ILLINOIS HOUSING DEVELOPMENT AUTHORITY
FINANCE COMMITTEE MINUTES
October 18, 2019

The meeting of the Finance Committee of the Illinois Housing Development Authority took place on October 18, 2019 at 111 East Wacker Drive, Chicago, Illinois at 10:00 a.m. Attending the meeting were Mr. King Harris, Mr. Sam Tornatore, Ms. Mary Kane, and Ms. Alyssa Rapp for the Members. Also attending the meeting were Mr. Tom Coomes and Ms. Susan Jun of Citi, Mr. Jeff Gertz of J.P. Morgan, Mr. Nick Vallorano of Mayer Brown LLP, Mr. Bob Cafarelli of Zions Bank, Ms. Merci Stahl and Mr. Patrick McCloskey of US Bank, Mr. Paul Haley of Barclays, and Mr. Jonathan Glover of BNY Mellon. For the Authority staff, Ms. Nandini Natarajan, Ms. Tracy Grimm, Ms. Maureen Ohle, Mr. Tim Hicks, Ms. Debbie Olsen, Mr. Andrew Nestlehut, Ms. Tara Pavlik, Ms. Christine Moran, Mr. Andy DeCoux, Mr. Richard Ess, and Mr. Tim Veenstra.

Ms. Kane called the meeting to order at 09:59 a.m.

Ms. Kane motioned to approve the September 20, 2019 Finance Committee Meeting minutes as presented.

ONGOING ACTIVITIES

Discussion: Monthly Interim Financial Statements.

Mr. Hicks stated: Operating Revenues for YTD are $17M which is $5.8M Favorable to Budget and Administrative Reimbursements YTD are $3.4M which is $0.1M Unfavorable to Budget. Key Drivers for the Favorability in Operating Revenues is Investment Income of $6.3M.

Mr. Hicks continued: Operating Expenses for the Admin Fund YTD are $10.8M which is $2.6M Favorable to Budget while the Operating Expenses for the Government Funds YTD are $3.2M which is $0.5M Favorable to Budget. For the Admin Fund the Key Drivers for being Favorable to Budget are driven for Salaries and Benefits $0.8M, Professional Fees $0.6M and Financing Costs $0.8M. For the Government Funds the key driver is Salaries and Benefits which is favorable $.2M, Professional Fees $0.1M and Financing Costs $$0.1M.

Mr. Hicks stated: Operating Revenues are $1.0M Favorable to Prior Year and Administrative Reimbursements are flat to Prior Year. Favorability vs PY for Operating Revenues is driven by three key factors; the change in Investment Strategy $3.2M, loss of HUD contracts $1.4M and timing of cash receipts for origination fees $0.6M.

Mr. Hicks concluded: Operating Expenses for the Admin Fund are $0.2M unfavorable to prior year while the Expenses for the Governmental Funds are Favorable to prior year by $0.4M. For the Admin Fund the key drivers for being unfavorable are Salaries and Benefits $0.5M and Office Administration $0.2M this is offset by favorability in Professional Fees $0.6M and Financing Costs $0.2M.

Discussion: Multifamily Update.

Ms. Moran stated: There was a memo distributed on the returns and reallocations of tax credits. The tax credits were for 2018 and those projects need to be placed into production by the end of 2020. The typical length of new construction projects is twelve to eighteen months. Because of delays due to the government shutdown, we're seeing an increase in return and reallocation requests. The QAP is going to Board today so we'll be publishing our timeline for accepting applications later this week. PSA applications are due today.

Discussion: Homeownership Mortgage Program Update.

Ms. Pavlik stated: Reservations for September 2019 were at 589 first mortgage loans or $83.38 million, 322or $48.73 million for GNMA and 267 or $34.65 million for Fannie Mae. Prior year reservation comparisons for the month of September were at $72.94 million, $32.33 for GNMA and $40.61 for Fannie Mae.

Ms. Pavlik continued: For September 2019, IHDA Mortgage Statistics consisted of 253 Access Mortgage Loans accounting for 43% or $35.32 million, 336 1stHomeIllinois loans accounting for 57% or $48.01 million, and 7 I-Refi loans accounting for 0% or $0.00 million with a total of 589 loans and $83.33 million. Within the Access Mortgage Program usage is as follows: 4% Forgivable accounted for 67%, 5% Deferred accounted for 17%, and 10% Repayable accounted for 16%. Program percentages were 9% for the Central, 68% for Chicago, 17% for the Northwest, and 6% for the Southern regions respectively.

Ms. Pavlik concluded: There are 1,875 loans in the pipeline at a total of $257.34 million. Timing from reservation to approved for purchase is 46 days average, 53 days average from reservation to purchase.

NEW BUSINESS

Resolution Amending a Portion of the Administrative Fund Net Assets.

Mr. Nestlehut 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. This resolution amending the designations of the Administrative Fund Net Assets along with the itemized Schedule A will be presented to the Board today.

Resolution Ratifying Permitted Financial Activities.

Mr. Nestlehut stated: This is a recap of the financial activities we've had during the quarter ending 9/30. Our book value was $1.43 billion, up about $60 million over prior quarter. Purchases were $540 million, sales were $163 million, and maturities were $312 million. Return on investments for this quarter we were above the weighted average Treasury curve of 1.5-1.8%, we are running 1.4-2.1% greater than the Treasury curve. Payout and draws for the quarter were at $17 million and bond debt service was $55 million over the course of the quarter. We had two interest rate caps, four swaps, and hedges in terms of the single family pipeline of $274 million.

Resolution Amending Financial Management Policy (Exhibit C).

Mr. Nestlehut stated: This resolution relates to updating the Financial Management Policy Exhibit C which is for the selling group members. We are adding one counterparty broker to our list.

Resolution Authorizing the Issuance of Multifamily Housing Revenue Notes, Series 2019A & 2019B (Barwell Manor) and Resolution Authorizing the Issuance of Multifamily Revenue Bonds.

Mr. Ess stated: Summary of the Construction Phase: IHDA will issue two series (2019 Series A and B) of notes to finance acquisition and construction of Barwell Manor Homes, containing 120 units located in Waukegan. Both series of notes will be purchased by Citibank and are conduit financing, privately offered and tax-exempt notes with the following parameters: Series A note: fixed rate, and long term; Series B note: variable rate, and short term. The notes are limited obligation - no credit risk to the Authority (No IHDA G.O.)

Mr. Ess continued: Summary of the Permanent Phase: IHDA will continue to provide financing during the permanent phase of this transaction by issuing bonds to take out the Multifamily Housing Revenue Note 2019 Series A (the “Refunding Bonds”). The Refunding Bonds will be issued out of IHDA’s Multifamily Revenue Bonds indenture. The Refunding Bonds are to be backed by FHA risk share insurance and rated AAA by Moody’s. The Refunding Bonds are intended to be issued at the time of project stabilization and receipt of FHA risk share insurance. Citibank will be the sole investor of the Refunding Bonds and the purchase will be governed by a forward bond purchase agreement.

Mr. Ess concluded: Summary of the Conduit Phase: Multifamily Housing Revenue Note, 2019 Series A (Barwell Manor) note amount not to exceed $13,500,000, interest rate not to exceed 7%, and maturity not to exceed December 1, 2064. Multifamily Housing Revenue Note, 2019 Series B (Barwell Manor) note amount not to exceed $12,500,000, interest rate not to exceed 12% or the IL state maximum rate, and maturity not to exceed December 1, 2024. Summary of Refunding Bonds, Multifamily Revenue Bonds are for an amount not to exceed $13,500,000, interest rate not to exceed 8%, and a final maturity date no later than December 1, 2064. A projected schedule and list of transaction participants was also shared.

Ms. Kane adjourned the meeting at 10:27 a.m.