



## CITY OF WASHINGTON, ILLINOIS

### City Council Agenda Communication

**Meeting Date:** March 7, 2022

**Prepared By:** Joanie Baxter, Finance Director *JJB*

**Agenda Item:** First Time Homebuyer Program – Ordinance

**Explanation:** Attached is an ordinance authorizing the use of the annual volume cap for the Assist 2022 – First Time Homebuyers' Program. As you may recall, the City has participated in this program over the last twenty-one years, which provides qualifying first-time homebuyers, assistance with obtaining a mortgage by offering a 30-year fixed-rate mortgage with a 3% - 7% contribution toward down payment and closing costs. An option for utilizing mortgage credit certificates (MCC) is also included. The private activity bonding authority granted to the City is based on \$110 per capita and equals \$1,807,450 for 2022. This ordinance is necessary to show the intent of the City in regard to the allocation of tax-exempt private activity bonding authority and must be approved prior to May 1.

During 2021, 14 loans (compared to 21 in 2020) were made to Washington home buyers (in 61571 zip code) totaling more than \$1.7 million and thus this program continues to be very successful in the greater Washington area.

The ordinance is scheduled for First Reading on March 7, 2022 with Second Reading and approval scheduled for March 21, 2022.

**Fiscal Impact:** None.

**Recommendation/Committee Discussion Summary:** Staff recommends approval.

**Action Requested:** Approval of Ordinance at 2<sup>nd</sup> Reading on March 21, 2022.

ORDINANCE No. \_\_\_\_\_

AN ORDINANCE APPROVING THE TRANSFER OF VOLUME CAP IN CONNECTION WITH PRIVATE ACTIVITY BOND ISSUES, AND RELATED MATTERS.

WHEREAS, the City of Washington, Tazewell 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 \$110 per resident of the Municipality in calendar year 2021, which volume cap may be allocated to certain tax-exempt private activity bonds; and

WHEREAS, the Illinois Private Activity Bond Allocation Act, 30 *Illinois Compiled Statutes*, 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 or any non-home rule unit of government; and

WHEREAS, it is now deemed necessary and desirable by the Municipality to transfer all of its volume cap allocation for calendar year 2022 to the Town of Normal, McLean County, Illinois (the "*Issuer*") to be applied toward the issuance of single family mortgage revenue bonds by the Issuer (the "*Bonds*") or for such other purpose permitted by this Ordinance;

NOW, THEREFORE, Be It Ordained by the Mayor of the City of Washington, Tazewell County, Illinois, as follows:

*SECTION 1.* That, pursuant to Section 146 of the Code and the Act, all of the City's volume cap of the Municipality for calendar year 2022 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 other private activity bonds or mortgage credit certificates.

*SECTION 2.* 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 3.* That the Mayor, the City 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 \_\_\_\_\_, 2022.

Approved:

\_\_\_\_\_  
Mayor

[SEAL]

ATTEST:

\_\_\_\_\_  
City Clerk

Ayes:

\_\_\_\_\_  
\_\_\_\_\_

Nays:

\_\_\_\_\_

Absent or Not Voting:

\_\_\_\_\_



Utilizing a two-pronged approach to assist homebuyers, the program is sponsored by communities throughout the state to promote home ownership. The home buyer assistance feature of the Assist program provides families with funds to pay all or most of their closing costs and down payment, enabling families with good credit but little available capital to buy their home. The mortgage credit certificate ("MCC") feature reduces the homebuyer's ongoing cost of borrowing whenever market conditions result in uncompetitive interest rates for loans funded in the tax-exempt bond market.

### Overview

- Communities join together through an Inter-governmental Cooperation Agreement
- Home rule communities may contribute private activity bond volume cap to support either a tax-exempt bond issuance or the MCC feature
- Non-home rule communities apply for volume cap from the State
- No financial contribution or commitment required from any participant
- Any Illinois municipality can participate

### Loan Funding

- Loans are funded with proceeds of tax-exempt bonds or through the direct sale of taxable mortgage-backed securities based on the sale method providing the lowest interest rate
- The bonds and securities are sold at a premium, a price greater than their face amount, which provides funding for the home buyer assistance
- Proceeds are used to make the home loans and fund the assistance
- The bonds and securities are not a debt of the municipalities or paid from any participating community's funds, and are secured only with loans on the homes purchased

### Loan Description

- 30 year fixed rate loans
- FHA/VA/RDA (640 minimum credit score) and Conventional (660 minimum credit score) loans are available
- Assist pays 3% to 7% cash grant to qualifying home buyers to fund closing costs and down payment assistance.





## INCOME AND PURCHASE PRICE LIMITS

COUNTY NAME	INCOME LIMITS				PURCHASE PRICE LIMITS	
	Targeted 1 or 2 People	Targeted 3 or More People	Non-Targeted 1 or 2 People	Non-Targeted 3 or More People	Targeted	Non-Targeted
BOONE	NA	NA	\$85,000	\$97,760	NA	\$311,979
COOK	\$111,840	\$130,480	\$93,200	\$107,180	\$406,066	\$332,235
CHAMPAIGN	\$100,920	\$117,740	\$86,400	\$99,360	\$381,308	\$311,979
DEKALB	\$102,000	\$119,000	\$85,000	\$97,760	\$406,066	\$311,979
DUPAGE	NA	NA	\$93,200	\$107,180	NA	\$332,235
KANE	\$111,840	\$130,480	\$93,200	\$107,180	\$406,066	\$332,235
KENDALL	NA	NA	\$102,000	\$117,300	NA	\$332,235
LAKE	\$111,840	\$130,480	\$93,200	\$107,180	\$406,066	\$332,235
MADISON	\$100,920	\$117,740	\$85,000	\$97,760	\$381,308	\$311,979
McLEAN	\$111,840	\$130,480	\$93,200	\$107,180	\$381,308	\$311,979
ST. CLAIR	\$100,920	\$117,740	\$85,000	\$97,760	\$381,308	\$311,979
SANGAMON	\$100,920	\$117,740	\$85,000	\$97,760	\$381,308	\$311,979
WILL	\$111,840	\$130,480	\$93,200	\$107,180	\$406,066	\$332,235
WINNEBAGO	\$100,920	\$117,740	\$85,000	\$97,760	\$381,308	\$311,979
OTHER PROGRAM AREAS	\$100,920	\$117,740	\$85,000	\$97,760	\$381,308	\$311,979

### Qualifying Homebuyers

- Will occupy the home as their residence
- Meet income and purchase price guidelines

### Mortgage Credit Certificates

- MCC's are a federally authorized program created as an alternative to tax-exempt housing bonds to reduce effective interest costs for qualifying homebuyers
- MCC's allow the homebuyer to qualify for a federal income tax credit equal to a percentage of the interest paid on their home loan each year
- MCC holders still qualify for a regular deduction of the remaining interest paid on their home loan

	Without MCC	With MCC
<b>Mortgage Amount</b>	\$100,000	\$100,000
<b>Mortgage Interest Rate</b>	4.50%	4.50%
<b>Monthly Mortgage Payment</b> (first year interest = \$4,467.00)	\$506.69	\$506.69
<b>MCC Rate</b>	N/A	35%
<b>Monthly Credit Amount (First Year Average)</b> (35% of \$4,467.00 is first year credit)	N/A	\$130.29
<b>"Effective" Monthly Mortgage Payment</b>	\$506.69	\$376.40

### Assist Advantages

- Provides additional home ownership opportunities in each community
- Home ownership provides added stability in a community
- Serves the large segment of potential home buyers who qualify for loans but lack funds for a down payment and closing costs
- Strategic alliance with lenders throughout the state
- Customized marketing in each municipality
- No out-of-pocket expense to any community to participate







## PARTICIPATING COMMUNITIES

**City of Aurora**  
**Village of Arlington Heights**  
**Village of Bartonville**  
**City of Belleville**  
**City of Belvidere**  
**Village of Bridgeview**  
**City of Champaign**  
**City of Charleston**  
**City of Collinsville**  
**City of Crest Hill**  
**Village of Creve Coeur**  
**City of Decatur**  
**City of East Moline**  
**City of East Peoria**  
**City of Edwardsville**  
**Village of Godfrey**

**City of Joliet**  
**Village of Justice**  
**City of LaSalle**  
**City of Lockport**  
**City of Loves Park**  
**Village of Machesney Park**  
**Village of Marquette Heights**  
**City of Mattoon**  
**Village of Mendota**  
**Village of Minooka**  
**Village of Montgomery**  
**City of Naperville**  
**Town of Normal**  
**Village of Orland Park**  
**City of Pekin**  
**City of Peoria**

**Village of Peoria Heights**  
**City of Peru**  
**Village of Plainfield**  
**City of Princeton**  
**City of Rochelle**  
**City of Rockford**  
**Village of Rockton**  
**Village of Romeoville**  
**Village of Schaumburg**  
**Village of Shorewood**  
**City of South Beloit**  
**City of Springfield**  
**City of Urbana**  
**City of Washington**  
**City of Wood River**  
**Village of Yorkville**

**County of Boone**  
**County of Champaign**  
**County of Coles**  
**County of Cook**  
**County of DeKalb**  
**County of Kankakee**  
**County of Kendall**  
**County of Lake**  
**County of Macon**  
**County of Madison**  
**County of McLean**  
**County of Ogle**  
**County of Peoria**  
**County of Rock Island**  
**County of Tazewell**  
**County of Winnebago**

**To sign up: contact Angela Conover (312) 664-5656**  
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