ILLINOIS HOUSING DEVELOPMENT AUTHORITY
FINANCE COMMITTEE MEETING MINUTES
Friday, March 18, 2022

The meeting of the Finance Committee of the Illinois Housing Development Authority took place virtually via Zoom on Friday, March 18, 2022, at 10:00 a.m. Attending the meeting were acting Finance Committee Chair, Mr. Sam Tornatore, Mr. King Harris, Ms. Luz Ramirez, Ms. Sonia Berg, Ms. Aarti Kotak, Mr. Tom Morsch, and Mr. Tommy Arbuckle. Attending the meeting from IHDA were Ms. Kristin Faust, Mr. Ed Gin, Ms. Maureen Ohle, Mr. Lawrence Grisham, Ms. Karen Davis, Ms. Tara Pavlik, Mr. Tim Hicks, Mr. Andrew Nestlehut, Mr. Javier Gumucio, Mr. Muhammad Jalaluddin, Mr. Richard Ess, Mr. Jack Wambach, Mr. Piotr Wietrzak, Ms. Myriam Weaver, Ms. Vanessa Boykin, Ms. Tracy Sanchez, Ms. Claudia Montoya, Ms. Katherine Matkom, Mr. Nick Carney, Ms. Cheramie Hibbler, Mr. Benjamin Medina, Mr. Will Mack, and Ms. Sheri Geishecker.

I.A. Mr. Tornatore called the meeting to order at 10:04 a.m.

I.B. Mr. Tornatore called a motion for the approval of the March 18, 2022, minutes to be approved as presented. Motion carried.

II.A. Presentation of Monthly Interim Financial Statements

Mr. Hicks stated: Operating Revenues for YTD are $56.1M which is $24.3M favorable to budget and Administrative Reimbursements YTD are $36.1M. Key Drivers for the favorability in Operating Revenues is Investment Income $9.8M, Ongoing Fees $8., and Origination Fees $6.1M.

Mr. Hicks continued: Operating Expenses for the Admin Fund YTD are $57.6M which is flat to budget while the Operating Expenses for the Government Funds YTD are $37.0M which is $6.8M unfavorable to budget. For the Admin Fund the Key Drivers are Salaries & Benefits of $3.5M favorable and Professional Fees $2.9M offset by Other Expense which is driven by Temporary Help $8.8M unfavorable.

Mr. Hicks continued: Operating Revenues for the Admin Fund and Administrative Reimbursements are favorable to prior year $4.9M and $17.0M respectively. For Operating Revenues, Origination Fees favorable $5.1M and Ongoing Fees favorable $8.2M offset by Investment Income unfavorable $8.8M.

Mr. Hicks concluded: Operating Expenses for the Admin Fund are $29.2M unfavorable to prior year while the Expenses for the Governmental Funds are unfavorable to prior year by $17.9M. Key Drivers for both Admin Fund and Governmental Funds are Salaries and Benefits and Professional Fees related to expenditures related to the IRPP Program.

II.B. Multifamily Update

Ms. Moran stated: There are eight items on the agenda this morning. Five of the transactions are being recommended for COVID-19 Affordable Housing Grant Program Funds. We expect to bring the remaining transactions for these program funds to the May and June Board meetings to meet our June 30 deadline. We are busy reviewing the sixty-two 9% LIHTC applications received last month. The recommended developments will be recommended at the May Board meeting. We saw a 25% increase in applications over the 2021 application round which demonstrates the additional interest in the development community. Our Housing for Justice involved RFA concept meetings wrapped up this week. We met with over 30 developers who are excited about this new initiative. Applications are due March 31, and we are targeting June Board for awards. We will present our Multifamily Quarterly update at the April meeting.

II.C. Single Family/Homeownership Update

Mr. Gumucio stated: Reservations for February 2022 were at 393 first mortgage loans or $64.18 million, 198 or $33.58 million for GNMA and 195 or $30.60 million for Conventional. Prior year reservation comparisons for the month of January were at $101.13 million, $51.49 million for GNMA and $49.64 million for Conventional.

Mr. Gumucio continued: For February 2022, IHDA Mortgage Program Statistics were as follows: Access 4% accounted for 60.0% or $36.19 million, Access 5% accounted for 12.0% or $8.41 million, Access 10% accounted for 28.0% or $19.34 million, and Opening Doors accounted for 0.0% or $.24 million. Geographical percentages were 18% for the Central region, 56% for Chicago, 18% for the Northwest, and 8% for the Southern regions, respectively. There are 1,676 loans in the pipeline at a total of $262.34 million. Timing from reservation to approved for purchase is 45 days average, 51 days average from reservation to purchase.

Mr. Gumucio stated: IHDA Demographic Analysis compared to State of IL year-to-date race comparisons with the percentage of all applications is as follows: American Indian/Alaskan Native – 0.4% to 0.6% with .35% success rate, Asian/Pacific Islander – 1.0% to 5.9% with 6.29% success rate, Black – 22.3% to 14.6% with 5.05% success rate, Hawaiian/Other Pacific Islander – 0.0% to 0.1% with 0.07% success rate, White – 64.7% to 76.8% with 75.75% success rate, Two or More Races – 1.1% to 2.1%, Information not Provided/Unknown – 10.5% to N/A. Ethnicity comparison for Hispanic or Latino is 20.9% for IHDA compared to 17.5% for State of Illinois with 9.19% success rate.

Mr. Gumucio concluded: I want to share the details of the IHDA Access Plus Initiative. The Access Plus Initiative provides more equitable lending opportunities for all Illinoisans and aims to increase affordable lending accessibility for our minority lending partners for loans at or below $50,000 which have been historically underserved. We are marketing this product to lenders, HUD Approved counseling agencies, realty associations, and community outreach agencies. Our goal is to improve equity and accessibility as loans under $50,000 are historically purchased with cash, sold as rentals, or demolitions. This program can be paired with all IHDA down payment assistance programs, but the borrower must first use an IHDA first mortgage. Traditionally all homes that have loan amounts of $50,000 or less are traditionally purchased with cash and are marketed and sold as rentals or demolitions. Our program has a geographic representation of homes of $50,000 located throughout Illinois.

III.A.1. Resolution Authorizing the Reservation of a Portion of the Affordable Housing Trust Fund Bonds Indenture for the Funding of the Affordable Housing Surplus Loan Program

Mr. Wietrzak stated: The FFB product is a great source of funds. Multifamily construction can take up to three (3) years. FFB can commit to participation in permanent financing this far into the future. The FFB Permanent rate is not determined until sixty (60) days, or fewer, prior to final closing. Leveraging FFB as permanent financing can expose the Authority to interest rate risk over the construction period, in these scenarios the Authority is locking in permanent rates at initial closing. FFB rate calculation is primarily driven by U.S. Treasury rates but do include other market factors.

Mr. Wietrzak continued: Interest rate risk can be mitigated by purchasing an interest rate hedge to protect against upward interest rate movement. The benefits are that for any FFB rate increase from rates at the time of execution, the hedge protects the Authority against the loss in value of the net interest income or the spread between the FFB rate and the mortgage rate. The mechanics afford us termination and payment options. Additional slides showing examples of changes in FFB rates, risks, and hedge factors and how they would affect IHDA were shared.

Mr. Wietrzak concluded: The Authority desires to provide funding to the Affordable Housing Surplus Program ("AHS Program") in an amount not to exceed $13,000,000 ("AHS Funding") from the Surplus Fund to provide loans to multifamily rental housing developments within the State, being financed by the Authority, which may need additional financing to maintain the Authority's forward commitments made to the developers for loans pursuant to certain fixed financial terms.

III.A.2. Resolution Authorizing the Issuance of Revenue Bonds 2022 Series D. E, F

Mr. Wietrzak stated: The 2022 Series D and F Bonds are tax-exempt new money bonds ("Offered Bonds"). The 2021 Series E is a taxable new money bond ("Offered Bonds"). The 2021 Series D Bonds include tax-exempt fixed rate bonds, and the Series F Bonds consist of tax-exempt variable rate bonds. The 2021 Series E include taxable fixed rate bonds. Offered Bonds are special limited obligations of the Authority. The collateral supporting both series D, E, and F are single family mortgage-backed securities. Offered Bonds will be issued on a parity basis with all previously issued Bonds in Revenue Bonds indenture. The purpose of the Offered Bonds is to have new money to redeploy capital for future originations and lock in long term spread for the Authority. The Offered Bonds are anticipated to use previously created subsidy for use by the Authority.

Mr. Wietrzak continued: The bonds will be structured as follows: 2022 Series D Bonds will be fixed rate debt, new money issuance, AAA rated securities to strengthen the credit of the Indenture, Planned Amortization Class ("PAC") Bond; 2022 Series E Bonds will be fixed rate taxable debt, new money issuance, AAA rated securities to strengthen the credit of the Indenture, Planned Amortization Class ("PAC") Bond; and 2022 Series F Bonds will be variable rate debt, new money issuance, AAA rated securities to strengthen the credit of the Indenture, swap agreement, and will hedge against interest rate risk and lower cost of funds. Interest rate risk can be mitigated by purchasing an interest rate swap to protect against upward interest rate movement. Interest rate risk hedge structure, parameters, and considerations were documented.

Mr. Wietrzak concluded: We are requesting authorization for the issuance of Revenue Bonds, 2022 Series D, E, and F not to exceed $175,000,000 in aggregate principal amount, with a final maturity for any 2022 Series Bonds no later than 35 years after the issuance of the bonds with bond interest rate on any fixed rate series bonds to not exceed 6% per annum and bond interest rate on any variable rate series bonds to not exceed 12% per annum. A projected schedule and list of transaction participants was shared.

III.B.1. Resolution Authorizing the Issuance of Multifamily Revenue Bonds Series B (Non-AMT)(Sustainability Bonds) and 2022 Series C (Federally Taxable)(Social Bonds)(Walnut Place)

Mr. Wietrzak stated: This request is for the rehabilitation of 67 elderly and non-elderly units at 654 Walnut Street, Highland Park, IL. IHDA will issue Multifamily Revenue Bonds, Series 2022B to finance the acquisition and rehabilitation of the project. The 2022 Series B bonds will be tax-exempt, publicly offered, and fixed rate. This will be the Authority's first multifamily ESG bond issuance. The offered bonds are special limited obligations of the Authority and carry FHA risk-sharing insurance. IHDA will also issue Multifamily Revenue Bonds 2022 Series C for refunding purposes. The bonds will be taxable, publicly offered, and variable rate. These offered bonds are special limited obligations of the Authority.

Mr. Wietrzak continued: Multifamily financing is requesting the issuance of Multifamily Revenue Bonds, 2022 Series B (Non-AMT) (Sustainability Bonds) in an amount not to exceed $15,000,000 with a final maturity no later than 46-years from the date of their original issuance and an interest rate not to exceed 7% per annum. Multifamily financing is also requesting the issuance of Multifamily Revenue Bonds, 2022 Series C (Federally Taxable) (Social Bonds) in an amount not to exceed $24,500,000 with a final maturity no later than later than 46-years from the date of their original issuance and an interest rate not to exceed 12% per annum.

Mr. Wietrzak concluded: The bonds will be structured as follows: 2022 Series B Sustainability Bonds will be fixed rate tax-exempt debt and new money issuance. The 2022 Series C Social Bonds will be variable rate taxable debt with economic refunding of two (2) prior issuances. This will increase the Authority’s cost savings given current market conditions by way of an economic refunding and will have an interest rate CAP and hedge against interest rate risk. A projected schedule and list of transaction participants was shared.

III.B.2 Resolution Authorizing the Issuance of Multifamily Housing Revenue Note, Series 2022A (Burnham Manor)

Mr. Wietrzak stated: This request is for the rehabilitation of 100 elderly (62+) units at 1350 Fleetwood Drive, Elgin, IL. IHDA will issue Multifamily Housing Revenue Note, Series 2022A (Burnham Manor) to finance the acquisition and rehabilitation of the project. The notes will be directly placed with Huntington National Bank or an affiliate thereof. This is conduit financing – the Series 2022A Note will be tax-exempt, privately placed, variable rate, and short term with limited obligation - no IHDA G.O. It is anticipated that the Authority will issue bonds in the future to refund the Note. The Authority may enter into a forward starting swap or other rate protection contract and related agreements (collectively, a “swap agreement) to reduce the risk of loss to the Authority with such bonds.

Mr. Wietrzak continued: Multifamily financing is requesting the issuance of MHRN, Series 2022A (Burnham Manor) in an amount not to exceed $20,400,000 with a final maturity no later than December 31, 2025, and an interest rate not to exceed the lesser of (A) 12% per annum or (B) the maximum rate permitted under IL law. It is anticipated that the Authority will issue variable rate debt obligations in the future to refund the Note. Accordingly, the Authority may enter into an interest rate swap or other rate protection contract and related agreements (collectively, a “Swap Agreement”) to reduce the risk of loss to the Authority with such bonds. Interest rate risk can be mitigated by purchasing an interest rate swap to protect against upward interest rate movement. Pages outlining the interest rate risk were shown. A projected schedule and list of transaction participants was shared.

III.B.3. Resolution Authorizing the Issuance of Multifamily Revenue Bonds, Series 2022 (835 Wilson).

Mr. Ess stated: This request is for the new construction of 73 elderly (62+) units at 833 West Wilson Avenue in the Uptown Neighborhood of Chicago, IL. IHDA will issue Multifamily Housing Revenue Bonds, Series 2022 (835 Wilson) to finance the acquisition and construction of the project. The notes will be publicly offered by Bank of America. This is conduit financing – the Series 2022 Bonds will be tax-exempt, fixed rate, short-term, and publicly offered with limited obligation - no IHDA G.O. For the permanent financing, IHDA will issue a $3,150,000 Federal Financing Bank loan which will be a lock in a fixed rate via a forward starting interest rate swap with a 40-year maturity. The Affordable Housing Surplus Loan is not to exceed $1,000,000 to provide necessary proceeds protection if necessary.

Mr. Wietrzak continued: The interest rate on an FFB permanent mortgage is locked approximately 60 days prior to closing. Due to FFB requirements we cannot commit to a permanent mortgage rate until the project stabilizes at final close. We wish to lock a rate with the borrower at initial close which creates some interest rate risk. To hedge against this interest rate risk, we are going to enter into an interest rate swap agreement. A chart showing the proceeds protection interest rates was shared.

Mr. Ess concluded: Multifamily finance is requesting the issuance of MHRB, Series 2022 (835 Wilson) in an amount not to exceed $26,000,000 with a final maturity no later than April 1, 2026, and an Interest rate not to exceed 6% per annum. Also requested is a Federal Financing Bank (FFB) loan with risk sharing not to exceed 87% LTV and 1.15 DCR stress-test through year 20 (currently anticipated to be $3,150,000 and authorize entering into an interest rate swap agreement for the project to protect IHDA's risk regarding the interest rate on the loan to be conveyed to FFB, and an Associated Affordable Housing Surplus (AHS) Loan in an amount not to exceed $1,000,000. A projected schedule and list of transaction participants was shared.

III.B.4. Resolution Authorizing the Issuance of Multifamily Revenue Bonds, Series 2022 (Bellwood Senior).

Mr. Ess stated: This request is for the new construction of 80 elderly (62+) units at 540 25th Avenue, Bellwood, IL. IHDA will issue Multifamily Housing Revenue Bonds, Series 2022 (Bellwood Senior) to finance the acquisition and construction of the project. The bonds will be publicly offered by KeyBanc Capital Markets and Mesirow. This is conduit financing – the Series 2022 Note will be tax-exempt, fixed rate, and long-term with limited obligation - no IHDA G.O.

Mr. Ess concluded: Multifamily finance is requesting approval for the issuance of MHRB, Series 2022 (Bellwood Senior) in an amount not to exceed $16,928,000 with a final maturity no later than August 1, 2045, and an Interest rate not to exceed 5% per annum. A projected schedule and list of transaction participants was shared.

IV. Mr. Tornatore adjourned the meeting at 10:38 a.m.