ILLINOIS HOUSING DEVELOPMENT AUTHORITY
FINANCE COMMITTEE MINUTES
May 15, 2020

The meeting of the Finance Committee of the Illinois Housing Development Authority took place virtually via Zoom on Friday, May 15, 2020 at 10:00 a.m. Attending the meeting were Finance Committee Chair Mr. Darrell R. Hubbard, Mr. King Harris, Ms. Karen Davis, Ms. Luz Ramirez, Ms. Sonia Berg, Mr. Sam Tornatore, Ms. Aarti Kotak, and Mr. Thomas Morsch.

Mr. Hubbard called the meeting to order at 10:01 a.m.

Mr. Hubbard motioned to approve the April 16, 2020 Finance Committee Meeting minutes as presented.

ONGOING ACTIVITIES

Discussion: Monthly Interim Financial Statements.

Mr. Hicks stated: Operating Revenues for YTD are $42.4M which is $4.9M favorable to budget and Administrative Reimbursements YTD are $12.9M which is $0.7M favorable to budget. Key Drivers for the favorability in Operating Revenues is Investment Income of $5.1M offset by lower Origination Fees down $0.6M.

Mr. Hicks continued: Operating Expenses for the Admin Fund YTD are $37.1M which is $7.6M favorable to budget while the Operating Expenses for the Government Funds YTD are $12.9M which is $0.5M unfavorable to budget. For the Admin Fund the Key Drivers for being favorable to Budget are driven for Salaries and Benefits $4.0M, Professional Fees $2.4M, and Training and Public Relations favorable $0.5M. For the Government Funds the key driver is Salaries and Benefits which is favorable $1.5M offset by Professional Fees and Office Administration which are both unfavorable by $0.7M and Financing Costs unfavorable $0.5M.

Mr. Hicks continued: Operating Revenues for the Admin Fund and Administrative Reimbursements are favorable $1.6M and $0.6M respectively. Investment Income up $2.1M, Ongoing Fees up $0.2M offset by Origination Fees down $0.8M. Trust Fund Program is $1.3M and the HOME Program is up $0.8M offset by the wind down in the Hard Hit Fund which is down $1.7M versus prior year.

Mr. Hicks concluded: Operating Expenses for the Admin Fund are $0.4M favorable to prior year while the Expenses for the Governmental Funds are unfavorable to prior year by $0.5M. Key Drivers for the Admin Fund are Office Administration $0.6M (Office Moves and Construction), Financing Costs $0.3M (Issuance of Bonds), Salaries & Benefits $0.2M. Key Drivers for the Government Fund are Financing Cost $0.3M and Office Administration $0.4 offset by Technology Management favorable $0.2M.

Discussion: Multifamily Update.

Ms. Moran stated: We received 42 applications for the 9% low income housing tax credit. Our plan is to bring these to the Board at the July meeting. Today we are releasing round 7 of the permanent supportive housing applications. The last round was approved in January 2020 for eleven projects consisting of 180 units of permanent supportive housing. We are adding a preliminary project assessment process, and PPAs for this round will be due in August, with full applications accepted in October. These awards will be brought to Board in January 2021. We had a special Covid Loan Committee Meeting last week where we discussed an IRS revenue procedure related to extending 10% test and placed in service states tax credit service projects. Currently we have less than 10% of our construction projects experiencing delays mostly related to difficulty obtaining supplies. IHDA is going to allow payment of supplies prior to installation to help with this.

Discussion: Homeownership Mortgage Program Update.

Ms. Pavlik stated: Reservations for April 2020 were at 737 first mortgage loans or $114.13 million, 431 or $68.21 million for GNMA and 306 or $45.92 million for Conventional. Prior year reservation comparisons for the month of April were at $77.20 million, $46.41 million for GNMA and $30.79 million for Conventional.

Ms. Pavlik continued: For April 2020, IHDA Mortgage Statistics consisted of 737 Access Mortgage Loans accounting for 100% or $114.13 million. Within the Access Mortgage Program usage is as follows: 4% Forgivable accounted for 79%, 5% Deferred accounted for 11%, and 10% Repayable accounted for 10%. Geographical percentages were 18% for the Central, 62% for Chicago, 13% for the Northwest, and 7% for the Southern regions respectively.

Ms. Pavlik concluded: There are 1,907 loans in the pipeline at a total of $287.36 million. Timing from reservation to approved for purchase is 49 days average, 55 days average from reservation to purchase.

NEW BUSINESS

Resolution Adopting Operating and Capital Budget for FY2021.

Mr. Gin stated: FY2020 actuals are preliminary pending the finalization of the year-end close process. The budget reflects 8 months of actuals and 4 months of projected expenses and revenues. Governmental expenses and reimbursements reflect two quarters of actual expenses and two quarters of projected expenses.

Mr. Gin continued: Total FY21 operating revenues are projected to be $0.38 million over FY20 budgeted levels, and $2.22 million over FY20 actuals. The most significant drivers of budgeting neutral revenues are gains from the Single Family MBSs, a decline in developments IHDA manages with Section 8 rental assistance, and our conservatively budgeted revenues only related to the current LIHTC allocation round.

Mr. Gin stated: Total FY21 Governmental reimbursements are projected to be neutral to FY20 budgeted levels, and approximately $1 million under FY20 actuals. This is attributed to the reimbursement amounts for State-funded programs remaining at or below the appropriation amounts for FY2021 and HHF is projected to have significantly lower administrative reimbursements due to program wind-down. Total Operating Revenues and Reimbursements are projected to be $0.32 million over FY20 budget and $1.3 million over FY19 actuals.

Mr. Gin stated: The budget reflects an increase in expenses of approximately $9.1 million over FY20 actuals and neutral to the FY20 budget. The most significant drivers are Salaries and benefit costs and IT costs since we are in year four of a five-year technology transformation. There is a decrease in the expenses related to the HHF project wind-down and Trustee and Financing costs are down as well. Also contributing is the single family loan origination system phased roll-out which added loan closing fees to expenses. Office Administration costs were down, and Professional Fees rose. Depreciation of equipment and software is accounted for outside the operating budget as it is a non-cash item.

Mr. Gin concluded: In summary, net operating income is projected to be $6.5 million, which is $.36 million over FY20 budget and $7.8 million below FY20 actuals.

<u>Resolution Ratifying Establishment of Loan Loss Reserve.</u>

Mr. Hicks stated: We are seeking the approval of the Quarterly Resolution Ratifying Establishment of Loan Loss Reserve for March 31, 2020. The Loan Loss Reserve is increasing from the December 31st Balance by $8.6 Million. For the Proprietary Fund, the Admin and Housing Bond Fund, the Loan Loss Reserve is increasing by $1.4M and $1.5M, respectively. For the Governmental Funds, the Housing Trust Fund and the HOME Program, the Loan Loss Reserve is increasing by $3.3M and 3.1M respectively. Key driver is the Brown Shoe Project which is being reserved at 100%, the Reserve for this Project alone is increasing by $3.5M. There are several other Projects; Riverdale, Lathrop, and Aurora Senior Housing to name a few where the Financials for the Projects have been deteriorating and thus the Authority is increasing the Loan Loss Reserve for these Projects.

<u>Resolution Authorizing the Acceptance of Ceded Volume Cap.</u>

Mr. Nestlehut stated Pursuant to the Illinois Private Activity Bond Allocation Act, 30 ILCS 345/1 et seq. (the "Bond Act"); and the Guidelines and Procedures of the Office of the Governor for the State of Illinois (the "State Guidelines") authorities who received home rule units volume cap may reallocate to state agencies all or any unused allocation of such volume cap. The Authority has been working together with both the City of Champaign and the City of Urbana and have received the necessary approvals to re-allocate unused volume cap, $3.08M and $2.21M respectively, for the calendar year 2020 to the Authority.

Mr. Nestlehut continued: The Authority will use the volume cap to finance either Single family or Multifamily Revenue Bonds during the required scope period and can be used for anything permitted under the Private Activity Bond Allocation Act.

<u>Resolution Authorizing the Issuance of Multifamily Housing Mortgage Revenue Note Series 2020 (South Chicago Salud Center & Senior Housing).</u>

Mr. Ess stated: IHDA will issue Multifamily Housing Mortgage Revenue Note, Series 2020 (South Chicago Salud Center & Senior Housing) to finance the acquisition and rehabilitation of South Chicago Salud Center & Senior Housing comprised of 101 units located on East 91st Street in Chicago. The notes will be placed directly with R4 Capital Funding LLC or its designee. This will be conduit financing – the Series 2020 Note will be tax-exempt, fixed rate, long term and privately placed with limited obligation - no credit risk to the Authority (No IHDA G.O.)

Mr. Ess continued: The Issuance of MHMRN Series 2020 (South Chicago Salud Center & Senior Housing) in an amount not to exceed $21,000,000 with a final maturity date of no later than December 1, 2062. The interest rate is not to exceed the lesser of (i) 6% or (ii) the maximum rate permitted under IL law. The projected schedule of events and list of transaction participants was also shared.

Mr. Hubbard adjourned the meeting at 10:50 a.m.