ILLINOIS HOUSING
DEVELOPMENT AUTHORITY

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FINANCE COMMITTEE MEETING MINUTES
Friday, May 27, 2022

The hybrid meeting of the Finance Committee of the Illinois Housing Development Authority took place virtually via Zoom on Friday, May 27, 2022, at 10:00 a.m. Attending the meeting were 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, Mr. Muhammad Jalaluddin, Ms. Christine Moran, Mr. Aleem Mohammad, Ms. Tara Pavlik, Ms. Tracy Grimm, Mr. Andrew Nestlehut, Mr. Jack Wambach, Mr. Javier Gumucio, Mr. Keith Pryor, Ms. Tracy Sanchez, Ms. Myriam Weaver, Mr. Nick Carney, Ms. Allison Roddy, Ms. Jennifer Miller, Ms. Cheramie Hibbler, Mr. Benjamin Medina, and Ms. Sheri Geishecker.

I.A. Mr. Tornatore called the meeting to order at 10:05 a.m.

I.B. Mr. Tornatore called a motion for the approval of the April 15, 2022, minutes to be approved as presented. Motion carried.

II.A. Presentation of Monthly Interim Financial Statements

Mr. Jalaluddin stated: Operating Revenues YTD are $63.9M which is $24.2M favorable to budget and Administrative Reimbursements YTD are $37.6M. Key drivers for the favorability in Operating Revenues are Investment Income of $8.6M, Ongoing Fees $9.8M, and Origination Fees $5.3M. Comparing to prior year, Operating Revenues for the Admin Fund are unfavorable by $2.4M whereas the Administrative Reimbursements are favorable to prior year by $12.7M mostly due to COVID relief programs which are ILRPP and Emergency Rental Assistance Program or ERAP

Mr. Jalaluddin continued: Operating Expenses for the Admin Fund YTD are $72.6M which is $.4M unfavorable to budget. Key drivers are favorable Salaries/Benefits of $2.8M and Professional fees of $4.3M which is offset by higher unfavourability in Temporary employee expenses of $10.8M. Comparing to prior year, Operating Expenses for the Admin Fund are unfavorable by $36.6M mostly due to additional expense for the COVID relief programs mentioned in previous slide.

Mr. Jalaluddin continued: Operating Revenues for the Governmental Funds which is comprised of Administrative Reimbursements YTD are $37.6M which is in line with estimates and $1.4M favorable to budget.

Mr. Jalaluddin concluded: Operating Expenses for the Governmental Funds YTD are $39.4M which is $1.6M unfavorable to budget. Key Drivers are favorable Salaries/ Benefits and Professional Fees of $6.3M and $1.8M respectively, which is offset by unfavorable Temporary employee expenses of $10.8M and this pertains to expenditures for the ILRPP and ERAP Programs.

II.B. Multifamily Update

Ms. Moran stated: In addition to the 2022 LIHTC awards, multifamily has eleven additional items on the Board agenda this morning. Six transactions are being recommended for COVID-19 affordable housing grant program funds. Of the $75 million that was set aside for this program in FY22, this will bring our total funds allocated to over $65 million. We expect to bring the balance of the awards to the June Board meeting to reach our commitment deadline of June 30, 2022. We received 62 LIHTC applications and will be recommending 25 developments, totaling over 1300 units.

Ms. Moran concluded: We are completing the review of the Housing for Justice Involved applications and plan to bring to Board next month. Other department updates include Permanent Supportive Housing RFA targeting late summer and Technical Assistance sessions for the sponsors that did not receive a 9% LIHTC award. A timeline of the 2023 9% LIHTC dates was shared.

II.C. Single Family/Homeownership Update

Mr. Gumucio stated: Reservations for April 2022 were at 496 first mortgage loans or $85.45 million, 257 or $45.05 million for GNMA and 239 or $40.40 million for Conventional. Prior year reservation comparisons for the month of April were at $156.39 million, $61.87 million for GNMA and $94.52 million for Conventional.

Mr. Gumucio continued: For April 2022, IHDA Mortgage Program Statistics were as follows: Access 4% accounted for 59.0% or $46.01 million, Access 5% accounted for 13.0% or $12.09 million, and Access 10% accounted for 28.0% or $27.35 million. Geographical percentages were 18% for the Central region, 60% for Chicago, 13% for the Northwest, and 9% for the Southern regions, respectively. There are 1,586 loans in the pipeline at a total of $253.89 million. Timing from reservation to approved for purchase is 45 days average, 50 days average from reservation to purchase.

Mr. Gumucio concluded: 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 – 0.5% to 0.6% with .35% success rate, Asian/Pacific Islander – 0.9% to 5.9% with 6.29% success rate, Black – 20.3% to 14.6% with 5.05% success rate, Hawaiian/Other Pacific Islander – 0.0% to 0.1% with 0.07% success rate, White – 64.0% to 76.8% with 75.75% success rate, Two or More Races – 1.4% to 2.1%, Information not Provided/Unknown – 12.8% to N/A. Ethnicity comparison for Hispanic or Latino is 21.6% for IHDA compared to 17.5% for State of Illinois with 9.19% success rate.

III.A.1. Resolution Authorizing the Operating and Capital Budget for Fiscal Year 2023

Mr. Gin stated: Before we start discussing the FY2023 budget, I'd like to give you a market update and talk about the current FY2022 highlights. Ed quoted some statistics regarding the number of homes, median sales price, days on market, and number of first-time homebuyers. Single family pipeline is very strong and multifamily pipeline is strong as well and deals are larger and have longer incubation periods. Regarding the FY2022 results, we have two more months left if this fiscal year our Operating Income is expected to be about $34-35 million. We also received a positive outlook from Fitch from AA- neutral to AA- positive.

Mr. Gin continued: The key drivers of the over budget favorability you'll see are due to investment gains on sale, Asset Management was able to go back and collect past due fees which is a one-time occurrence, and multifamily production was better than expected. For FY2023 we are budgeting an Operating Income of $3.9 million. This is also the first time we are utilizing Oracle's budgeting module, migrating from bare-bones spreadsheets to an enterprise software system. We have cautiously budgeted for single family at our pre-COVID levels, multifamily is based on deals in the pipeline, and for governmental activities we've refreshed our two-year projections. We will not let expenses get ahead of revenues and will continue to monitor our volumes and headcounts closely.

Mr. Gin stated: The next slide outlined our budgeted Operating Revenues broken down into four categories, Ongoing Fees, Origination Fees, Insurance Fees, and Interest and Other Income. Our FY23 Operating Revenues budget is $53.9 million. The next slide details our FY23 Total Revenue of $94.7 million. This includes the revenues from the previous slide with the addition of our Government Reimbursements of $40.8 million. The detailed breakout of the government reimbursements follows on the next slide.

Mr. Gin concluded: The next slide details our Operating Expenses which includes the following categories, Salaries and Benefits, Professional Fees, Financing Costs, Office Administration, Technology Management, Training and Public Relations, Site Visits and Travel, Supplies and Subscriptions, and Temp Labor. The following slide shows a pie chart of our expenses, of which two-thirds of that represents compensation cost and temp labor. Our final slide is a summary of our Operating Budget over the last five years, a projection of our current fiscal year, and our FY23 budget. The favorability has widened since FY2020 mainly because of COVID, as interest rates were lower, but over the next few years you'll see this favorability tighten. We budget very conservatively and cautiously and think this budget is achievable. We will continue to watch our volumes and headcounts closely.

III.A.2. Resolution Ratifying Establishment of Loan Loss Reserve

Mr. Jalaluddin stated: We are seeking the approval of the Quarterly Resolution Ratifying Establishment of Loan Loss Reserve for March 31, 2022. The Loan Loss

Reserve has increased from the December 31st balance by $12.9 Million to $109.7 Million. The increase was primarily due to an increase in the HOME Fund of ($9.3M), Housing Bonds of ($900K), and an increase in Homeowner Mortgage Revenue Bonds of ($800K).

III.A.3. Resolution Authorizing the Acceptance of Ceded Volume Cap

Mr. Nestlehut stated: This resolution is for IHDA to continue working with both the City of Champaign and the City of Urbana as partners as it related to some ceding of volume cap. For context we have about $750 million of single family volume cap and conversely $960 million of multifamily volume cap. We are looking to add about $5.6 million to that amount.

III.B.1. Resolution Authorizing the Issuance of Aggregate Principal Amount of Multifamily Note, Series 2022 (South Lawndale Apartments)

Mr. Ess stated: This request is for the rehabilitation of 154 non-elderly units in the Lawndale neighborhood at 3400 West Douglas Boulevard, Chicago, IL. IHDA will issue a Multifamily Note to finance the acquisition and rehabilitation of South Lawndale Apartments. The Note will be placed directly with Lument Capital or an affiliate thereof. This is conduit financing – the Series 2022 Note will be tax-exempt and privately placed with mandatory termination at the placed-in-service date or satisfaction of the 50% test upon construction completion with limited obligation - no IHDA G.O.

Mr. Ess concluded: Multifamily finance is requesting approval for the Issuance of Multifamily Note, Series 2022 (South Lawndale Apartments) in an amount not to exceed $18,900,000 with a final maturity no later than December 1, 2065, and an Interest rate not to exceed 8% per annum. A projected schedule and list of transaction participants was shared.

V. Mr. Tornatore adjourned the meeting at 10:42 a.m.