ILLINOIS HOUSING DEVELOPMENT AUTHORITY
FINANCE COMMITTEE MINUTES
November 16, 2018

The meeting of the Finance Committee of the Illinois Housing Development Authority took place on November 16, 2018 at 111 East Wacker Drive, Chicago, Illinois at 10:00 a.m. Attending the meeting was Mr. King Harris, Ms. Karen Davis, Ms. Mary Kane, Ms. Alyssa Rapp, and Mr. Sam Tornatore for the Members. Also attending the meeting were Mr. Mike Koessel and Mr. Tom Coomes from Citi, Mr. Jeff Gertz and Mr. Peter Weiss of J.P. Morgan, Mr. Robert Koerner of Standard, Mr. Nick Vallorano of Mayer Brown, Mr. Louis Caresani and Mr. James Coreno of U.S. Bank, Mr. Steve Abbey and Mr. Tim Vara of Huntington Bank, Ms. Susan Jun of Morgan Stanley, and Mr. Bob Cafarellli of Zions Bank. For the Authority staff, Mr. John Chung, Ms. Tara Pavlik, Mr. Richard Ess, Mr. Andrew Nestlehut, Ms. Nandini Natarajan, Ms. Audra Hamernik, Ms. Debbie Olsen, Ms. Maureen Ohle, Ms. Christine Moran, Ms. Laura Sayen, Mr. Tim Veenstra, Mr. Gerardo Gomez, Mr. Ryan Pearce, Mr. Peter Sellke, Ms. Alka Kumar, Ms. Claudia Montoya, and Mr. Chad Courtney were present.

Meeting commenced at 10:01 a.m.

Ms. Kane motioned to approve the September 21, 2018 Finance Committee meeting minutes as presented.

ONGOING ACTIVITIES

Discussion: Monthly Interim Financial Statements.

Ms. Natarajan provided an update on the Authority's Monthly Financial Statements for the period of July 1, 2018 through October 31, 2018 and compared actual results to the FY2019 budget. Administrative Fund operating revenues are approximately $16.6 million, $1.0 million above budget. Origination fees are higher ($0.9 million), from the timing of collecting tax credit reservation fees on new multifamily loans. To date, ongoing and insurance fees are also higher ($0.2 million), partially offset by lower investment income ($0.1 million).

Ms. Natarajan continued: Governmental Funds' reimbursements, (submitted quarterly) are estimated at $6.2 million or $0.3 million over budget through October mainly due to increased activity in the Hardest Hit Fund, Illinois Affordable Housing Trust Fund, and Residential Housing Support Program. Government Funds' operating expenses are approximately $6.5 million, $0.3 million over budget due to higher program activity. Total government operating results are at a loss of approximately $0.2 million primarily due to program expenses which do not have reimbursable options at this time.

Ms. Natarajan continued: Total Administrative Fund operating expenses are approximately $14.6 million, $2.6 million under budget. Most categories are currently favorable to budget with the most significant variances in salaries and benefits ($1.4 million) due to the timing of new hires, professional fees ($0.8 million) due to the timing of contractual payments, financing costs ($0.1 million), technology management ($0.1 million), and training and public relations ($0.2 million).

Ms. Natarajan continued: Regarding FY2019 vs. FY2018, Total Administrative Fund operating revenues are $16.6 million, $6.0 million below last year. Governmental Funds' reimbursements are $6.2 million, $1.3 million over last October and operating expenses are approximately $6.5 million, $1.4 million over last year. The majority of government programs are estimated to be fully reimbursed for the first four month of this fiscal year's expenses. Total Administrative Fund operating expenses are approximately $14.6 million, $1.7 million over last year due to higher salaries and benefits, financing costs due to timing, and Technology Management.

Discussion: Multifamily Update.

Ms. Moran stated: There were 60 PPA applications received which is the first step to applying for the 9% program starting in February. Multifamily is very busy with 30+ deals closing by year-end. There were additional conversations regarding Brown County.

Discussion: Homeownership Mortgage Program Update.

Ms. Pavlik stated: Reservations for September 2018 were at 575 first mortgage loans or $73.07 million, $32.35 million for GNMA and $40.72 million for Fannie Mae or conventional. Prior year reservation comparisons for the month of September 2017 were at $72.90 million, $36.42 for GNMA and $36.48 for Fannie Mae. Reservations for October 2018 were 587 first mortgage loans or $74.04 million, $34.19 for GNMA and $39.86 for Fannie Mae. Prior year reservation comparisons for October 2017 were $77.23, $41.15 GNMA and $36.08 Fannie Mae.

Ms. Pavlik continued: Through October and over the life of the program, 99.45% of all borrowers have been utilizing our Down Payment Assistance; the Program has a 20.30% fallout rate. Our current pipeline is $127.49 million.

Overall 53% of our borrowers are using a Conventional product and 46% are using an FHA Regular product, 1% for USDA, and 0% for VA.

Discussion: Issuance of Revenue Bonds Series 2018A.

Mr. Nestlehut stated: The issuance of Series 2018A Revenue Bonds was a successful transaction. There was also a retail investor roadshow for these double tax-exempt bonds. There were twelve unique institutional investors, $45.220 million of retail orders were placed by the underwriting syndicate with $24.890 million of the orders (55%

coming from RBC. Over $201.375 million of non-member orders were received on $91 million of bonds available, 2.21x subscribed. Oversubscriptions allowed for a 5-10 bps rate reduction for four maturities and a 1 bp reduction on the PAC bond. At the end of the institutional order period, RBC underwrote $3.135 million of 2018 Series A bonds without price adjustments.

New Business

Resolution Ratifying Permitted Financial Activities.

Mr. Nestlehut provided a summary of 1Q19 permitted financial activities.

The first slide is the IHDA Portfolio Allocation showed a breakdown of our portfolio at 0.78% in Money Market Funds or a market value of $10,124,252; 50.25% in Mortgage Backed Securities or a market value of $654,096,894; 44.05% in US Agencies or a market value of $570,708,742; 4.42% in US Treasuries or a market value of $58,064,161 and 0.50% in Certificates of Deposit or a market value of $6,508,762 bringing the total market value at $1,299,502,809.

The following slides contained information on Purchases, Sale and Maturities, Return of Investments, New Issuance of Homeowner Mortgage Revenue Bonds, Payouts and Draws, Bond Debt Service, and Interest Rate Risk Management.

Resolution Ratifying Establishment of Loan Loss Reserve.

Ms. Natarajan stated: The loan loss reserve increased $1.5M; there was an increase in the reserve of $1.8M reduced by write-offs of $0.2M. Mortgage participation certificate program increased $0.29 million.

Resolution Authorizing the Issuance of Multifamily Housing Revenue Notes and Bond Series 2018A and B (Lincolnwood Estates).

Mr. Ess stated: IHDA will issue the Series 2018A notes and Series 2018B bonds to finance the acquisition and rehabilitation of Lincolnwood Estates containing 28 units located at 1203 St. Lukes Court in Springfield, IL. Series 2018A notes will be placed with Illinois National Bank and Series 2018B bond will be placed with CDA Housing, Inc. Conduit financing – tax-exempt, privately placed, fixed rate short term for Series 2018A notes, tax-exempt, privately placed, fixed rate long term Series 2018B bond. These are limited obligation with no credit risk to the Authority (No IHDA G.O.)

The resolution request is to authorize the issuance of MHRN Series 2018A at an amount not to exceed $3.5 million, final maturity no later than December 1, 2021 with an interest rate not to exceed 7%, and the issuance of MHRB Series 2018B at an amount not to exceed $1.5 million, final maturity no later than December 1, 2068 with an interest rate not to exceed 4%. Series A notes and Series B bond in aggregate not to exceed $5 million. A copy of the transaction participants and schedule with a target closing date of December 14, 2018 was included.

Resolution Authorizing the Issuance of Multifamily Housing Revenue Note Series 2018A and B (Southland Village Apartments).

Mr. Ess stated: IHDA will issue the Series 2018A and Series 2018B notes to finance the acquisition and rehabilitation of Southland Village Apartments containing 230 units located at 6253 South Michigan Avenue in Chicago, IL. Both series of notes will be placed with Citibank. Conduit financing – tax-exempt, privately placed, fixed rate long term for Series 2018A notes, tax-exempt, privately placed, variable rate short term Series 2018B notes. These are limited obligation with no credit risk to the Authority (No IHDA G.O.)

The resolution request is to authorize the issuance of MHRN Series 2018A at an amount not to exceed $28 million, final maturity no later than November 1, 2053 with an interest rate not to exceed 8%, and the issuance of MHRN Series 2018B at an amount not to exceed $12 million, final maturity no later than November 1, 2023 with an interest rate not to exceed (i) 12% or (ii) the maximum rate permitted under IL law. Series A and Series B notes in aggregate not to exceed $36 million. A copy of the transaction participants and schedule with a target closing date at the end of November 2018 was included.

Inducement Resolution Relating to the Preliminary Approval for the Issuance of Multifamily Housing Revenue Bonds for Multifamily Residential Projects to be Sponsored by Sheffield LP (North Sheffield Development).

Mr. Chung stated: Sheffield LP has made a request to the Authority to issue MHRB in an amount not to exceed $120 million to finance the acquisition/rehabilitation of the project located at 2640, 2720, and 2680 North Sheffield Avenue in Chicago, IL. The project proposes 80 new family units, addition of 12 new senior apartments, and renovation of 393 existing senior residences in the Lincoln Park neighborhood. In connection with the acquisition of the project, Sheffield LP has made certain expenditures they would like to have reimbursed from the proceeds of the bonds. 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.

Mr. Chung continued: The Authority is considering providing two tranches of 4% conduit loans, Tranche A being $38.295 million long-term conduit loan not to exceed $50 million. This loan would be tax exempt with first mortgage as security, placed directly with Citibank with an anticipated interest rate of 5.75% and a 43 year maturity. Tranche B being a $60.67 million short-term conduit loan not to exceed $70 million. This loan would be tax exempt with second mortgage security, placed directly with Citibank with an anticipated interest rate of 1 month libor + 2.25% and a 3 year maturity, takeout provided by 4% LIHTC and other sources.

Inducement Resolution Relating to the Preliminary Approval for the Issuance of Multifamily Housing Revenue Bonds for Multifamily Residential Projects to be Sponsored by the National Foundation for Affordable Housing Solutions, Inc. (Morningside North Apartments).

Mr. Chung stated: National Foundation for Affordable Housing Solutions has made a request to the Authority to issue MHRB in an amount not to exceed $77.5 million to finance the acquisition/rehabilitation of the project located at 170 West Oak Street in Chicago, IL The project proposes the rehabilitation of 256 units of existing affordable senior apartments in Chicago's Old Town neighborhood. In connection with the acquisition of the project, National Foundation for Affordable Housing Solutions, Inc. has made certain expenditures they would like to have reimbursed from the proceeds of the bonds. 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.

Mr. Chung continued: The Authority is considering providing two tranches of 4% conduit loans, Tranche A being $63.916 million long-term conduit bond not to exceed $72 million. This loan would be tax exempt with first mortgage as security, underwritten by Stifel with an anticipated interest rate of 4.68% and a balloon 17 year maturity with 40 year amortization, 10 year lockout, yield maintenance thereafter. Tranche B being a $4.10 million long-term conduit bond not to exceed $5.5 million. This loan would be tax exempt with second mortgage security, privately placed with an institutional investor with an anticipated interest rate of 8% and a balloon 17 year maturity with 40 year amortization with a 3 year lockout, no penalty thereafter.

Ms. Kane adjourned the meeting at 10:52 a.m.