**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 form 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 (URIVDA) 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