ILLINOIS HOUSING DEVELOPMENT AUTHORITY

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FINANCE COMMITTEE MEETING MINUTES
Friday, November 17, 2023

The meeting of the Finance Committee of the Illinois Housing Development Authority took place on Friday, November 17, 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, Ms. Erika Poethig, Mr. Brice Hutchcraft, and Mr. Tom Morsch. Attending from IHDA's Executive team were Ms. Kristin Faust, Mr. Lawrence Grisham, Ms. Karen Davis, Ms. Maureen Ohle, and Mr. Keith Evans.

I.A. Mr. Tornatore called the meeting to order at 10:02 a.m.

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

I.C. Mr. Tornatore called a motion for the approval of the October 20, 2023, minutes to be approved as presented. Motion carried.

II.A. Presentation of Consolidated Interim Financial Statements

Mr. Jalaluddin stated: For Consolidated Operating Revenue, Operating Revenues YTD are $42.8M, a favorable deviation of $27.7M from the budget. Mostly due to an increase in Investment Income. This favorability is largely due to market conditions that have now changed than how we budgeted for the fiscal year. As these market conditions have changed, this has resulted in favorability within the receipt of payments in connection with terminating Single Family hedge contracts. These contracts continue to mitigate the Authority against interest rate risk. Under our current and past practice, we realize the receipt of these payments within the administrative fund.

Mr. Jalaluddin continued: For Consolidated Operating Expenses, Operating Expenses YTD are $30M, which is $3.5M under budget. Favorability is attributed to Salaries and Benefits of $1.7M due to Open Positions, Professional fees of $2.9M driven by combination of favorable spend on Contractual Services and Consultants Fees and Financing fees of $1.9M due to timing difference as our budget is based on a consistent, straight-line projection is expected to smooth out over the course of the fiscal year. This favorability was offset by higher spend due to Temporary employee expenses of $2.9M for various COVID programs.

Mr. Jalaluddin continued: Regarding Administrative Fund Operating Revenues and Expenses, we are looking at the operating revenues and expenses for just the admin fund. This fund analysis shows favorability in both the operating revenues and expenses due to the same factors as discussed above and shows the financial performance of just the admin fund excluding administrative reimbursements.

Mr. Jalaluddin continued: The Governmental fund operating revenues comprises Administrative Reimbursements for all the authority expenses. Fiscal YTD reimbursements reached $18.7M, favorable to budget by $2.3M. This favorability is attributed to higher reimbursements for some programs that are in full swing like CBRAP2 and ASERAP, offset by lower reimbursements for other programs that are in the wind-down mode like the HAF or Homeowner assistance fund program.

Mr. Jalaluddin concluded: Operating Expenses for the Governmental Funds YTD are $18.7M, unfavorable to budget by $1.4M. Unfavourability is mostly due to Temporary Employee Expenses of $3M which is again due to the timing difference as the budget is straight line, but activity of the programs is front loaded therefore expense outpaced budget. The additional expenses are offset by additional reimbursements. So, the unfavorable variance is offset by a favorable revenue. This unfavourability in operating expenses was offset by lower Professional Fees of $1.5M.

II.B. Multifamily Update

Ms. Moran stated: The multifamily team has two items on the main agenda today; Reclaiming Southwest III and Lakeview Landing. Our department updates - PPAs for the 2024 9% low-income housing tax credit round are due on December 8, with applications due in March 2024 and awards will be made at the July board meeting. To streamline the closing process, we will be awarding gap financing at the time of the LIHTC awards in 2024. Our Permanent Supportive Housing concept meetings received an overwhelming response, we received 50 concepts requesting $300 million in resources. To date we have provided approval and conditional approval for 39 concepts. Applications are due in January with the April 2024 board meeting as the target for awards.

II.C. Single Family/Homeownership Update

Mr. Gumucio stated: Reservations for October 2023 were at 1,076 first mortgage loans or $206.2 million, 395 or $77.4 million for GNMA and 681 or $128.8 million for Conventional. Prior year reservation comparisons were $125.7 million, $53.1 million for GNMA and $72.7 million for Conventional.

Mr. Gumucio continued: For October 2023, IHDA Mortgage Program Statistics were as follows: Access 4% accounted for 2.0% or $3.5 million, Access 5% accounted for 7.0% or $16.2 million, Access 10% accounted for 11.0% or $25.7 million, Opening Doors accounted for 80.0% or $160.6 million, and Illinois HFA1 accounted for 0.0% or $0.16 million. Geographical percentages were 15% for the Central region, 65% for Chicago, 11% for the Northwest, and 9% for the Southern regions, respectively. There are 4,219 loans in the pipeline at a total of $833.75 million. The time from reservation to approved for purchase is 49 days average, 53 days average from reservation to purchase.

Mr. Gumucio 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 – 0.7% to 0.6% with 42.08% success rate, Asian/Pacific Islander – 2.2%

to 6.3% with 57.73% success rate, Black – 14.6% to 14.7% with 45.67% success rate, Hawaiian/Other Pacific Islander – 0.1% to 0.1% with 42.19% success rate, White – 66.9% to 76.1% with 62.63% success rate, Two or More Races – 1.4% to 2.2%, Information not Provided/Unknown – 14.1% to N/A. Ethnicity comparison for Hispanic or Latino is 25.0% for IHDA compared to 18.3% for State of Illinois with 53.60% success rate. A graph comparing reservations for 2019 through October 2023 was shared.

III.A.1. 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 September 30, 2023. The loan loss reserve decreased by $2.0M from $119.5M to $117.5M. The decrease was primarily due to decreases in IL Affordable Housing Trust Fund of ($0.6M), ARRA or American Recovery and Reinvestment Act Fund ($0.7M), and Home Program Fund of ($0.9M) these were due to loan pay-offs and lower loan loss reserve percentage as a result of improved debt coverage ratio and increased valuation which was offset by an increase in Admin fund of ($0.7M).

III.A.2. Resolution of Intent to Issue Single Family and Multifamily Bond Obligations

Mr. Witt stated: As you know, each year the Authority is allocated volume cap by the State. The amount of cap cascades down to us; the exact amount of cap we will receive is unknown at this time. This resolution demonstrates the potential demand we may have for additional volume cap. Over the last four years, we have been allocated an average of $760 million in cap. We expect our demand for cap this year will materially exceed this four-year average and would like to issue private activity bonds in aggregate not to exceed $1,250,000,000 pursuant to the Bond Act, in addition to the allocation that currently exists.

III.A.3. Resolution Regarding the Funding of the Authority's Access Down Payment Assistance Programs

Mr. Witt stated: The finance department would like to discuss a total of $14 million to be used for down payment assistance. We are requesting $2 million from the Homeowners Mortgage Revenue Bond Indenture for the Access 10% Program, $2 million from the Housing Bond Indenture for the Access 5% Program and $10 million from the Authority's Administrative Fund for the Access 4% Program. Like what we have brought to you in the past, we continue to see strong demand for our mortgage products and reservations are at record levels. We anticipate these increased amounts will carry us through year end and into the middle of the first quarter of 2024. We will be reassessing our needs after the first of the new year.

III.A.4. Resolution Authorizing Increase in Utilization Amount under Agreements with the Federal Home Loan Bank of Chicago

Mr. Witt stated: The finance department would like to discuss is approval to increase the amount available to access FHLB programs to a total not to exceed $500,000,000. This is an increase from the current limit of $250,000,000. The FHLB limits under our current agreement have a not to exceed amount of $999,999,999, therefore this increase does not require any update or re-execution of existing agreements nor does the requested increase constitute a requirement to draw under the advances agreement. As previously noted, this increase is due to increased demand for our products which has created a large pipeline, additional recycling and refunding as well as more regular need to use our credit facility to bridge transactions. These bridge loans typically run from one week to 30 days, but the length of time can go up to six months for certain recycling transactions.

III.B.1. Multifamily Housing Revenue Bond Series 2023A and Multifamily Housing Subordinate Revenue Bond Series 2023B (Lakeview Landing)

Mr. Babcock stated: Today the finance department is seeking approval for the issuance of Multifamily Housing Revenue Bonds Series 2023 A and Multifamily Housing Subordinate Revenue Bonds Series 2023 B in an aggregate not to exceed $19 million. The bonds will be used to finance the new construction of a 37-unit non-elderly development known as Lakeview Landing located at 835 West Addison Street in the Lakeview Neighborhood in Chicago. The Series A bonds will be tax-exempt, fixed rate, short term, and publicly offered. The series B bonds will be privately placed and tax-exempt through conversion. The bonds are limited obligation—no IHDA GO. For the permanent financing, IHDA will issue a $1,008,000 FFB loan—which will be rate locked via a forward starting interest rate swap. Additionally, an affordable housing surplus loan not to exceed $277,000 to provide necessary proceeds protection.

Mr. Babcock concluded: Today's request is as follows: First for the authorization of the issuance of Multifamily housing revenue bonds series 2023 A in an amount not to exceed $14 million, with an interest rate not to exceed 8.5% per annum, and a maturity not to exceed January 1, 2028; second for the authorization of the issuance of Multifamily housing subordinate revenue bonds series 2023 B in an amount not to exceed $5 million, with an interest rate not to exceed 8.5% per annum, and a maturity not to exceed January 1, 2074; third for the authorization to enter into risk sharing loan with the federal financing bank not to exceed 90% LTV and 1.11 DCR stress-test through year 20, currently anticipated at $1,008,000; fourth for the authorization to enter into an interest rate swap agreement with an authorized counterparty to mitigate IHDA's risk regarding the interest rate on the loan conveyed to FFB; and fifth for the authorization to enter into an Affordable Housing Surplus loan not to exceed $277,000. A projected schedule, and list of transaction participants was shared.

IV. Mr. Tornatore adjourned the meeting at 10:24 a.m.