

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
FINANCE COMMITTEE MINUTES
April 15, 2016

The meeting of the Finance Committee of the Illinois Housing Development Authority took place on April 15, 2016 at 401 N. Michigan Avenue, Chicago, Illinois at 9:00 a.m. Attending the meeting were Ms. Mary Kane and Mr. Sam Tornatore for the members. Also attending the meeting were Ms. Jennifer Fredericks, Ms. Merci Stahl and Mr. Larry Dillard of Bank of New York Mellon; Mr. Susan Jun of Bank of America; Mr. John Janicik and Ms. Rachel Smith of Mayer Brown; Mr. Bob Cafarelli of Zions Bank and Mr. Steve Abbey of First Merit Bank. For the Authority staff; Ms. Audra Hamernick, Ms. Debbie Olson, Mr. John Chung, Mr. Andy Decoux, Ms. Tara Pavlik, Ms. Peggy Torrens, Mr. Andrew Nestlehut, Mr. Neil O'Callaghan, Mr. Ron Gajos, Ms. Tracy Grimm, Ms. Whitney Sanders and Ms. Lily Benitez were present.

Ms. Kane motioned to approve the March 18, 2016 Finance Committee meeting minutes as presented.

New Business

Resolution of Intent Concerning the Issuance of Revenue Obligations under Single Family and Multi-Family Bond Programs (Home Rule Pool) in an Aggregate Principal Amount Not to Exceed \$150,000,000. and Resolution of Intent Concerning the Issuance of Revenue Obligations under Single Family and Multi-Family Bond Programs (non-Home Rule Pool) in Aggregate Principal Amount Not to Exceed \$150,000,000.

Mr. Chung stated: Both of these resolutions were previously presented to Board by the Legal department and it has been decided that going forward, Finance will be presenting these resolutions, as they have to do with bonds.

Pursuant to the Illinois Private Activity bond Allocation Act and the Guidelines and Procedures of the Office of the Governor for the State of Illinois, the Authority may apply to the Governor's office for tax exempt bond volume cap from unused portion of volume cap originally allocated to the home rule units and non-home rule units within the state of Illinois.

The Bond Allocation Act and the State Guidelines that I just mentioned require the Board's approval of the Authority's intent to issue private activity tax exempt bonds pursuant to such application of unused portion of Home Rule and non-Home Rule units.

The Finance Department respectfully requests the Board's approval of the intent to issue the following Not to Exceed amounts after June 1, 2016:

- Not to Exceed amount of \$150,000,000 for Home Rule Units
- Not to Exceed amount of \$150,000,000 of Non-Home Rule Units

Resolution Authorizing the Issuance of Not to Exceed \$20,000,000 Aggregate Principal Amount of Multi-Family Housing Revenue Notes (Vermillion Garden Apartments Project), Series 2016.

Mr. Chung stated: This resolution is a bond transaction for Multi-Family Housing Revenue Note for Vermillion Garden Apartments Project.

IHDA will issue two series of notes (Series 2016A and Series 2016 B) to finance the acquisition and rehabilitation of Vermillion Garden Apartments, containing 240 units located at 1213 Garden Drive in Danville, Illinois.

This bond transaction will be a Conduit financing – Privately placed (directly purchased by Citibank), it will be a long term tax-exempt note transaction. Series 2016 A will be fixed rate and Series 2016 B will be variable rate. It is a limited obligation under conduit finance structure; therefore, no credit risk to the Authority.

The resolution request is to authorize the issuance of Multi-Family Housing Revenue Notes Series 2016 A and 2016 B (Vermillion Garden Apartments Project) in aggregate not to exceed \$20,000,000. Final maturity no later than November 1, 2051 for Series A and November 1, 2021 for Series B. Bond interest rate not to exceed the lesser of 12% per annum or the maximum rate permitted by Illinois law, which currently is 11%.

The transaction is projected to close April 28, 2016.

Inducement Resolution Relating to Preliminary Approval for the Issuance of Multifamily Housing Revenue Bonds, Not to Exceed an Aggregate Principal Amount of \$55,000,000 for Multifamily Residential Projects to be Owned by Dekalb 1 Preservation LP, an Illinois Limited Partnership and Dekalb 3 Preservation LP, an Illinois Limited Partnership.

Mr. Chung stated: This resolution is for the inducement of an upcoming transaction for University Village I, II and III. It is a very large transaction and long term in the making and has been in the news.

Dekalb I and Dekalb III are the borrowers and they have made a request to the Authority to issue Multifamily Housing Revenue Bonds in an amount not to exceed \$55,000,000 in two separate bond transactions (University Village I, II and University Village III). Bonds for University Village I & II will be issued to not exceed \$43,000,000 to finance the acquisition and rehabilitation of the multifamily property located at 722 North Annie Glidden Road in Dekalb. Bonds for University Village III will be issued to not exceed \$12,000,000 to finance the acquisition and rehabilitation of the multifamily property located at 819 Russell Road in Dekalb.

In connection with the acquisition of the project, the Borrower has made certain expenditures of its own funds that it would like to have reimbursed from the proceeds of the Bonds. The Borrower; therefore, requests that the Authority approve an inducement resolution pursuant to Section 1.150-2 of the Internal Revenue Code of 1986 ("Code") so that qualified expenditures can be reimbursed from bond proceeds.

Adoption of this resolution will express the Authority's "official intent" to issue the Bonds (i) under terms and conditions satisfactory to the Authority and Applicable law, and (ii) Authority's adoption of a final bond resolution. Final bond resolution is expected to be presented for approval at the May 2016 board meeting.

Resolution Ratifying Permitted Financial Activities.

Mr. Nestlehut provided a summary for the Third Quarter Fiscal Year 2016 Permitted Financial Activities.

The first slide is the IHDA Portfolio Allocation showing a breakdown of our portfolio at 22.63% in Money Market Funds or a market value of \$237.2 million; 27.09% in Mortgage Backed Securities or a market value of \$283.9 million; 45.79% in US Agencies or a market value of \$479.9 million; 4.48% in US Treasuries or a market value of \$51.6 million and 0.01% in Investment Agreements or a market value of \$100 Thousand bringing the total market value to just over \$1 billion.

A third quarter summary shows total Purchases at \$609.9 million, total Sales at \$175.6 million and total Maturities at \$190.1 million.

Two additional slides show total Payouts and Draws at \$6.6 million and total Bond Debt Service at \$122.4 million.

The last slide shows our Interest Rate Management Agreement broken down by Interest Rate Caps and Swaps.

Discussion: Homeownership Mortgage Program Update.

Ms. Pavlik stated: Reservations for April 2016 at 679 first mortgage loans or \$87.76 million; 316 mortgage loans or \$44.02 million for GNMA and 363 mortgage loans or \$43.73 million for Fannie Mae or conventional.

Ms. Pavlik presented a slide showing prior year reservation comparisons for the month of April 2016. Reservations in April 2015 were \$23.1 million for GNMA and \$21.2 million for Fannie for a total of \$44.3 million.

Ms. Pavlik continued: Through April 2016 and over the life of the program, 99% of all borrowers have been utilizing our Down Payment Assistant Program; we have a 21.77% fallout rate and our current pipeline is \$170.15 million.

Overall 53% of our borrowers are using an FHA product, 2% for VA, 1% for USDA which is also in that GNMA bucket; 44% are Conventional.

ONGOING ACTIVITIES

Discussion: Monthly Interim Financial Statements.

Mr. Gajos discussed the Authority's Monthly Interim Financial Statements by highlighting the Total operating revenues, Government reimbursements and Total operating expenses.

Ms. Kane adjourned the meeting at 9:28 a.m.