ILLINOIS HOUSING DEVELOPMENT AUTHORITY
FINANCE COMMITTEE MINUTES
April 19, 2019

The meeting of the Finance Committee of the Illinois Housing Development Authority took place on April 19, 2019 at 111 East Wacker Drive, Chicago, Illinois at 10:00 a.m. Attending the meeting were Mr. King Harris, Ms. Karen Davis, Ms. Mary Kane, Ms. Luz Ramirez, Ms. Alyssa Rapp, and Mr. Sam Tornatore for the Members. Also attending the meeting were Mr. John Janicik of Mayer Brown, Ms. Gloria Boyd of J.P. Morgan, Mr. Joe Monitto of Bank of America Merrill Lynch, Mr. Jonathan Glover of BNY Mellon, Mr. Paul Haley of Barclay's, Ms. Sandra Stallings of BLX Group, Mr. Ansel Caine of Caine Mitter, Mr. Kevin Barney of Kutak Rock, and Ms. Stephanie Konrath of Zions Bank. For the Authority staff, Ms. Audra Hamernik, Ms. Maureen Ohle, Ms. Nandini Natarajan, Mr. Tim Hicks, Ms. Debbie Olsen, Mr. Andrew Nestlehut, Mr. John Chung, Ms. Tara Pavlik, Ms. Christine Moran, Mr. Tim Veenstra, Mr. Richard Ess, and Mr. Peter Selke were present.

Ms. Kane called the meeting to order at 10:01 a.m.

Ms. Kane motioned to approve the February 15, 2019 Finance Committee meeting minutes as presented.

ONGOING ACTIVITIES

Discussion: Monthly Interim Financial Statements.

Mr. Hicks provided an update on the Authority's Monthly Financial Statements for the period of July 1, 2018 through March 31, 2019 and compared actual results to the FY2019 operating budget. Administrative Fund operating revenues are approximately $36.6 million, $2.7 million favorable to budget. This puts us at about 76% of the full year budget which is slightly above where we would expect to be at this time of year. Key drivers are timing of origination fees, tax credit reservation and other fees collected. We had favorable investment income ($1.7 million) due to increases in short term rates and we were holding securities a little longer allowing us to gain some income there and offset by lower ongoing fees ($0.9 million).

Mr. Hicks continued: Governmental Funds' reimbursements, which are submitted for payment on a quarterly basis, are estimated at $10.8 million or $2.6 million favorable to budget through March mainly due to lower activity in the Hardest Hit Fund as the volume is down there, HOME Program and Illinois Affordable Housing Trust Fund, offset by increases in the Rental Housing Support Program and Land Bank Capacity Programs Governmental Funds' operating expenses are approximately $10.9 million, $3.0 million favorable to budget mainly due to incurring lower counseling fees, closing costs and salaries and benefits in the Hardest Hit Fund. Total government operating results are unfavorable at approximately $0.4 million, due to expenses incurred for the BIBP, NSP, ARRA, Section 811 and CDBG programs which are the key drivers there.

Mr. Hicks continued: Total Administrative Fund operating expenses are approximately $32.2 million, $7.8 million favorable to budget. Key drivers there is salaries and benefits ($3.1 million) due to the timing of new hires and attrition, professional fees ($2.5 million) due to the timing of contractual payments, IT projects that were budgeted but not implemented yet, technology management ($0.6 million) and training and public relations ($0.4 million).

Mr. Hicks stated: Total Administrative Fund operating revenues through March 31, 2019 are approximately $36.6 million, $7.8 million below last year, mainly due to lower investment income ($4.5 million) resulting from changes in investment execution as we are trading short-term gains for long term income potential. This is all due to timing, we bring the deals in, record them on a cash basis so matching them against this year's cash flow since we had more cash come in the door this time last year versus this year. Governmental Funds' reimbursements, which are submitted for payment on a quarterly basis, are estimated at $10.8 million, a $15K decrease from last March. Governmental Funds' operating expenses are approximately $10.9 million, $183K under last year. The majority of government programs are estimated to be fully reimbursed for the first nine months of this fiscal year's expenses. Total Administrative Fund operating expenses are approximately $32.2 million, $0.7 million over last year primarily due to higher salaries and benefits ($1.1 million) resulting from increased headcount and merit increases and financing costs ($0.1 million) due to timing of financings, offset by lower professional fees ($0.8 million).

Discussion: Multifamily Update.

Ms. Moran stated: We are in the middle of our review of the 2019 tax credit applications, as reported a few months ago, these were coming due. We received 57 applications and are working very, very hard on those and plan to bring them to Loan Committee next week and have ready for presentation at the May Board Meeting. Additionally you'll see in your Board packets we've put together a QAP sort of timeline.

Ms. Moran continued: We are going to be moving into the 2020-2021 QAP. We've engaged IHC to do a survey of the development community on the things that were working, things that weren't working, what are other states doing that we could implement in Illinois, and we're taking feedback and going on the road for some listening sessions In Chicago, Rockford, Springfield, and Belleville. The plan is to gather this information, prepare a QAP and bring to the Board in August. The public hearing will be on July 14.

Discussion: Homeownership Mortgage Program Update.

Ms. Pavlik stated: Reservations for March 2019 were at 423 first mortgage loans or $56.07 million, 249 or $34.66 million for GNMA and 174 or $21.41 million for Fannie

Mae. Prior year reservation comparisons for the month of March 2018 were at $64.50 million, $30.09 for GNMA and $34.41 for Fannie Mae.

Ms. Pavlik continued: For March 2019, IHDA Mortgage Statistics consisted of 190 Access Mortgage Loans accounting for 45% or $26.23 million, 225 1stHomeIllinois loans accounting for 54% or $29.26 million, and 5 I-Refi loans accounting for 1% or $0.51 million with a total of 423 loans and $56.06 million. Within the Access Mortgage Program usage is as follows: 4% Forgivable accounted for 60%, 5% Deferred accounted for 22%, and 18% Repayable accounted for 17%. Program percentages were 10% for the Central, 62% for Chicago, 19% for the Northwest, and 9% for the Southern regions respectively. There was discussion of other ways to market the I-Refi loans since the reservations are down.

Ms. Pavlik concluded: There are 1,070 loans in the pipeline at a total of $137.08. Timing from reservation to approved for purchase is 48 days average, 56 days average from reservation to purchase. There is also a Board Resolution to update our rules for JCAR for income calculations with the Home Ownership Mortgage Loan Program.

Discussion of Revenue Bonds 2019 Series A and B.

Mr. Nestlehut stated: We would like to recap the Revenue Bonds 2019 Series A and B transaction which closed in March. Overall the transaction was smooth and successful. The senior underwriter, Bank of America, is here today to provide additional comments. The week itself was a good week to be in the market as compared to the other weeks in February as municipal supply was approximately $4.8 billion higher the week before we went to market and that helped us with our overall pricing. To recap the transaction, it was for $96 million and had both fixed rate and variable rate components. This was the issuance that also featured an executed swap. The deal closed on March 7 and created $12.2 million of additional subsidy for future use. The zero percent subsidy can be used to make bond yields work if the market turns against us in the future

Mr. Nestlehut continued: Retail was also well received. Illinois and National accounted for 80% of what was available to the retail buyers. This was the first deal with BondLink. We wanted to get more detailed data around our deals. Pros and cons, the largest part was the data which we are just starting to go through. Our debrief report showed we were viewed 573 times and created 27 new users to our site. However, being this as our first issuance under the site these numbers include the normal onboarding increase. In addition, one of the difficulties is linking the traffic on BondLink to the retail orders of the deal as they may or may not be identified through the orders of the underwriters or selling group. The takeaway will be if we can make certain the new users come back to the site. Our goal is to keep the investment community engaged between issuances, then viewing our site becomes practice. Mr. Nestlehut then introduced Joe Monitto from Bank of America to review the transaction in more detail.

NEW BUSINESS

Resolution Authorizing Renewal of Quantitative Analysts Services Agreements.

Ms. Natarajan stated: The resolution is for the renewal of our Quantitative Analysts Services Agreements. In 2015, IHDA issued an RFP for Quantitative and Financial Advisory Services which was well received. We had a number of responses and the responses were scored, and in February, 2016 we awarded the contract to two firms; BLX was awarded the arbitrage rebate calculation services and Caine Mitter was awarded the cash flow management and financial advisory services. The initial term of the contract was for three years with a one-time additional three year renewal option to be exercised at the Authority's sole discretion. The firms, Caine Mitter & Associates Incorporated and BLX Group, LLC, have performed an exemplary job of providing the Authority with these services, therefore we wish to exercise the renewal option. The fees for these services have not to exceed amounts and we will only pay for services we use.

Resolution Ratifying Permitted Financial Activities.

Mr. Nestlehut provided a summary of 3Q19 permitted financial activities. The first slide showed a breakdown of our portfolio at 0.80% with a market value of $10,505,938 of Money Market Funds, 60.41% with a market value of $813,594,011 of Mortgage Backed Securities, 34.03% with a market value of $445,416,677 in US Agencies, 4.24% with a market value of $56,426,099 in US Treasuries, 0.50% with a market value of $6,567,831 in Certificates of Deposit, and 0.02% with a market value of $250,775 in Municipals. Our total portfolio holds a market value of $1,332,761,331.

Mr. Nestlehut continued: The following slides contained information on Purchases, Sales, and Maturities, Return of Investments, New Issuance of Revenue Bonds, Payouts and Draws, Bond Debt Service, and Interest Rate Risk Management.

Resolution Amending Financial Management Policy.

Mr. Nestlehut stated: Two times a year we amend the Exhibit B of the Financial Management Policy which allows us to enter into transactions with counterparties and brokers. We are looking to add a counterparty broker, Hilltop Securities, to the current list. Hilltop Securities does a lot of hedging for other HFAs and are active in the TBA market.

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 $600,000,000.00.

Resolution of Intent Concerning the Issuance of Revenue Obligations under Single Family and Multi-Family Bond Programs (Non-Home Rule Pool) In an Aggregate Principal Amount Not to Exceed $225,000,000.00.

Mr. Nestlehut stated: The next two resolutions are for the intent concerning the issuance of revenue obligations under single family and multifamily bond programs not to exceed $600 million for the Home Rule and $225 million for the Non-Home Rule. The Authority is authorized to issue private activity bonds for both single family and multifamily housing which is commonly referred to as volume cap. After June 1st and July 15th for home rule and non-home rule respectively, we are able to apply for any unused volume cap which was originally allocated for the calendar year. The total volume cap for the state is $1.34 billion this year.

Resolution Authorizing the Amendment for the Renewal of Standby Bond Purchase Agreements, Housing Bonds 2008 Series A, Housing Bonds 2008 Series B, Housing Bonds 2008 Series C, Homeowner Mortgage Revenue Bonds 2014 Series A-4, and Homeowner Mortgage Revenue Bonds 2014 Series A-5.

Mr. Nestlehut stated: The request is to extend the five series for and additional five years. These standby bond purchase agreements are associated with variable rate debt obligations which are remarketed on a weekly basis and provide a liquidity backstop for the bonds. There is a tender option for the bond holders to sell or retire their debt every seven days. In the event they can't be remarketed, FHLB would buy these bonds making them bank bonds. Without this in place, the Authority would be required to either hold or call these bonds.

Resolution Authorizing the Issuance of Multifamily Housing Revenue Note, Series 2019 (Naperville Elderly Homes).

Mr. Ess stated: IHDA will issue Multifamily Housing Revenue Note, Series 2019 (Naperville Elderly Homes) to finance the acquisition and rehabilitation of Naperville Elderly Homes containing 71 units located at 310 Martin Avenue in Naperville. The notes will be placed directly with Wheaton Bank and Trust, the notes are conduit financing; the Series 2019A Note will be tax-exempt, privately placed, and short term. The note will be paid down by LIHTC equity and other sources. These are limited obligation with no credit risk to the Authority (no IHDA G.O.).

Mr. Ess continued: The issuance of MHRN Series 2019 (Naperville Elderly Homes) will not exceed $9 million with a final maturity no later than December 1, 2022. The interest rate is not to exceed (i) 12% or (ii) the maximum rate permitted under Illinois law. A projected schedule of events as well as the list of transaction participants were also shared.

Resolution Authorizing the Issuance of Multifamily Housing Revenue Note, Series 2019A (Garden House of Maywood). Resolution Authorizing the Issuance of Multifamily Housing Revenue Note, Series 2019B (Garden House of Maywood).

Mr. Ess stated: IHDA will issue (i) Multifamily Housing Revenue Note, Series 2019A (Garden House of Maywood) and (ii) Multifamily Housing Revenue Note, Series 2019B (Garden House of Maywood) to finance the acquisition and rehabilitation of Garden House of Maywood containing 145 units located at 515 South Second Avenue in Maywood. Series 2019A note will be placed with Federal Home Loan Mortgage Corporation to be securitized as Freddie Mac bonds. Series 2019B note will be privately placed with CIBC Bank USA. These notes are conduit financings – Series 2019A note will be fixed rate, long term, and tax-exempt and Series 2019B note will be variable rate, short term, and tax-exempt and are limited obligation with no credit risk to the Authority (No IHDA G.O.)

Mr. Ess continued: The request is for the Issuance of Multifamily Housing Revenue Note, Series 2019A (Garden House of Maywood) in an amount not to exceed $16,000,000. Final maturity no later than June 1, 2038 with bond interest rate to not exceed 8% per annum and the Issuance of Multifamily Housing Revenue Note, Series 2019B (Garden House of Maywood) in an amount not to exceed $3,000,000. Final maturity no later than June 1, 2023 with bond interest rate to not exceed 7% per annum. A projected schedule of events as well as the list of transaction participants were also shared.

Resolution Authorizing the Issuance of Multifamily Housing Revenue Bonds, Series 2019 (Pass-Through - Morningside North).

Mr. Ess stated: IHDA will issue Multifamily Housing Revenue Bonds, Series 2019 (Pass-Through -- Morningside North) to finance the acquisition and rehabilitation of Morningside North Apartments containing 256 units located at 170 West Oak Street in Chicago. Series 2019 bonds will be secured by a FNMA-guaranteed mortgage backed security that will mirror the payment terms of the Series 2019 bonds. These bonds are conduit financing - publicly issued, fixed rate, long term, and tax-exempt with limited obligation – no credit risk to the Authority (No IHDA G.O.)

Mr. Ess continued: The resolution request is for the issuance of Multifamily Housing Revenue Bonds, Series 2019 (Pass-Through – Morningside North) in an amount not to exceed $77,000,000. Final maturity no later than June 1, 2040 with a bond interest rate not to exceed 6% per annum

Ms. Kane adjourned the meeting at 10:51 a.m.