

**Revised Minutes of the  
Meeting of the Board of Directors  
Upper Illinois River Valley Development Authority  
June 14, 2016  
Utica, Illinois**

**Members Present**

Robert Bakewell, Marshall County Appointment  
James Ghiglieri, Governor's Appointment, Marshall  
Michael Guilfoyle, LaSalle County Appointment  
Dennis Hackett, Governor's Appointment, Grundy  
Deb Ladgenski, Bureau County Appointment  
Philip McCully, Governor's Appointment, Marshall  
Greg Meyers, Kane County Appointment  
Kurt Schneider, McHenry County Appointment  
Thomas Setchell, Governor's Appointment, LaSalle  
Terry Scherholtz, Department of Central Management Services  
Jeffrey Wilkins, Kendall County Appointment

**Members Absent**

William Meagher, Governor's Appointment, LaSalle  
Kevin Olson, Grundy County Appointment  
John Shaw, Governor's Appointment, Kendall  
William Steep, Governor's Appointment, LaSalle  
Gilbert Tonozzi, Putnam County Appointment  
Carrie Zethmayr, Department of Commerce and Economic Opportunity

**Others Present**

Andrew Hamilton, Executive Director

The meeting was called to order at 12:08 p.m. Roll call was made identifying that a quorum was present. It was moved and seconded to approve the agenda. The motion carried. It was moved and seconded to approve the minutes of the October 20, 2015 meeting and the minutes and actions of all previous meetings as presented. The motion carried. It was moved and seconded to approve the Treasurer's Report as presented. The motion carried.

**Lake County Addition to UIRVDA** - PA 99-0499 was signed on January 29, 2016 to add Lake County to UIRVDA. The Act increases the board from 20 to 21 members adding one member to be appointed by the Chairman of Lake County with a term ending on the first Monday of 2018.

**IRS Audit of McHenry County Housing** - In November 2015, UIRVDA was notified by the US Internal Revenue Service (IRS) that the McHenry Living Springs Senior Housing project was selected for Examination. The project was a \$12,450,000 tax-exempt multi-family housing bond in 2007 to construct a 99 unit Supportive Living Facility (SLF) for senior housing that created 38 new jobs. The SLF designation is awarded by the State of Illinois to developers to build a facility that has the characteristics of an assisted living complex, but are affordable to a wider range of seniors as an alternative to moving into a nursing home. SLFs also save the State in Medicaid funding since the daily rate is 60%

of the nursing home rate. The IRS treats the issuer (UIRVDA) as the tax payer, but the legal cost is paid by the borrower. Staff has been working with the borrower, their consultant and four attorneys to respond to five separate requests for information.

The early rounds of information were related to the transaction, but the more recent requests have been outside of the scope of the examination. For example, UIRVDA used volume cap for this transaction that was awarded by the Governor and transferred from other home rule cities and regional bond authorities. For example QCREDA transferred volume cap to UIRVDA that they received from the cities of Rock Island and Moline. So, staff went through 11-year old hard copy files provide copies of resolutions and ordinances that date back to 2005. Luckily, all documents were found. Hundreds of hours were consumed in finding this information.

Unfortunately, this is not where the examination ended. The fifth request for information asked for volume cap documents from 2007 through 2014, seven years after the close of this transaction. Staff feels confident that we have this documentation, but the request is clearly outside of the scope of the examination. The issue on the borrower's end is that these housing units have a microwave oven instead of a natural gas oven. This was approved by the State under the SLF award and by bond counsel in meeting the rule under the tax code focusing on a Private Letter Ruling that authorized replacing ovens with microwaves for the safety of the resident. Not only did this project provide microwaves, but this developer has 15-20 other similar project and other developers have literally thousands of projects nationwide. This would be an industry shaking issue. At this time the Borrower hired an additional attorney that specializes in IRS auditing issues that is now leading the team. His experience has shown that the IRS Audit unit views every transaction as having to be "Pristine". If the transaction is not, then they will rule that millions of dollars of tax-exempt interest would retroactively revert to taxable interest and then income taxes would be due to the IRS. If this happened, then there is an appeals process to a separate unit in the IRS that is completely separate to negotiate a settlement. It appears this will continue into the foreseeable future.

**Governor Volume Cap Award - \$155,000,000** - On December 31, 2015, Governor Bruce Rauner signed a letter providing an allocation of 2015 Volume Cap to the Authority in the amount of \$155,000,000. This is a legion above the largest amount of volume cap allotment we have ever received in our entire history of existence. Volume cap is an allocation of the total amount of private activity bonds that can be issued in the state each particular year. UIRVDA filed a carry forward of the allotment for future multifamily housing project(s) for a three year period.

**Passing of board member Barb Griffith** - On March 11, 2016, Barbara C. Griffith passed away peacefully amongst friends and family in Sarasota, Florida. Staff reviewed the minute book back to September 14, 1993. Barb was listed as a board member along with members Dennis Hackett, Phil McCully and Bill Steep. Barb was a wonderful person that would light up the room with her smile. She will be missed.

**New Lease on Marseilles Property** - For background, in September of 1994, UIRVDA issued a \$4.03 million bond to Waste Recovery (WRI) to fund the construction of a facility in Marseilles (LaSalle County) that would divert waste automobile tires from landfills, shred the rubber and sell it as Tire Derived Fuel (TDF) to Illinois Power Company. This project created 40 new jobs. At the time of the loan, WRI had \$2 million in equity, a contract to sell their product to Illinois Power Company, and had built four other facilities

in the US and just received a \$1 million grant from the Illinois Conservation Department. In the fall of 1998, a fire destroyed the Marseilles facility. UIRVDA issued a new bond of \$2.9 million to rebuild the plant. WRI was acquired by New Heights Recovery, which assumed the debt. In 2002, the company discontinued making its bond payments. Funds were annually withdrawn from the Reserve Fund to make payment, and the State of Illinois appropriated funds to replenish the reserve fund.

In January of 2003, the Marseilles facility was closed, and the equipment was relocated to the Dupo, Illinois. The property is located at 2658 East Route 6, Marseilles, IL 61341. It has a gate house, construction trailer and two oversized steel buildings totaling 14,054 sqft, with 20-, 16- and 14-foot drive-in doors, minimum ceiling of 24 feet and maximum of 30 feet on 6.79 acres of concrete zoned industrial.

In March of 2005, UIRVDA was informed that the company had not paid their real estate taxes since 2002 and the taxes were auctioned off to a tax buyer. **If the property was sold** by this third party to an entity that was not a solid waste disposal facility, it would trigger a “change of use” under the UIRVDA bonds, the interest would convert from tax exempt to taxable and **accelerate the entire balance due**. The State would be forced to appropriate the entire bond balance that fiscal year or risk a default on the moral obligation that could damage the State’s overall bond rating. Additionally, the tax deed holder would be able to sell the property at a premium and retain all proceeds from the sale. **In an effort to retain the value for the benefit of the State, UIRVDA purchased the tax deed for \$47,000 in April of 2006.** UIRVDA commissioned an appraisal in January of 2006 that valued the facility at \$610,000. In 2007, UIRVDA entered into a seven year lease with a solid waste disposal firm named River City Landscaping that was later merged with and assumed by Old Castle landscaping. That started out at \$2,400 per month for four years and was increased to \$3,600 per month. The lease allowed for a purchase option of \$750,000. Upon expiration of the lease in 2014, the payment went on a month to month basis. The company is now interested in renewing the lease, but would like better office accommodations. The Company has been operating out of a small approx. 700 sq ft office trailer that was on the original site. The trailer has exceeded, it useful life. A quote was obtained to remove, dispose, upgrade and replace the trailer for approximately \$56,000. It was moved and seconded to provide latitude to Staff negotiate a new lease that would be for up to a seven year period. Following discussion, the motion carried.

**Update of Economic Development Legislative Issues** - Staff has been part of a small group of Economic Development Professionals that have been working with the Illinois Legislature to retain. The number of Economic Development tools available to assist in the creation of jobs in Illinois is limited. One program that provides state tax credits is the Economic Development for a Growing Economy Program (EDGE). This program is due to sunset at the end of this calendar year. There was no effort to extend this program or provide resources similar to provide incentives for businesses to create new jobs. Extensive lobbying and testimony was introduced and was not successful by the close of the legislative session. Unless legislation is passed in the Fall Veto Session, this program will disappear.

Other efforts proved successful on the extension of benefits for large employers under the Enterprise Zone (EZ) Program. Outside the sales tax exemption on building materials, the EZ Act also provides EXPANDED exemptions for companies that created jobs and made investments. A **Utility Tax Exemption** is available for companies that

create 200 new jobs and invest \$5,000,000 (or create 150 & invest \$175m or retain 1,000 and invest \$20M). A **Consumables Sales Tax Exemption** is available for personal property used or consumed in the manufacturing process for companies that create 200 jobs and invest \$5,000,000 (or retain 2,000 & invest \$40M or Retain 90% of their workforce & invest \$40M). These expanded benefits are awarded for a five year basis with an extension of five years awarded upon a new application. When DCEO certifies a new EZ designation, they initially determined that is a new EZ not and extension of the existing EZ, so the expanded benefits cease at the termination of the original EZ. Therefore the companies that are already receiving these EXPANDED exemptions will BE INELIGIBLE and DISCONTINUE RECEIVING THESE EXPANDED BENEFITS. A company would have to create an ADDITIONAL 200 jobs and invest an ADDITIONAL \$5,000,000 to recapture any of the benefits. These EXPANDED are generally worth several hundreds of thousands of dollars per month to these companies. Many companies are likely unaware of the potential loss of this benefit. This issue was brought up to DCEO and is pending correction under the Joint Committee on Administrative Rules (JCAR) rules.

**Election of Officers** - The Authority annually elects the officers at the annual meeting. It was moved and seconded to elect the officers as follows: Kevin Olson – Chairman, Mike Guilfoyle – Vice-Chairman, William Steep – Secretary and Dennis Hackett – Treasurer. Following discussion, the motion carried.

With no further business, it was moved and seconded to adjourn. The motion carried. The meeting adjourned at 1:24 p.m.

Respectfully submitted,  
Andrew Hamilton on behalf of  
William Steep, Secretary

---

**Revised Minutes of the  
Meeting of the Board of Directors  
Upper Illinois River Valley Development Authority  
October 18, 2016  
Morris, Illinois**

**Members Present**

Robert Bakewell, Marshall County Appointment  
James Ghiglieri, Governor's Appointment, Marshall  
Michael Guilfoyle, LaSalle County Appointment  
Deb Ladgenski, Bureau County Appointment  
Philip McCully, Governor's Appointment, Marshall  
Greg Meyers, Kane County Appointment  
Kevin Olson, Grundy County Appointment  
Kurt Schneider, McHenry County Appointment  
John Shaw, Governor's Appointment, Kendall  
Terry Schierholz, Department of Central Management Services  
Gilbert Tonzzi, Putnam County Appointment  
Jeffrey Wilkins, Kendall County Appointment

### **Members Absent**

Dennis Hackett, Governor's Appointment, Grundy  
William Meagher, Governor's Appointment, LaSalle  
Thomas Setchell, Governor's Appointment, LaSalle  
William Steep, Governor's Appointment, LaSalle  
Carrie Zethmayr, Department of Commerce and Economic Opportunity

### **Others Present**

Andrew Hamilton, Executive Director

The meeting was called to order at 12:07 p.m. Roll call was made identifying that a quorum was present. It was moved and seconded to approve the agenda. The motion carried. It was moved and seconded to approve the minutes of the June 14, 2016 meeting and the minutes and actions of all previous meetings as presented. The motion carried. It was moved and seconded to approve the Treasurer's Report as presented. The motion carried.

**New Lease on Marseilles Property** – Staff briefed the Board on the provisions of a new lease on the Marseilles property. It was moved and seconded to approve as presented. The motion carried.

**UIRVDA Enterprise Zone** - Staff reported on the monitoring of activities within the Illinois Enterprise Zone (EZ) Program, which may allow UIRVDA to designate an EZ for certification by the Illinois Department of Commerce and Economic Opportunity. UIRVDA's legislation contains language under Section 10 that the Authority may by ordinance designate a portion of the territorial jurisdiction of the Authority for certification as an Enterprise Zone under the Illinois Enterprise Zone Act in addition to any other enterprise zones which may be created under that Act. The area shall have all the privileges and rights of an Enterprise Zone pursuant to the Illinois Enterprise Zone Act, but which shall not be counted in determining the number of Enterprise Zones to be created in any year pursuant to that Act. (Source: P.A. 86-1024.)

In 1993, UIRVDA designated the Marshal County EZ, which expired on July 1, 2016. The EZ Act was amended adding additional qualifying criteria, remove some benefits and require all existing EZs to expire on their termination date. Any existing and new EZs must apply for certification on a competitive basis and no existing EZ will receive preference. The first round of EZ applications, due on December 31, 2014 featured 69 applications for 47 spots. EZs in URIDA territory approved were Ottawa (LaSalle), Streator (LaSalle), Harvard (McHenry) and Diamond (Grundy). The Marshall County EZ (Marshall) and the Illinois Valley EZ (LaSalle) were denied. The 2015 EZ second round featured 18 applications for 12 spots. The Bureau Putnam EZ was approved, the Marshall County EZ and the Illinois Valley EZ (LaSalle) were denied and the Mendota EZ chose not to re-apply. The 2016 round will have 9 spots available. There are -0- spots available in 2017, 13 spots in 2018, 9 spots in 2019 and only five EZs left expiring in the time period of 2025 - 2044.

A the end of each award cycle, Staff asked DCEO in public comments whether any of the awards included the UIRVDA EZ and was told that the DCEO award did not include the UIRVDA EZ. Staff believes that the legislative intent of Section 10 in the UIRVDA Act would allow for UIRVDA to designate a new EZ. Staff has been working with

local economic development professionals and state officials regarding the operation of the zone who have expressed interest in becoming part of the UIRVDA EZ.

It was moved and seconded to adopt staff recommendation to identify territory that would easily qualify under the EZ Act; approve of an UIRVDA Ordinance designating the EZ with submission to DCEO for certification; (The UIRVDA EZ can then be expanded along a legislatively defined three foot strip to any territory in UIRVDA's nine county region) direct staff to work with companies in UIRVDA regions that have an expired EZ and other regions that never had an EZ to identify specific projects that may receive EZ benefits; accept applications for an EZ benefit under the existing application procedures; and adopt a pricing fee schedule for the EZ that is consistent with what is allowable under the EZ Act. Following discussion, the motion carried.

**UIRVDA Annual Budget** – Staff presented information on a proposed budget. It was moved and seconded to approve the following budget as follows: Accounting Fees: \$1,500, Executive Director: \$18,000, Insurance: \$2,000, Legal & Prof. Fees: \$15,000, Lodging: \$3,500, Marketing: \$25,000, Meeting Expenses: \$3,000, Office Expense: \$4,000, Postage: \$4,000, Support Services: \$25,000, Telephone: \$7,000, and Travel: \$6,000. Total budget for the year \$114,000. Following discussion, the motion carried.

**UIRVDA Annual Audit** – It was moved and seconded to direct staff to commission annual statements with an auditing accounting firm. Following discussion, the motion carried.

**Resolution Regarding the Scheduling of Meetings** - Staff provided information on the Resolution. It was moved and seconded to approve the Resolution as presented. Following discussion, the motion carried.

With no further business, it was moved and seconded to adjourn. The motion carried. The meeting adjourned at 1:18 p.m.

Respectfully submitted,  
Andrew Hamilton on behalf of  
William Steep, Secretary