

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

January 17, 2020

Pursuant to notification given January 15, 2020, the Members of the Illinois Housing Development Authority (the “Authority”) met for a Special Meeting on January 17, 2020, at the offices of the Authority, 111 East Wacker Drive, Chicago, Illinois.

With a physical quorum consisting of Chairman Harris, Ms. Berg, Ms. Kotak, Mr. Hubbard, Mr. Morsch and Ms. Ramirez, Chairman Harris called the meeting to order at 12:00 p.m. Vice Chairperson Davis and Mr. Tornatore did not participate in the meeting.

Chairman Harris made a few remarks about the importance of board member education. He then indicated that item 3 on the Special Board Meeting Agenda: Homeownership Programs, Multifamily Financing and Asset Management.

12:00 – Executive Director Faust introduced Ms. Tara Pavlik, Director, Homeownership Department. Ms. Pavlik provided the board members with a detailed synopsis of the single-family mortgage program within the Homeownership Department. She gave a brief chronologic summary of the creation of the Single Family department beginning in 1982 through the transformation to the Homeownership Department of today. She outlined the programs available for homeowners in Illinois. Ms. Pavlik had an array of slides outlining the programs, the income limits as well as the accomplishments of the Illinois Homeownership Department. She then stated that the National Council of State Housing Agencies (NCSHA) in the 2017 State HFA Factbook, recognizes Illinois is #12 in Non-Mortgage Revenue Bond (Non-MRB) volume and #16 in Mortgage Revenue Bond (MRB) volume. U.S. Bank data of housing finance agencies who use them as a Master Servicer shows that in 2018, we were the 5th highest state in volume and in 2019 we were the 4th highest.

Ms. Kotak asked if the funds are ever oversubscribed and if all applicants are actually “picking up” the funds. Ms. Pavlik informed her that they are always oversubscribed and that the applicants utilize what they need.

Ms. Ramirez asked why I-Refi was winding down. Ms. Pavlik stated that it seemed that prospective applicants saw the program as too good to be true.

Ms. Kotak inquired into the best part of the new Loan Origination Software (“LOS”) that IHDA is currently implementing. Ms. Pavlik responded that the LOS allows IHDA to grow its portfolio, assists with compliance with regulatory requirements, assists with the accuracy of its records and provides IHDA with flexibility in the event that IHDA’s current partners decide to no longer participate.

Chairman Harris asked about the Homeownership Department’s main concerns. Ms. Pavlik responded that she is concerned about maintaining the liquidity of the Down Payment Assistance Program

("DPA") due to limited resources, the possibility that Freddie Mac and Fannie Mae will go away as a secondary market, and the fact that residents are leaving the State of Illinois.

Ms. Pavlik also added that 40% of IHDA's profit comes from the operating income generated by DPA. That profit helps to fund other IHDA programs. Lastly, she added that IHDA is currently working with other states to conform processes and documents to make it easier for more banks to participate in single-family ownership programs.

Ms. Tara Pavlik concluded her presentation.

1:00pm –Executive Director Faust introduced Christin Moran, Managing Director to the members.

Christine Moran, Managing Director of Multifamily Financing, briefed the board on the basics of the Low-Income Housing Tax Credit program. She discussed the Authority's annual allocation of tax credits, the application process, and the role of the Qualified Allocation Plan (QAP). She also detailed some of the other resources administered by her department including: HOME, National Housing Trust Fund, Illinois Affordable Housing Trust Fund, and the Illinois Affordable Housing Tax Credit. She concluded by presenting two deals that demonstrate the range of Multifamily projects funded by the Authority.

Chairman Harris asked what kind of performance would IHDA like to see in connection with its first lending product. Andy Decoux responded that IHDA is now generating close to \$100 million a year and they would like to see that doubled.

Ms. Kotak inquired as to what end will this money be used and what is the intent of increasing IHDA's balance sheet.

Mr. Morsch inquired into the current pricing for tax credits. Ms. Moran said that the pricing is mostly based on CRA credits and the prices are lower because of the recent tax reform.

Mr. Morsch stated that the typical developer fee seems to be high. Ms. Moran responded that 12% is standard. She added that the developer fee helps to generate tax credit basis, motivates and/or incentivizes the for-profit developer. She stated that IHDA asks a lot of the developer in the way of compliance. Ms. Kotak stated that her experience is that a lower fee could work. Mr. Morsch replied that the compliance required for a \$5 million deal is the same as a \$500 million deal. Chairman Harris said that the Board should take a closer look at this issue.

Chairman Harris asked about the Multi Family Department's main concerns. Ms. Moran replied that she is concerned about finding a replacement program for FFB, that there is not a policy for developing in opportunity areas and the bond value cap.

Ms. Christine Moran concluded her presentation.

2:00 –Executive Director Faust introduced Mr. Tim Veenstra, Director, Asset Management. Mr. Veenstra briefed the Board on the key activities of his team, including long term oversight of the Authority's investments in rental properties via loans, grants, tax credits and rental assistance. He outlined the key areas of compliance monitoring: financial, property management operations, physical conditions, income and rent restrictions, fair housing and other requirements. The presentation also included a breakdown of the rental portfolio by program, properties, units, and risk rating.

Mr. Morsch asked how Asset Management is paid. Mr. Veenstra responded that IHDA receives various fees from the projects.

Mr. Hubbard asked how many properties does each Asset Manager have in his or her individual portfolio. Mr. Veenstra replied there are approximately 112 properties per Asset Manager. Each property also has a Compliance Analyst assigned to audit compliance. Asset Managers also do on-site inspections.

Mr. Hubbard asked about the types of reporting requirements. Mr. Veenstra responded that there are many different types.

Ms. Kotak asked what type of data system is used by Asset Management. Mr. Veenstra responded that there are five different systems. Most is based on electronic spreadsheets. Chairman Harris asked if there was a wish list for data systems. Mr. Veenstra replied that IHDA needs to better utilize DMS and to add enhancements to the current system. He added that data is still a huge issue and priority for IHDA, but that current Homeownership and Multifamily software projects have superseded Asset Management's needs, but that specialists have been hired to look into the situation.

Ms. Kotak asked about patters of default in connection with geography. Mr. Veenstra replied that IHDA has a low default rate which is a result of the structure of the deals. Also, other parties step in to keep projects from default. IHDA comes up with creative solutions for at-risk properties. The main issue is when not-for-profits go out of business, but that trend is not so bad recently.

Mr. Tim Veenstra concluded his presentation.

Chairman Harris and the members the presenters for their time.

Executive Director Faust thanked the members.

3:00 pm – the special meet adjourned.