ILLINOIS HOUSING DEVELOPMENT AUTHORITY

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
FINANCE COMMITTEE MEETING MINUTES
Friday, September 20, 2024

The meeting of the Finance Committee of the Illinois Housing Development Authority took place on Friday, September 20, 2024, at 10:00 a.m. at 111 East Wacker Drive, Chicago, IL. Attending the meeting were Finance Committee Chair, Mr. Sam Tornatore, Mr. King Harris, Mr. Daniel Hayes, Mr. Brice Hutchcraft, Ms. Claire Leopold, Mr. Tom Morsch, Ms. Erika Poethig, and Ms. Luz Ramirez. Attending from IHDA's Executive team were Ms. Kristin Faust, Mr. Lawrence Grisham, Ms. Karen Davis, Mr. Seth Runkle, Ms. Christina McClernan, and Mr. Keith Evans.

I.A. Mr. Tornatore called the meeting to order at 10:00 a.m.

I.B. Ms. Angeles called the roll. Finance Committee Chair Tornatore, Chairman Harris, Mr. Hayes, Mr. Hutchcraft, Ms. Leopold, Mr. Morsch, Ms. Poethig, and Vice Chair Ramirez were present. Ms. Berg was absent.

I.C. Mr. Tornatore called a motion for the approval of the July 19, 2024, minutes to be approved as presented. Motion carried.

II.A. Presentation of Consolidated Interim Financial Statements

Mr. Jalaluddin stated: We're examining fiscal YTD data covering 2 months of FY25. Operating Revenues YTD are $9.7M, reflecting a favorable deviation of $ ($0.7 million) over budget, mainly from ongoing fees ($0.2 million) from higher bond administration fees, origination fees ($0.3 million) resulting from higher collection of federal 9% tax credit reservation fees, and federal 4% determination fees, and an increase in insurance fees ($0.3 million) resulting from higher risk sharing insurance fee collections, and credit enhancement. The Administrative reimbursements were $4.5M, $(0.8 million) unfavorable to budget, which I will get into further in the upcoming slide.

Mr. Jalaluddin continued: Operating Expenses YTD are $10M, which is $3.5M under budget. Favorability is attributed to underspending in Salaries and Benefits of ($0.6 million); Professional fees of $1.4M driven by a combination of favorable spend on Contractual Services & Consultants Fees; and Financing fees of $0.5 million. Most of these are due to timing difference as our budget is based on a consistent, straight-line projection and is expected to smooth out over the course of the fiscal year.

Mr. Jalaluddin continued: Focusing solely on the administrative fund, we observe favorable trends in both operating revenues and expenses, reflective of the factors previously outlined. This fund analysis provides an isolated view of the administrative fund's financial performance, excluding reimbursements. The unfavourability we see here in Salaries and Benefits is due to reimbursement for State CBRAP which went live today and once we start billing for this program the reimbursement will be picked up and the Salaries and Benefits will be in line with the budget figure.

Mr. Jalaluddin continued: Shifting our attention to the Governmental fund's operating revenues which comprises of Administrative Reimbursements for incurred authority expenses. FYTD reimbursements reached $4.5M, unfavorable to budget by ($0.8 million). This is largely due to the timing as the State CBRAP which went live this week, the reimbursement will be picked up for Q1.

Mr. Jalaluddin continued: Operating Expenses for the Governmental Funds YTD are $4.5M, favorable to budget by $1.9M. This primarily due to Salaries and Benefits and professional fees of ($ 0.9 million) & ($ 0.7 million) respectively which again is due to timing of billing for the State CBRAP or State-funded court rental assistance program. The overage in the Other GA is due to temporary employee expenses as most of the staff was focused on closing out the ERA2 programs.

II.B. Multifamily Update

Ms. Sanchez stated: We have 4 items on the main agenda for your consideration today. Station View Lofts will consist of two 4-story buildings containing 36 non-elderly units in Morton Grove in Cook County. Buena Vista Apartments is the proposed acquisition and rehabilitation of a 231-unit family property in Elgin in Kane County. Layden Apartments is the proposed new construction of a 4-story, 80-unit elderly building in Franklin Park in Cook County. New Holland Apartments is the proposed acquisition and rehabilitation of an existing 47-unit non-elderly development that is a troubled property in IHDA's portfolio, with an owner that can no longer own and operate it, located in Danville in Vermilion County.

Ms. Sanchez continued: Department updates include two requests for applications released in August; the Non-Congregate Shelter RFA and PSH Round XI. Preliminary Project Assessments (PPAs) for the Non-Congregate Shelter RFA, PSH Round XI RFA, and the 2025 LIHTC Round are due October 7, 2024

Ms. Sanchez concluded: Applications for Round 2 of IHDAs Housing for Justice Involved Individuals Program are due on September 27, 2024. In preparation for Round 2 we held concept meetings, reviewed concepts, and loan committee recommended 29 apply for funding. All proposed projects would provide approximately 343 beds, 13 are in Chicago, 11 in Chicago Metro, 4 in Other Metro, and 1 non-Metro. An update on Round 1 is we have closed 18 of the 25 projects to date and anticipate closing the other by year end.

II.C. Single Family/Homeownership Update

Mr. Gumucio stated: Homeownership reservations for the month of August 2024 totaled just over $96.9 million in first mortgages, we had a variance decrease of 73% by loan count and 74% by loan volume compared to the same month in 2023.

Mr. Gumucio continued: The breakdown of IHDA DPA offerings were as follows: Access 4%, our forgivable program, accounted for 27% of total volume, Access 5%, our deferred program, made up 36%, and Access 10%, our repayable program, made up the remaining 37%. Chicagoland was the largest of the regions by loan count and volume, followed by Central, Northwest, and Southern. As of 8/31/24, our pipeline is just over $329.9M. The pipeline is the total number of loans in the reservation and loans purchased not yet pooled status. Average count is 52 days from reservation to purchase by our master servicer.

Mr. Gumucio continued: Regarding GNMA/conventional loan reservation history for the IHDA programs over the last 13 months, the green line on this chart represents our rates compared to the red line which represents the Freddie national 30-day offered rate. Currently our rates are at or slightly above the FHLMC offering rate for two reasons, first our rates are a blend of both government and conventional loan rates, not just conventional products we are benchmarking against in the graph. In addition, our deferred and repayable programs have been getting more appeal due to the higher DPA amounts. These programs have slightly lower mortgage rates, contributing to the lower interest rate value.

Mr. Gumucio continued: IHDA Demographic Analysis compared to State of IL year-to-date race comparisons through 8/31/24, those who identify as Black or African American households of IHDA's purchased loans was 16.8% compared to the state of IL's total population at 14.7%, while those who identify as Hispanic or Latino of IHDA's purchased loans was 29.8% compared to the State of IL total population at 18.3%. Homeownership is aware that the Black/African American race and Hispanic/Latino ethic categories rose this month, and we are continuing our targeted outreach and marketing efforts for further improvements and evaluation.

Mr. Gumucio concluded: Here is a year-to-date comparison for years 2021-2024. As you can see, we are returning to a more traditional volume flow. For comparison, in February 2024 we only had a 5% increase in units compared to February of 2021, however yielded over $30 million dollars more in volume, this increase in volume is due to the purchase price increases we have seen in recent years.

III.A.1. Resolution Ratifying Establishment of Loan Loss Reserve

Mr. Jalaluddin stated: We are seeking the approval of the Quarterly Resolution Ratifying Establishment of Loan Loss Reserve for June 30, 2024. The loan loss reserve decreased $3.9M primarily due to decreases in ARRA ($8.5M), Admin ($1.6M), and IL Affordable Housing Trust Fund ($1.1M) as a result of lower reserve on a forgivable loan, decreases in property valuation and increases in debt service coverage ratio due to higher NOI offset by increases in HOME ($5.3M) and Housing Bonds ($2.6M) primarily due to higher loan reserve on the Perry Portfolio in the amount of $3.9M and $1.4M, respectively, in addition to decreases in debt service coverage ratio as a result of lower NOI due to higher expenses.

III.A.2. Resolution Amending Designations of a Portion of Administrative Fund Net Assets for Programs under Various Scenarios

Mr. Jalaluddin stated: Annually in the audited financials, the Authority designates a portion of the net assets in the administrative fund for programs and initiatives in the Authority, which are in support of current and future business initiatives. A schedule of expenditures is shown for incorporation into the Authority financial statements for the fiscal year ended June 30, 2024, which take effect immediately upon the adoption of the resolution. Also shown are the schedule of expenditures for the prior fiscal year to capture any change. Such plans are subject to change from original authorizations and may never result in expenditures.

III.A.3. Resolution Amending the Financial Management Policy

Mr. Babcock stated: Pursuant to Resolution 2005-IHDA-058, where the Authority established a financial management policy; such policy sets forth a list of authorized Counterparty (Exhibit B) and authorized Investment Banks (Exhibit C). The changes to the exhibits were made to remove three from Exhibit C. The removal of these firms is due to two firms exiting the municipal underwriting space and the third ceased operations.

III.A.4. Resolution Authorizing Single Family Revenue Bonds 2024 Series IJKL

Mr. Babcock stated: Today the finance department is seeking approval for the issuance of Single Family Revenue Bonds Series 2024 IJKL in an amount not to exceed $350 million. At this time, the structure is planned to be a mirror of previously approved Series 2024 EFGH transaction that was approved at July board and closed in August. The Offered Bonds are contemplated to be both short term and long term, fixed rate and variable rate issuance. If variable rate debt is issued, the Authority would enter into a derivative instrument in the form of a fixed rate swap.

Mr. Babcock continued: The issuance may include but is not limited to increasing net position of the Indenture, deploying new money capital for future obligations and lock in long term spread for the Authority. Depending on the market environment during the transaction, stored zero percent participations generated from past issuances may be used to reach the full spread allowed under tax law. The Offered Bonds will be special limited obligations of the Authority and on parity with identified past issuances under the Revenue Bonds indenture. It is expected that the Offered Bonds will be designated "Social" or "Sustainable" Bonds. The Offered Bonds could incorporate zero's and/or subsidies.

Mr. Babcock continued: The Series 2024 I bonds will be fixed rate, tax-exempt bonds, Series 2024 J Bonds will be fixed rate, taxable bonds, and Series 2024 K & L Bonds will be taxable and tax-exempt variable rate bonds. The percentage of Hedged Variable Rate debt in the indenture is expected to be 15%.

Mr. Babcock concluded: The request today is for the issuance of Revenue Bonds Series 2024 IJKL in an amount not to exceed $350 million. The final maturity will be no later than 35 years after issuance, the interest rates on the fixed rate series will not exceed 6% or 11% per annum based on tax status, and the interest rates on the variable rate series will not exceed 12% or 15% per annum based on tax status. The estimated pricing date for the bonds is October 15th, with an estimated closing of November 6th. Transaction participants are shown on the slide with the Senior Underwriters being Wells Fargo for the tax-exempt series and Ramirez for the taxable series. As we approach the election, Capital Markets, in consultation with our Financial

Advisor, will be closely monitoring the municipal issuance calendar and may adjust the structure, pricing, and closing details as needed. Our goal is to remain flexible to ensure an optimal market entry. We will provide the Board with the list of selected Co-Senior Manager and Co-Managers at the October Board meeting.

III.B.1. Multifamily Revenue Bonds Series 2021 C-3 and C-4 (900 West Randolph)

Mr. Babcock stated: IHDA will issue series 2024 C-3 and C-4 bonds to refund a portion of the taxable Series 2021 C-1 and C-2 bonds. This transaction does not include the use of new volume cap, as the new refunding bonds will be using recycled volume cap that is scheduled to expire in October. The Series C-3 bonds will be privately placed with Wells Fargo, and the series C-4 bonds will be privately placed with Bank of America. The bonds are to be long term, privately placed, and tax-exempt. The bonds are conduit obligations, and not a liability of IHDA's General Obligation.

Mr. Babcock continued: Today's request is for the issuance of Multifamily Revenue Bonds Series 2021 C-3 and C-4, known as 900 West Randolph, in an amount not to exceed $72.5 million dollars, with a final maturity no later than May 1, 2056, and an interest rate not to exceed 8.0% for fixed rate or 12% for variable rate. The estimated closing date is October 1, 2024. A list of transaction participants was shared.

III.B.2. Multifamily Housing Revenue Notes, Series 2024A and 2024B (Buena Vista Apartments)

Mr. Ess stated: IHDA will issue Multifamily Revenue Bonds Series 2024 A & B to finance the acquisition and rehabilitation of a 231-unit non-elderly development known as Buena Vista Apartments located at 1285 Fleetwood Drive in Elgin. The Series A & B Notes will be privately placed with PNC Bank, National Association, or an affiliate thereof.
This is conduit financing – the Series A Note will be tax-exempt, fixed rate, long-term, and privately placed. The Series B Note will be tax-exempt, variable rate, short term, and privately placed. These are limited obligation - No IHDA G.O.

Mr. Ess continued: Issuance of MHRN, Series 2024A (Buena Vista Apartments) in an amount not to exceed $46,000,000 with a final maturity no later than November 1, 2042, and an interest rate not to exceed 6.5% per annum. Also, the Issuance of MHRN, Series 2024B (Buena Vista Apartments) in an amount not to exceed $5,000,000 with a final maturity no later than November 1, 2026, and an interest rate not to exceed 12% per annum or the maximum rate permitted under Illinois law. The aggregate not to exceed amount is $49 million. The estimated closing date is November 18th. A list of transaction participants was shared.

III.B.3. Multifamily Housing Revenue Note Series 2024 (New Holland Apartments)

Mr. Ess stated: IHDA will issue Multifamily Housing Revenue Note, Series 2024 (New Holland Apartments) to finance the acquisition and rehabilitation of a 44-unit non-elderly development located at 324 North Vermilion Street, Danville. The Note will be privately placed with Merchants Bank of Indiana, or an affiliate thereof. This is conduit financing – the Series

2024 Note will be tax-exempt, variable rate, short-term, and privately placed. This is limited obligation - No IHDA G.O. The permanent financing will be a IHDA Trust Fund loan which will have a 35-year maturity.

Mr. Ess continued: Today's request is for the Issuance of MHRN, Series 2024 (New Holland Apartments) in an amount not to exceed $9,420,000 with a final maturity no later than three years after the date issuance and an interest rate not to exceed the lesser of (i) 14% or (ii) the maximum rate permitted under IL law. The estimated closing date is November 12th. A list of transaction participants was shared.

III.B.4. Multifamily Housing Revenue Bonds Series 2024 (Leyden Apartments)

Mr. Ess stated: IHDA will issue Multifamily Revenue Bonds Series 2024 (Leyden Apartments) to finance the acquisition and construction of a an 80-unit elderly (62+) development known as Leyden Apartments located at 2450 & 2516-2560 North Mannheim Road in Franklin Park. The Bonds will be publicly offered by KeyBanc Capital Markets and Mesirow Financial, Inc. This is conduit financing, the Series 2024 Bonds will be tax-exempt, fixed rate, and long term. These are limited obligation – no IHDA G.O.

Mr. Ess continued: Today's request is for the authorization of the issuance of Multifamily Housing Revenue Bonds Series 2024 (Leyden Apartments) in an amount not to exceed 22,656 million dollars, with a final maturity no later than January 1, 2052, and an interest rate not to exceed 8.5% per annum. The estimated closing date is November 21st. A list of transaction participants was shared.

III.C.1. Real Estate Brokerage and Advisory Services RFP

Mr. Grisham stated: Today we are requesting approval for Real Estate Brokerage and Advisory Services for IHDA's Corporate Offices, Avison Young ("Consultant") For an Amount Not to Exceed $562,500. The Authority's lease for our current space expires in October 2026. Upon Board approval and contract execution, the Consultant will conduct space planning and needs assessment, assist with the development of a Request for Information, assist with lease negotiations, and prepare for relocation (if necessary) or for improvements to the Authority's current space.

Mr. Grisham concluded: Approval is recommended based upon the following: The Consultant was the successful respondent to a Request for Proposals and demonstrated the capacity and expertise necessary to complete this important assignment. The team assigned to this consultancy has more than 100 years of collective experience in leasing Class A and B office space. The Consultant substantiated its commitment to diversity in staffing and governance, as well as other metrics such as spend, policies, and time assisting WBE/MBE businesses.

IV. Mr. Tornatore adjourned the meeting at 10:29 a.m.