letter of agreement with QCREDA consenting to such allocation on behalf of the City as authorized.

Section 3. Maintaining Records. The City Finance Director is hereby authorized to maintain such record of the allocation for the term of the bonds issued pursuant to such allocation.

Section 4. Notice. The Mayor shall provide notice of such allocation to the Office of the Governor.

Section 5. Effective Date. This ordinance shall be effective from and after its passage.

Signed: Mayor

Passed

Attest: City Clerk

Approved