ILLINOIS HOUSING DEVELOPMENT AUTHORITY

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FINANCE COMMITTEE MEETING MINUTES
Friday, April 21, 2023

The meeting of the Finance Committee of the Illinois Housing Development Authority took place on Friday, April 21, 2023, at 9:30 a.m. at 111 East Wacker Drive, Chicago, IL. Attending the meeting were Finance Committee Chair, Mr. Sam Tornatore, Mr. King Harris, Ms. Luz Ramirez, Mr. Tommy Arbuckle, Ms. Sonia Berg, Mr. Tom Morsch, Mr. Daniel Hayes, and Mr. Brice Hutchcraft. Attending the meeting from IHDA were Ms. Kristin Faust, Mr. Ed Gin, Mr. Lawrence Grisham, Ms. Karen Davis, Ms. Maureen Ohle, Mr. Keith Evans, Mr. Tim Hicks, Ms. Christine Moran, Ms. Tara Pavlik, Mr. Andrew Nestlehut, Mr. Jack Wambach, Mr. Javier Gumucio, Ms. Myriam Weaver, Mr. Magesh Ganesan, and Ms. Sheri Geishecker. Ms. Heather Weiner from Mayer Brown, LLP, Ms. Susan Jun from Citigroup, Mr. Bob Foggio and Mr. Alan Jaffe from Jefferies and Ms. Patricia Trlak from BNY Mellon were also in attendance.

I.A. Mr. Tornatore called the meeting to order at 9:30 a.m.

I.B. Ms. Geishecker called the roll. Finance Committee Chair Tornatore, Mr. Arbuckle, Ms. Berg, Chairman Harris, Mr. Hayes, Mr. Hutchcraft, Mr. Morsch, and Vice Chair Ramirez were present.

I.C. Mr. Tornatore called a motion for the approval of the March 17, 2023, minutes to be approved as presented. Motion carried.

II.A. IT Tri-Annual Update

Mr. Evans stated: We've reviewed projects and strategy for the IT organization in the last couple of sessions, this update is about the Oracle Project. We finally kicked-off the project and Ed and I look forward to providing this update as co-sponsors of the project. High level, implementation objectives are we're replacing an older JDE ERP system in order to drive efficiency throughout all accounting processes. Part of that include redefining the Chart of Accounts for better accounting and reporting. The key is to use standard functionality as much as possible. We kicked-off March 13. The current implementation timeline is fifteen months with a cutover July 1, 2024. We will also have sixteen weeks of post-production support. Currently we are defining scope and getting requirements from the team.

Mr. Evans continued: The next slide shows the modules we are implementing. The Financials Cloud includes General Ledger, Accounts Payable and Receivable, Asset Management, Project Billing and Contracts/Grants Management, and Expenses. The Procurement Cloud includes Purchasing, Purchasing Contracts, Sourcing, Supplier Portal and Qualification Management, and Self-Service Procurement. We will still need to go through BidBuy to implement the Procurement Cloud as well as the WebCenter Forms Recognition Cloud for Invoice Scanning and Extraction. The Enterprise Performance Management Cloud is for our Budgeting/Planning module we implemented last year.

Mr. Evans concluded: The next slide shows the timeline of the financial programs, followed by a different view. The EPM Budget module will need to be integrated into the ERP program platform by launch. The next slide itemized the steps required for preparation, composing, confirming, building, adopting, and sustaining the new environment. The following shares the definitions of each of the previously mentioned steps. The importance of training was identified for the confirm and adopt stages. A list of our governance structure for the implementation was shared as was a list of the touchpoints between teams. The final slides itemized the roles and responsibilities for each. Magesh Ganesan was introduced as the ERP Implementation Program Manager.

Mr. Gin added: I would like to point out two parts of this presentation, the timeline and the org chart. When you take a step back, you'll notice what we are trying to accomplish in a very short time and acknowledge the time and effort being put into this enterprise-wide initiative, both from our internal individuals and out partner, Mythics.

III.A. Presentation of Monthly Interim Financial Statements

Mr. Hicks stated: Operating Revenues vs Budget for YTD are $49.0M which is $8.6M favorable to budget. The line items which are driving the favorability of origination fees are our federal 4% and 9% determination fees of $3.6M and development fees of $900K. The line items which are driving the favorability in ongoing fees are our bond administration fees of $5.8M.

Mr. Hicks continued: Admin Fund Operating Expenses - Operating Expenses vs. Budget for YTD are $63.3M which is $4.9M favorable to budget. The key drivers for favorability are Salaries and Benefits driven by open positions, Profession Fees driven by aa combination of favorable spend on contractual services and consultant fees including Ellie Mae, Unqork, Outside Counsel Fees, and the Oracle Project. Finance costs driven by Bond Administration costs are offset by additional Bond Administration Fees in revenue. Temporary expense is unfavorable by offset in Administrative Reimbursement.

Mr. Hicks concluded: Overall Admin Fund Reimbursements YTD are $30.2M, flat to budget. This is driven by IRLL $3.3M unbudgeted for FY23 and offset by ERA unfavorable $6M due mostly to timing.

III.B. Multifamily Update and Quarterly Update

Ms. Moran stated: The multifamily team is busy reviewing the 9% Low Income Housing Tax Credit applications and only has one item for approval on the Board agenda today. Habitat for Humanity of Northern Fox Valley is requesting an allocation of Illinois Affordable Housing Tax Credits for Unlocking Doors 2022 in an amount of 173,027 based on cash donations of $346,057. The credits will be sold to an investor and will provide equity to help finance the development of two single family homes in Crystal Lake. The homes will be sold to income qualifying home buyers, (80% AMI family of four $83,350).

Ms. Moran continued: Today we will be recommending five developments for an award under our 9th Permanent Supportive Housing round, creating one hundred units across the state. Additional items on the main agenda include 2022 South Side and Raise the Roof for Illinois Affordable Tax credits. This state donation tax credit (IAHTC) encourages private investment in affordable housing by providing donors of qualified donations with a one-time tax credit on their Illinois state income tax equal to 50% of the value of the donation. The donor can choose to transfer the credits to the project, which creates additional project equity. In the 2022 South Side transaction, Habitat for Humanity Chicago received approximately $1.7 million dollars in cash donations which translates into a donation credit of approximately 850,000 credits, when sold yielded approximately $775,000 of equity into the transaction. Similarly, on the Raise the Roof Transaction, Decatur Habitat for Humanity received cash and personal property donations valued at approximately $279,000 which translates into approximately 144,000 donation credits and yields equity to the transaction of approximately $130.000.

Ms. Moran concluded: We received fifty-four applications for the 2023 9% competitive Low Income Housing Tax Credit application round and are reviewing with a plan to bring the recommendations to the June Board meeting. We are updating the 2024-2025 Qualified Allocation Plan and have scheduled listening sessions with the development community. The Chicago event will take place after the May Board meeting. Annually we issue a request for application to fund Permanent Supportive Housing developments. These developments are traditionally smaller than tax credit developments and serve our most vulnerable populations, targeting households at or below 30% of the area median income. Jack Wambach will now provide the multifamily quarterly update.

Mr. Wambach stated: We are underwriting 87 developments which will create or preserve 5,495 units across the state. This next chart shows the same data but by geographical set-aside. Projects continue to be distributed around the state with 41% in Chicago, 30% in the Chicago metro area, 17% in other metro areas, and 11% in rural areas. The next slide illustrates the number of new construction vs. preservation transactions in the pipeline. There is an even split between the two. Ordinarily, we have more new construction projects than preservation units. We fund more new construction projects, but preservation projects tend to be larger, however, with the Housing for Justice Involved program, we have many smaller preservation projects that have balanced these two figures.

Mr. Wambach concluded: FY23 continues to be a busy year for IHDA, in the third quarter, we closed another 14 projects. While down from the record Q1 and Q2 numbers, it is still above IHDA's historic average of X. The developments that we closed this quarter were notably smaller than the previous quarter, averaging 55 units per project versus 95 in the previous quarter. This is because of the mix of project types we closed including 7 PSH or HJIIP projects. There was an even mix of new construction and preservation units this quarter, since we closed a greater number of PSH, HJIIP, and 9% LIHTC relative to 4% LIHTC projects. We are currently monitoring 102 projects and 7,832 units. For comparison, we were monitoring 65 projects and 4,843 units in Q3 of 2022.

II.C. Single Family/Homeownership Update and Quarterly Update

Ms. Pavlik stated: Reservations for March 2023 were at 1154 first mortgage loans or $211.38 million, 456 or $87.06 million for GNMA and 698 or $124.32 million for Conventional. Prior year reservation comparisons were $91.9 million, $43.0 million for GNMA and $48.9 million for Conventional.

Ms. Pavlik continued: For March 2023, IHDA Mortgage Program Statistics were as follows: Access 4% accounted for 41.0% or $87.5 million, Access 5% accounted for 6.0% or $13.5 million, Access 10% accounted for 12.0% or $27.5 million, and Opening Doors accounted for 41.0% or $82.9 million. Geographical percentages were 17% for the Central region, 64% for Chicago, 10% for the Northwest, and 9% for the Southern regions, respectively. There are 2.666 loans in the pipeline at a total of $473.2 million. The time from reservation to approved for purchase is 47 days average, 52 days average from reservation to purchase.

Ms. Pavlik continued: 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 – 0.8% to 0.6% with .35% success rate, Asian/Pacific Islander – 1.8% to 5.9% with 6.29% success rate, Black – 15.3% to 14.6% with 5.05% success rate, Hawaiian/Other Pacific Islander – 0.19% to 0.1% with 0.07% success rate, White – 65.8% to 76.8% with 75.75% success rate, Two or More Races – 1.4% to 2.0%, Information not Provided/Unknown – 14.7% to N/A. Ethnicity comparison for Hispanic or Latino is 23.2% for IHDA compared to 17.5% for State of Illinois with 9.19% success rate. A graph comparing reservations for 2019 through March 2023 was shared.

Ms. Pavlik concluded: In spite of the State of Illinois numbers being down in 2022 as well as the last five years, IHDA has continued to grow. This was a culmination of our key programming, our finance department playing an essential role in looking after market conditions providing favorable rates for us, as well as continued executive and Board support in our DPA funding. State metrics include a decrease of 17% in closed sales, an increase in the annual median sales price of homes of 4%, average days on the market decreased 15.2% to 28 days, and the inventory of homes for sale decreased 9.7% compared to 2021. Lastly, our reservation volume for one month in the last quarter of 2023 was equal to all the reservations for last summer.

IV.A.1. Resolution of Intent Concerning the Issuance of Revenue Obligations under Single Family and Multifamily Bond Programs (Home Rule Pool) in an Aggregate Principal Amount Not to Exceed $750,000,000 and

IV.A.2. Resolution of Intent Concerning the Issuance of Revenue Obligations under Single Family and Multifamily Bond Programs (Non-Home Rule Pool) in an Aggregate Principal Amount Not to Exceed $250,000,000

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") provide that at any time after July 15, 2023, the Authority may apply to the Governor's office for tax exempt bond volume cap ("Bond Cap") from that unused portion of Bond Cap originally allocated to the non-home rule units within the State of Illinois (the "Non-Home Rule Pool"); and any time after June 1, 2023, from that unused portion of Bond Cap originally allocated to the home rule units within the State of Illinois (the "Home Rule Pool").

Mr. Nestlehut concluded: The Illinois 2023 State Ceiling is $1,509,843,840 ($120 x 12,582,032). The Authority intends to issue Revenue Obligations for Single Family and Multifamily Bonds Programs in an aggregate amount not to exceed $750,000,000 for the Home Rule Pool and an aggregate amount not to exceed $250,000,000 for the Non-Home Rule Pool.

IV.A.3. Resolution Ratifying Permitted Financial Activities

Mr. Nestlehut stated: This is a recap of the financial activities during the quarter ending March 31, 2023. Our book value was $2,465,278,985. Purchases were $792.40 million, sales were $99.37 million, and maturities were $376.27 million. Return on investments for this quarter we are outperforming the weighted average Treasury curve. Payouts and draws for the quarter were at $59.08 million and bond debt service was $36.44 million over the course of the quarter. We had three interest rate caps, twelve swaps, and $407.09 million in hedges outstanding.

IV.A.4. Resolution Authorizing the Issuance of Single Family Revenue Bonds 2023 Series DEFGH

Mr. Nestlehut stated: The 2023 Series D-H Bonds is a tax-exempt and taxable new money bond ("Offered Bonds"). Series D – long term tax-exempt fixed rate bonds, Series E – long term tax-exempt variable rate bonds, Series F – long term taxable fixed rate bonds, Series G – long term taxable variable rate bonds, and Series H – short term tax-exempt fixed rate bonds. Offered Bonds are special limited obligations of the Authority. The collateral supporting all series are single family mortgage-backed securities and 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 for new money to redeploy capital for future originations and lock in long-term spread for the Authority.

Mr. Nestlehut continued: The 2023 Tax-Exempt Series Bonds will be structured as follows: 2023 Series D Bonds will be fixed rate debt, new money issuance, long term AAA rated securities to strengthen the credit of the Indenture and are Planned Amortization Class ("PAC") Bonds; 2023 Series E Bonds are variable rate debt, new money issuance, long term, short term rate reset AAA rated securities to strengthen the credit of the Indenture. They are a swap agreement and hedge against interest rate risk and lower cost of funds; 2023 Series H Bonds are fixed rate debt, new money issuance, short term AAA rated securities to strengthen the credit of the Indenture. The 2023 Taxable Series Bonds will be structured as follows: 2023 Series F Bonds are fixed rate debt, new money issuance, long term AAA rated securities to strengthen the credit of the Indenture and are Planned Amortization Class ("PAC") Bonds; 2023 Series G Bonds are variable rate debt, new money issuance, long term, short term rate reset AAA rated securities to strengthen the credit of the Indenture and are a swap agreement and edge against interest rate risk and lower cost of funds.

Mr. Nestlehut concluded: We are requesting authorization for the issuance of Revenue Bonds, 2023 Series D, E, F, G, and H not to exceed $300,000,000 in aggregate principal amount with a final maturity for any 2023 Series Bonds no later than 35 years after the issuance of the bonds. Bond interest rate on any fixed rate series bonds to not exceed 6% or 11% per annum, based on tax-exempt or taxable series and bond interest rate on any variable rate series bonds to not exceed 12% or 15% per annum, based on tax-exempt or taxable series. A projected schedule and list of transaction participants was shared.

V. Mr. Tornatore adjourned the meeting at 10:13 a.m.