ILLINOIS HOUSING DEVELOPMENT AUTHORITY

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FINANCE COMMITTEE MEETING MINUTES
Friday, June 16, 2023

The meeting of the Finance Committee of the Illinois Housing Development Authority took place on Friday, June 16, 2023, at 10:00 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. Daniel Hayes, Mr. Brice Hutchcraft, and Mr. Tom Morsch. Attending the meeting from IHDA were Ms. Kristin Faust, Mr. Lawrence Grisham, Ms. Karen Davis, Ms. Maureen Ohle, Ms. Christine Moran, Ms. Tracy Grimm, Mr. Andrew Nestlehut, Mr. Muhammad Jalaluddin, Mr. Javier Gumucio, Ms. Christina Lopez, Mr. Michael Babcock, Ms. Myriam Weaver, Mr. Mark Witt, Ms. Kathryn Matcom, Ms. Lucia Larson, Mr. Aaron Kim, Ms. Lauren Sullivan, Ms. Malyika Hussain, Ms. Emily Smith, and Ms. Sheri Geishecker. Mr. Chris Spelbring from Raymond James, Mr. Kevin Hoecker from Wells Fargo Securities, Mr. Bob Cafarelli from Zions Bank, and Ms. Patricia Trlak from BNY Mellon were also in attendance.

I.A. Mr. Tornatore called the meeting to order at 10:00 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. There were no absent members.

I.C. Mr. Tornatore called a motion for the approval of the May 19, 2023, minutes to be approved as presented. Motion carried.

II.A. Presentation of Monthly Interim Financial Statements

Mr. Jalaluddin stated: Operating Revenues YTD are $55.8M which is $6.3M favorable to budget and Administrative Reimbursements YTD are $42.2M. Key drivers for the favorability in Operating Revenues are Ongoing Fees $7.7M mostly due to Bond Administration fee, and Origination Fees $3.6M which is due to 4% & 9% Tax Credits reservation fee, this favorability is offset by decrease in Investment Income of $5.3M mostly due to the challenges in the TBA market.

Mr. Jalaluddin continued: Operating Expenses for the Admin Fund YTD are $78.6M which is $4.9M favorable to budget. Key drivers are favorable Salaries and Benefits of $.8M driven by Open Positions and Professional fees of $9.5M driven by combination of favorable spend on Contractual Services and Consultants Fees this favorability was offset by higher spend due to Temporary employee expenses of $9M for the COVID program.

Mr. Jalaluddin concluded: Administrative Reimbursements YTD are $42.2M, $4.8M favorable to budget driven by unbudgeted Programs for FY23 and offset by ERAP program unfavourability of $4.5M mostly due to timing. Operating Expenses for the Governmental Funds YTD are $40.2M which is $2.3M favorable to budget. Key Drivers are favorable Salaries/ Benefits and Professional Fees of $4.4M and $4.6M respectively, which is offset by unfavorable Temporary employee expenses of $8.5M and this pertains to expenditures for the Homeowners Assistance Fund or HAF Program which gets reimbursed to the admin fund.

II.B. Multifamily Update

Ms. Moran stated: Today's board meeting is one of the highlights of the year as we bring forward the recommendations from our 2023 9% Low Income Housing Tax Credit application round. The state receives an annual allocation of tax credits based on population (multiplied by a 2.75 factor) of approximately 34 million. Of the 34 million, the City of Chicago's allocation is approximately 7.5 million with IHDA allocating the remainder or approximately 26.5 million. We received 55 applications requesting over 76.4 million in tax credits. Today we will be recommending 18 developments which will create and preserve over 1,100 units of affordable across the state.

Ms. Moran continued: Two of the recommended transactions are structured as "hybrid or twinning transactions" which means the transaction is structured as two related but independently financed projects using 9% tax credits on one portion of the project and 4% tax credits on the other portion. Despite the complexities of this hybrid structure, there are many benefits. Because we cap our 9% LIHTC allocation at 1.5 million credits, there is often excess eligible basis that is not being utilized. Developers can use this excess eligible basis to generate 4% credits which can provide additional resources to fund a financing gap. For the housing finance agency, it allows the agency to stretch it's limited 9% credits further while using its more abundant supply of 4% credits to help finance the development. In addition, to the tax credit awards, we have 6 additional items on the main agenda for your approval.

Ms. Moran concluded: We are working on next Request for Applications for our annual Permanent Supportive Housing funding round. This will be our 10th funding round. The targeted release date is mid-July. We've finished our QAP summits or listening sessions with the development community last month. Now we will take those comments and suggestions and go into writing mode for the QAP. The draft 2024-2025 QAP will be released for public comment on August 1. We will hold a public hearing in mid-August and the QAP will come to the board for approval in September. Top two topics: providing more opportunity for PSH in the LIHTC round and discussion of BIPOC points for non-profits.

II.C. Single Family/Homeownership Update

Mr. Gumucio stated: Reservations for May 2023 were at 1,121 first mortgage loans or $212.7 million, 456 or $87.5 million for GNMA and 665 or $125.2 million for Conventional. Prior year reservation comparisons were $75.7 million, $43.4 million for GNMA and $32.3 million for Conventional.

Mr. Gumucio continued: For May 2023, IHDA Mortgage Program Statistics were as follows: Access 4% accounted for 68% or $140.1 million, Access 5% accounted for 13% or $28.2 million, and Access 10% accounted for 19% or $44.4 million. Geographical percentages were

16% for the Central region, 64% for Chicago, 12% for the Northwest, and 8% for the Southern regions, respectively. There are 3,036 loans in the pipeline at a total of $554.1 million. The time from reservation to approved for purchase is 45 days average, 49 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 – 0.8% to 0.6% with .35% success rate, Asian/Pacific Islander – 1.8% to 5.9% with 6.29% success rate, Black – 14.3% to 14.6% with 5.05% success rate, Hawaiian/Other Pacific Islander – 0.1% to 0.1% with 0.07% success rate, White – 66.4% to 76.8% with 75.75% success rate, Two or More Races – 1.3% to 2.0%, Information not Provided/Unknown – 15.3% to N/A. Ethnicity comparison for Hispanic or Latino is 24.0% for IHDA compared to 17.5% for State of Illinois with 9.19% success rate. A graph comparing reservations for 2019 through April 2023 was shared.

III.A.1. Resolution Authorizing Acceptance of Ceded Volume Cap

Mr. Babcock 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. We are looking to add about $5.9 million to that amount. The Authority will use the volume cap to finance either Single Family or Multifamily Revenue Bonds as permitted under the Private Activity Bond Allocation Act.

III.A.2. Resolution Amending Exhibits B & C of the Financial Management Policy

Mr. Babcock stated: Pursuant to Resolution 2005-IHDA-058, the established financial management policy sets for a list of authorized Counterparty (Exhibit B) and authorized Investment Banks (Exhibit C). The changes to the exhibits were made to update one name and remove two others from Exhibit B and add a selling group member to Exhibit C.

III.A.3. Resolution Authorizing the Issuance of Single Family Revenue Bonds 2023 Series HIJK

Mr. Babcock stated: The 2023 Series HIJK Bonds is a tax-exempt, taxable fixed rate, and variable rate new money bond ("Offered Bonds"). The 2023 Series H Bonds include short & intermediate term tax-exempt fixed rate bonds; Series I include short & intermediate term taxable fixed rate bonds; the Series J Bonds consist of taxable variable rate bonds and the Series K Bonds consist of tax-exempt variable 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 and are anticipated to create subsidy for use of the Authority.

Mr. Babcock continued: The 2023 Series Bonds will be structured as follows: 2023 Series H Bonds will be tax exempt fixed rate debt, new money issuance, AAA rated securities to strengthen the credit of the Indenture and are Planned Amortization Class ("PAC") Bonds; 2023 Series I Bonds are taxable fixed rate debt, new money issuance, AAA rated securities to strengthen the credit of the Indenture and are Planned Amortization Class ("PAC") bonds. 2023 Series J & K Bonds are taxable and tax-exempt variable rate debt, new money issuance, AAA rated securities to strengthen the credit of the Indenture and are a swap agreement and hedge against interest rate risk and lower cost of funds.

Mr. Babcock concluded: We are requesting authorization for the issuance of Revenue Bonds, 2023 Series H, I, J, and K 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.

III.A.4. Funding Agent Matters

Ms. Grimm stated: There are two resolutions on the consent agenda today pertaining to Funding Agent Matters. The first resolution is to enter into Multiple Agreements with the Illinois Department of Human Services ("DHS") for FY 24 Appropriations to memorialize the disbursement and reporting requirements related to the FY24 Appropriated Funds. The second resolution is for Authorizing Limited Purpose FY24 Administrative Fund Advances allowing IHDA to access appropriated funds until we receive reimbursement for same. This appoint of these advances shall not exceed $30M at any given time.

III.B.1. Multifamily Housing Revenue Note Series 2023 A (South Park Plaza)

Mr. Nestlehut stated: This request is for the rehabilitation of 134 non-elderly units in at 2600 South Martin Luther King Drive in the Bronzeville Neighborhood in Chicago. IHDA will issue a Multifamily Housing Revenue Note (South Park Plaza) to finance the acquisition and rehabilitation of the project. The Note will be placed directly with U.S. Bank National Association or an affiliate thereof. This is Conduit financing, the Series 2023A Note will be tax-exempt, privately placed, and short term. The Notes are 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. Nestlehut concluded: Multifamily finance is requesting approval for the Issuance of Multifamily Housing Revenue Note, Series 2023A (South Park Plaza) in an amount not to exceed $35,000,000 with a final maturity no later than January 1, 2066, and an Interest rate not to exceed 12% per annum. The Swap Agreement information as stated above is also part of this request. Interest rate risk can be mitigated by purchasing an interest rate swap to protect against upward interest rate movement. Interest rate risk information, a projected schedule, and list of transaction participants was shared.

IV. Mr. Tornatore adjourned the meeting at 10:26 a.m.