ILLINOIS HOUSING DEVELOPMENT AUTHORITY

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FINANCE COMMITTEE MEETING MINUTES
Friday, November 22, 2024

The meeting of the Finance Committee of the Illinois Housing Development Authority took place on Friday, November 22, 2024, at 10:00 a.m. at 111 East Wacker Drive, Chicago, IL. Attending the meeting were Acting Finance Committee Chair, Ms. Erika Poethig, Mr. King Harris, Ms. Luz Ramirez, Ms. Sonia Berg, Mr. Daniel Hayes, Mr. Brice Hutchcraft, Mr. Tom Morsch, and Ms. Claire Leopold. Attending from IHDA's Executive team were Ms. Kristin Faust, Mr. Lawrence Grisham, Ms. Karen Davis, Mr. Seth Runkle, Ms. Christina McClernon, and Mr. Keith Evans.

I.A. Ms. Poethig called the meeting to order at 10:04 a.m.

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

I.C. Ms. Poethig called a motion for the approval of the October 18, 2024, minutes to be approved as presented. Motion carried.

II.A. Presentation of Consolidated Interim Financial Statements

Ms. Larson stated: We are examining fiscal YTD data covering 4 months of FY25. Operating Revenues FYTD are $23.3M, reflecting a favorable deviation of $5.3M over budget, mainly from origination fees of $3.3M resulting from higher collection of federal 9% tax credit reservation fees and loan origination fees. Higher interest rate environment contributed to strong investment returns in interest and other income of $2.0M. The Administrative reimbursements were $10.1M, slightly behind budget by ($341k), which I will cover in the upcoming slide.

Ms. Larson continued: Operating Expenses FYTD are $22.1M, which is $5.1M under budget. Favorability is attributed to Salaries and Benefits of $1.3M due to open positions; Professional Fees of $2.1M driven by a combination of favorable spend on Contractual Services & Consultants Fees.

Ms. Larson continued: Focusing solely on the Administrative Fund, we observe favorability 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.

Ms. Larson continued: Shifting our attention to the Governmental Fund's operating revenues which consist of Administrative Reimbursements for incurred Authority expenses, FYTD reimbursements reached $10.1M, slightly behind budget by ($341k) primarily due to the timing of billings.

Ms. Larson concluded: Operating Expenses for the Governmental Funds FYTD are $10.5M, favorable to budget by $2.3M. This is primarily due to Salaries and Benefits and Professional Fees of $1M & $1.1M, respectively, due to the timing of expenses.

II.B. Multifamily Update

Mr. Bannon stated: We have six projects item on the main agenda for your consideration today: Heart of Uptown Apartments, a proposed rehabilitation of 5 buildings with 103 units serving a non-elderly population in the Uptown Community in Chicago; Deerfield Supportive Living, the proposed new construction of a 4-story, 146 unit supportive living facility in Deerfield; Framing Hope, the proposed new construction of 7 single family detached homes located in Rockford; Poupard Place, the proposed new construction of a 4-story, 48 unit non-elderly building in Northbrook; Lakeside Tower Apartments, the proposed rehab of a 14-story, 150 unit non-elderly building in Waukegan; and Evanston Community Land Trust, the proposed rehabilitation of a 3 bed/2 bath single family detached home in Evanston.

Mr. Bannon concluded: Our department updates are: 1) Universal PPAs, or Preliminary Project Assessments, are currently under review. PPA determinations will be communicated to sponsors in December. Approved PPAs are eligible to submit Full Applications and the application due dates by program (Permanent Supportive Housing, Non-Congregate Shelter, and 9% LIHTC) are: PSH - February 13, 2025, NCS - February 20, 2025, and 9% LIHTC - March 6, 2025, and 2) Housing for Justice Involved Individuals Program (or HJIIP) Round 2 projects will be presented at Board in December. From HJIIP Round 1, 18 projects have closed to date with another closing targeted in December, representing a total of 171 new beds, and 6 projects from Round 1 remain additional after that.

II.C. Single Family/Homeownership Update

Mr. Nestlehut stated: Homeownership reservations for the month of October 2024 totaled just over $91.7 million in first mortgages, we had a variance decrease of 55% by loan count and 55% by loan volume compared to the same month in 2023. Please note that 2023 was a banner year where IHDA achieved the highest volume in history; we are simply returning to a more normalized volume flow.

Mr. Nestlehut continued: The breakdown IHDA DPA offerings were as follows: Access 4%, our forgivable program, accounted for 21% of total volume, Access 5%, our deferred program, made up 38%, and Access 10%, our repayable program, made up the remaining 41%. Chicagoland was the largest of the regions by loan count and volume, followed by Central, Northwest, and Southern. As of 10/31/24, our pipeline is just over $348.5M. The pipeline includes the number of loans reserved, not yet purchased and loans purchased not yet pooled. Average count is 55 days from reservation to purchase by our master servicer.

Mr. Nestlehut 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. The rate gap has narrowed in the past month.

Mr. Nestlehut continued: IHDA Demographic Analysis compared to State of IL year-to-date race comparisons through 10/31/24, those who identify as Black or African American households of IHDA's purchased loans was 16.7% 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 30.1% compared to the State of IL total population at 18.3%.

Mr. Nestlehut concluded: Here is a year-to-date comparison for years 2021-2024. The purple line is 2024 YTD, compared to the last 3 calendar years. Removing 2023 from the analysis, we are relatively in line with previous years.

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

Ms. Larson stated: This is the Resolution Ratifying Establishment of Loan Loss Reserve for September 30, 2024 – approval will be requested at the Board meeting. The loan loss reserve increased by $4.4M from $123.6M to $128M. The increase is primarily due to HOME Program for $2.9M and IL Affordable Housing Trust Fund of $2.8M resulting from a request for loan forgiveness and higher probability of default offset by ($527k) due to lower probability of default and ($1.7M) due to completed construction and loan assumptions curing delinquencies, respectively.

III.A.2. Resolution of Intent to Issue Single Family and Multifamily Bond Obligations

Ms. Jacobson stated: Today, as part of our annual process, the Finance Department is presenting a resolution to authorize the issuance of private activity tax-exempt bonds to support the financing of various housing developments. IHDA is authorized to issue these Bonds under the Illinois Private Activity Bond Allocations Act which enables the Authority to provide financing for both single-family and multi-family housing developments. Looking ahead to 2025, we anticipate strong demand for these bonds. As such, the Finance Department will be requesting Board approval for a maximum aggregate amount of $1.25 billion in bonds to be issued. This amount aligns with the authorization granted for the 2024 allocation, which was established last year.

III.A.3. Standby Bond Purchase Agreement Renewal – Housing Bonds Series 2015 A3

Mr. Babcock stated: The request before you today is to amend the following Standby Bond Purchase Agreement (or SBPA) with the Federal Home Loan Bank of Chicago to include language reflecting a five (5) year extension to said agreement for Housing Bonds Series 2015 A3. The referenced bonds are variable rate debt obligation which are remarketed by a remarketing agent on a weekly basis. The SBPA provides a liquidity backstop for the bonds, safeguarding against any bond remarketing risk and any associated liquidity risk. If the VRDO bonds cannot be remarketed, the Federal Home Loan Bank of Chicago will step-in and purchase the obligation per the agreement. All changes to legal terms, language, and pricing terms with the extension was completed in conjunction with review of internal and external counsel.

III.A.4. Resolution Authorizing Multifamily Revenue Bonds Series 2024 H

Ms. Jacobson stated: Today the finance department is introducing a resolution for the issuance of Multifamily Revenue Bonds Series 2024 H-1 and H-2 in an amount not to exceed $120 million dollars. This financing represents a strategic opportunity to optimize the Authority's debt profile and deliver meaningful cost savings. The Bonds will be issued as a mix of tax-exempt and taxable bonds in two separate series: 1. Tax-Exempt Fixed Rate Bonds (Series H-1), and 2. Taxable Fixed Rate Bonds (Series H-2). The purpose of the bond issuance is to refund approximately $131.9 million of prior bonds under the Multifamily Revenue Bond Indenture, achieve long-term debt service savings, and reduce outstanding debt. The transaction does not require new financial resources of the Authority.

Ms. Jacobson continued: This slide provides a summary of the structure and key statistics. The Bonds will refund Series 2021A, 2021B and 2022A bonds outstanding. The transaction will only proceed if the 2% minimum savings threshold is achieved. Additionally, this is not an extension of the existing debt as the final maturity remains unchanged. This slide provides an overview of the Multifamily Revenue Bonds debt profile post the refunding. There is a decrease in debt outstanding of approximately $29.1 million resulting from the refunding. There is no change in the Authority's percentage of variable rate debt post the sale of the Bonds.

Ms. Jacobson continued: The request today is for the issuance of the Bonds, with the following parameters: Series H-1 (Tax-Exempt): Not to exceed $118,000,000, Series H-2 (Taxable), Not to exceed $2,000,000. Final Maturity: No later than 46 years from the original issuance date of the refunded bond series. Interest Rates: Not exceeding 8.5% (fixed) or 12% (variable) annually, in accordance with state law. The Finance Department will be requesting Board approval for the bond resolution to proceed with this financing. The estimated pricing date is on or around December 9th with an expected closing date of December 19th.

Ms. Jacobson concluded: This slide highlights the transaction team. JP Morgan will serve as Senior Underwriter. In summary, the Multifamily Revenue Bonds 2024 Series H issuance represents an opportunity to achieve financial benefits, including cost savings and enhanced debt management.

III.B.1. Inducement Resolution – Multifamily Housing Revenue Bonds Series 2025 (Lakeside Tower)

Mr. Ess stated: IHDA will issue Multifamily Revenue Bonds Series 2025 (Lakeside Tower) to finance the acquisition and rehabilitation of a 150-unit non-elderly development known as Lakeside Towers located at 200 Julian Street in Waukegan. Lakeside Preservation LLC has made a request to the Authority to provide a Conduit Bond Inducement Resolution in an amount not to exceed $43,500,000.

Mr. Ess continued: Today's request for the adoption of this resolution will express the Authority's "official intent" for federal tax purposes to issue the bonds (i) under terms and conditions satisfactory to the Authority and consist with applicable law, and (ii) subject to the Authority's adoption of a final bond resolution. The Tax-Exempt Conduit Bonds, Series 2025 in an amount not to exceed $43,500,000. The maturity for the Series A bonds is 40 years, Series B is two years, with construction expected to last 24 months. Board Meeting for Bond Approval is March 21, 2025, with Bond Closing May 9, 2025. A list of transaction participants was shared.

III.B.2. Multifamily Housing Revenue Bonds Series 2024 (Heart of Uptown Apartments)

Mr. Ess stated: IHDA will issue Multifamily Housing Revenue Bonds Series 2024 (Heart of Uptown Apartments) to finance the acquisition and rehabilitation of a 130-unit non-elderly development located at 4431-41 North Clifton Avenue in the Uptown Neighborhood of Chicago. The Bonds will be publicly offered by Stifel, Nicolaus & Company, Incorporated. This is conduit financing, the Series 2024 Bonds will be tax-exempt, fixed rate, and short term. These are limited obligation – no IHDA G.O. Upon conversion, the tax-exempt bonds will be purchased by R4 Capital Funding LLC in the form and amount of the permanent loan.

Mr. Ess continued: Today's request is for the issuance of Multifamily Housing Revenue Bonds Series 2024 (Heart of Uptown Apartments) in an amount not to exceed $29,700,000, with a final maturity no later than February 1, 2068, and an interest rate not to exceed 8.5% per annum. The estimated closing date is December 17th. A list of transaction participants was shared.

IV. Ms. Poethig adjourned the meeting at 10:27 a.m.