

Memorandum

Community and Economic Development Department

To: Rock Island City Council
Subject: Ceding of Private Activity Bonding Cap
Date: March 27, 2023



The attached letter from Warren Ribley, Executive Director of the Quad Cities Regional Economic Development Authority (QCREDA) requests that Rock Island City Council consider the transfer of the city's 2023 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 \$120.00 for a total of \$4,396,320. 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.

In past years, the city has ceded its cap to the Quad Cities Regional Economic Development Authority and to the Illinois Housing Development Authority (IHDA). LRC Developers (supporting the Hill and Valley bakery project), Friendship Manor, Performance Food Group Thoms Proestler, Seaburg Industries, Steel Warehouse, Watts Trucking, and Augustana College have used QCREDA to finance projects in the city. Ceding the cap to QCREDA allows the city to retain access to the cap for three years. If the money is not ceded or committed to a project by May 31, 2023 it automatically goes back to the State of Illinois to be allocated to other agencies.

Due to the condition of the national and state economies, cap for economic development projects is generally available as there are not be 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 ceding the entire 2023 bonding cap to QCREDA.

Recommendation:

The Community and Economic Development Department recommends that Council consider the attached ordinance ceding the City's 2023 private activity volume bonding cap to the Quad Cities Regional Economic Development Authority.

Submitted by: Tarah Sipes, Economic Development Manager
Miles Brainard, Community and Economic Development Director

Approved by: Todd Thompson, City Manager



QUAD CITIES REGIONAL ECONOMIC DEVELOPMENT AUTHORITY

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

February 27, 2023

The Honorable Mike Thoms, Mayor
City of Rock Island
1528 Third Avenue
Rock Island, IL 61201-8612

Dear Mayor Thoms:

The Quad Cities Regional Economic Development Authority (QCREDA) respectfully requests consideration for the transfer of your uncommitted 2023 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 \$205,108,824 in bonds that have created over 2,618 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. At the end of the calendar year, Volume Cap can be carried forward for three years, but once carried forward. We have developed a mutually beneficial relationship among communities, counties, and other regional development authorities to share this valuable resource for the benefit of the region.

As you may be aware, home rule communities receive a direct allocation in 2023 equal to their population times \$120. The 2023 State of Illinois Allocation guidelines identify Rock Island's population at 36,636, so your 2023 Volume Cap Allocation is \$4,396,320. 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 agencies. If the City of Rock Island would consider passing an ordinance transferring their 2023 allocation to QCREDA prior to May 1st, then QCREDA would be able to keep this cap until December 31st and for the following three years.

QCREDA is interested in serving in this capacity to develop a relationship with home rule communities to promote economic development in the region. We respectfully request if you don't intend to obligate your volume cap that you allow us to use it to benefit the residents of QCREDA. I have taken the liberty of enclosing a draft Ordinance for your review and a form of letter to the Governor's Office with notification of the transfer. These actions would need to take place by May 1st. Please call me at 217-836-9553 or by email at warrenribley@qcreda.com if you have any questions. Please send a copy of the Ordinance/Resolution and notification letter to the Governor's Office of Management and Budget and a copy to us as well to QCREDA Capitol Office, PO Box 9079, Springfield, IL 62791.

Sincerely,

Warren Ribley
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 \$ 120.00; 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 2023 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 2023 private activity volume bonding cap in the amount of \$4,396,320. 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

Date

Office of the Governor
Governor's Office of Management and Budget
Debt Management Unit-Volume Cap Submissions
555 W Monroe Street - Suite 1500 S GOMB
Chicago IL 60661
Attention: Sophia Ronis

Re Issuer: City of Rock Island

Total 2023 Volume Cap Allocation: \$4,396,320

Volume Cap Allocations granted, transferred, or reserved by Issuer resolution prior to May 1, 2023:

- | | |
|---|---|
| 1. Principal Amount of Issue: | 0 |
| Bond Description | N/A |
| 2. Total Allocation Granted or Reallocated: | \$4,396,320 |
| Reallocated to: | Quad Cities Regional Economic Development Authority |

See attached ordinance.

Sincerely,