ILLINOIS HOUSING DEVELOPMENT AUTHORITY

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FINANCE COMMITTEE MEETING MINUTES
Friday, July 19, 2024

The meeting of the Finance Committee of the Illinois Housing Development Authority took place on Friday, July 19, 2024, at 10:00 a.m. at 111 East Wacker Drive, Chicago, IL. Attending the meeting were Finance Committee Chair, Mr. Sam Tornatore, Ms. Sonia Berg, Mr. King Harris, Mr. Daniel Hayes, Mr. Brice Hutchcraft, Ms. Claire Leopold, Mr. Tom Morsch, Ms. Erika Poethig, and Ms. Luz Ramirez. Attending from IHDA's Executive team were Ms. Kristin Faust, Mr. Lawrence Grisham, Ms. Karen Davis, Mr. Seth Runkle, Ms. Kathryn Finn, and Mr. Keith Evans.

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, Ms. Berg, Chairman Harris, Mr. Hayes, Mr. Hutchcraft, Ms. Leopold, Mr. Morsch, Ms. Poethig, and Vice Chair Ramirez were present. No committee members were absent.

I.C. Mr. Tornatore called a motion for the approval of the June 21, 2024, minutes to be approved as presented. Motion carried.

II.A. Presentation of Consolidated Interim Financial Statements

Mr. Jalaluddin stated: We're examining fiscal YTD data covering all 12 months of FY'24. Operating Revenues YTD are $73.9M, reflecting a favorable deviation of $28.4M from the budget. This increase is primarily due to rise in origination fees related to Tax-Exempt Bond issuances and investment income, both of which have capitalized on favorable market dynamics throughout this fiscal year, exceeding our projections. The favorable variance is driven by payments from SF hedge contract terminations and sustained high interest rates, enhancing investment income from MBS securities warehousing during the holding period. The Administrative reimbursements were $53.8M, $4.6M favorable to budget, which I will get into further in the upcoming slide.

Mr. Jalaluddin continued: Operating Expenses YTD are $86.6M, which is $13.7M under budget. Favorability is attributed to underspending in Salaries and Benefits of $3.8M due to unfilled positions; Professional fees of $8.4M driven by a combination of favorable spend on Contractual Services & Consultants Fees; and Financing fees of $3.4M, due to cost savings on the cost of issuance covered by bond indentures vs admin fund. However, this was partially offset by a rise in office administrative expenses which increased by $1.3M, primarily due to higher (G&A) on the governmental side for postage and shipping, along with increased overhead charges. These overhead costs are allocated based on the number of hours charged to the programs. Furthermore, unfavourability in operating expenses is also due to temporary employee expenses of $2.8M due to increased activity across various governmental programs.

Mr. Jalaluddin continued: Focusing solely on the admin fund, we observe favorable trends in both operating revenues and expenses, reflective of the factors previously outlined. This fund analysis provides an isolated view of the administrative fund's financial performance, excluding reimbursements.

Mr. Jalaluddin continued: Shifting our attention to the Governmental fund's operating revenues which comprises of Administrative Reimbursements for incurred authority expenses. FYTD reimbursements reached $53.8M, favorable to budget by $4.6M. This is largely due to higher reimbursements from programs such as IAHTF, CBRAP2 and ASERAP reflecting increased time charged for various supportive housing efforts. This is balanced by a decrease in reimbursements for phasing out initiatives like the ERA2 and HAF program.

Mr. Jalaluddin continued: Operating Expenses for the Governmental Funds YTD are $53.8M, unfavorable to budget by $1.8M. This primarily due to Temporary employee expenses of $3M which is due to new positions added for the heightened activity in CBRAP2, ASERAP programs. This unfavourability is also due to increases in Salaries and Benefits and Office administrative exp amounting to $2.2m and $1.4m respectively, mainly from higher program hours in IAHTF (Illinois Affordable Housing Trust Fund) and National Housing Trust Fund. These additional expenses are mitigated by rise in reimbursements, effectively neutralizing the unfavorable expense variance. Additionally, this budget overage in operating expenses has been partly offset by favorable spend in Professional Fees of $4.2M. Lastly it is important to note that our operating income is at break-even at the end of the FY which demonstrates effective cost management and operational efficiency. This balanced performance highlights our strong financial management. This achievement is due to both accurate time reporting Authority wide and an updated and efficient overhead cost allocation plan which now includes auxiliary departments like accounting, finance, legal and communications as part of the overhead cost calculation. This update allows the Authority to collect more overheard expenses as reimbursements for our efforts in managing these initiatives.

Mr. Jalaluddin concluded: We undertook the significant task of updating the cost allocation plan in the LY FY, which had not been revised since 2013. This update marks a key milestone in our ongoing accounting transformation initiatives aimed at driving results for IHDA. Again, this accomplishment is a testament to the hard work and diligence of the team, who also manage other significant tasks like the audit and Oracle implementation which I'm happy to report went live as planned on 7/1.

II.B. Multifamily Update

Ms. Moran stated: This morning I will share the Multifamily Quarterly update for the 4th quarter of Fiscal Year 2024. This first chart shows the 66 projects under application that are in underwriting and working towards initial financial closing. Our 9% transactions continue to track at approximately 55 units per development while 4% transactions, largely acquisition and rehab of existing developments with rental assistance, are averaging 106 units per development. The balance of the transactions represents our smaller Permanent Supportive Housing and Housing for Justice Involved developments which have an outsized impact for the residents that are served.

Ms. Moran continued: This next slide represents the same underwriting pipeline data but is displayed by set-aside. We continue to have a good balance of projects scattered around the state relative to the population of the different set asides. Most of the deals in the pipeline are located in the Chicago and Chicago metro areas which is where we are doing most of our 4% preservation transactions, which tend to be the larger developments. This next slide illustrates the number of new construction vs. preservation transactions in the pipeline. As shown, 64% of the transactions in the pipeline are new construction compared to only 36% preservation transactions.

Ms. Moran stated: This next slide shows the units created and preserved by program over the past eight quarters. Overall, the number of units created and/or preserved in FY 2024 decreased by 985 units as compared to the prior fiscal year. The decrease can be partially attributed to the high interest rate environment in FY 2024 which slowed the acquisition of larger preservation deals. We have also seen a decrease in size on our new construction deals as sponsors try to balance their budgets due to increased construction costs. This next slide compares the past eight quarters by new unit production vs. preservation. In FY 2023, we created and preserved 4,771 units - 74% of the units were preservation vs. 26% new construction. In FY 2024 we saw fewer units but a similar trend with preservation dominating new construction 63% to 37%. However, important to note that there was an increase of 11% in new construction units and developments that were previously stalled are beginning to move ahead. Regarding projects currently under construction, we are currently monitoring 103 developments totaling more than 6,238 units across 26 counties. Although the number of developments is consistent this year over last year, they are averaging 10 less units each.

Ms. Moran continued: The next slide shows loan originations for the past two fiscal years. We originated approximately $44 million in tax exempt and taxable first mortgages in FY 2023. Despite increased interest rates, we ended up the year at over $78 million in first mortgages, a 75% increase over FY 2023. In the following slide you can see our bond issuance for FY 2023 and FY 2024. We thought FY 2023 was a record-breaking year when we issued $503 million in tax exempt bonds but in FY 2024 we exceeded that by 15% with a total issuance of $575 million.

Ms. Moran stated: We have 7 items on the main agenda for your consideration today. Villager & Briarwood West Apartments is the proposed rehabilitation and preservation of 116 units of elderly and non-elderly units in Crystal Lake, in McHenry County. Highland Park Townhomes is the proposed new construction of 8 townhomes located in Highland Park, in Lake County. Humboldt Park Passive Living is the proposed new construction of 60 units of non-elderly housing in Chicago. Forest Downs is the proposed new construction of 4 single family homes located in Harvard, in McHenry County. Unlocking Doors is the proposed new construction of 3 single family homes located in Crystal Lake, in McHenry County. EAP Phase XII is the proposed Employer Assisted Housing Program designed to provide down payment assistance for approximately 53 homebuyers in Rock Island, in Rock Island County. Giffords Crossing is the proposed new construction of 36 units of family housing in Elgin. Finally, we will present our recommendations from the 2024 9% LIHTC competitive round. We received 44 LIHTC applications, requesting approximately 64 million in Low Income Housing Tax Credits.

Today we are recommending 16 developments, totaling approximately 24 million in tax credits to create and preserve approximately 800 units of new housing across Illinois.

Ms. Moran concluded: On May 3rd, we released our HJIIP RFA – Round #2. Applications will be due on September 27, 2024. The SPAR and MF teams are currently conducting concept meetings with potential applicants. We are working on two new Request for Applications; a program to fund Non-Congregate Shelter(s) using HOME ARP funds. This is a new program for IHDA, and we look forward to collaborating with new service providers to create this much needed resource, and we are also gearing up for our 11th round of Permanent Supportive Housing. We expect to release both RFAs in early August.

II.C. Single Family/Homeownership Update

Mr. Gumucio stated: Homeownership reservations for the month of June 2024 totaled just over $101 million in first mortgages, we had a variance decrease of 55% by loan count and 53% by loan volume compared to the same month in 2023.

Mr. Gumucio continued: The breakdown IHDA DPA offerings were as follows: Access 4%, our forgivable program, accounted for 23% of total volume, Access 5%, our deferred program, made up 43%, and Access 10%, our repayable program, made up the remaining 34%. Chicagoland was the largest of the regions by loan count and volume, followed by Central, Northwest, and Southern. As of 6/30/24, our pipeline is just over $364.3M. The pipeline is the total number of loans in the reservation and loans purchased not yet pooled status. Average count is 47 days from reservation to purchase by our master servicer.

Mr. Gumucio continued: Regarding GNMA/conventional loan reservation history for the IHDA programs over the last 13 months, the green line on this chart represents our rates compared to the red line which represents the Freddie national 30-day offered rate. Currently our rates are at or slightly above the FHLMC offering rate for two reasons, first our rates are a blend of both government and conventional loan rates, not just conventional products we are benchmarking against in the graph. In addition, our deferred and repayable programs have been getting more appeal due to the higher DPA amounts. These programs have slightly lower mortgage rates, contributing to the lower interest rate value.

Mr. Gumucio continued: IHDA Demographic Analysis compared to State of IL year-to-date race comparisons through 6/30/24, those who identify as Black or African American households of IHDA's purchased loans was 17.2% compared to the state of IL's total population at 14.7%, while those who identify as Hispanic or Latino of IHDA's purchased loans was 29.0% compared to the State of IL total population at 18.3%. Homeownership is aware that the Black/African American race and Hispanic/Latino ethic categories rose this month and we are continuing our targeted outreach and marketing efforts for further improvements and evaluation.

Mr. Gumucio continued: Here is a year-to-date comparison for years 2021-2024. As you can see, we are returning to a more traditional volume flow. For comparison, in February 2024 we only had a 5% increase in units compared to February of 2021, however yielded over $30 million dollars more in volume, this increase in volume is due to the purchase price increases we have seen in recent years.

Mr. Gumucio continued: These next slides will show Homeownership's 2024 Fiscal Year update. This slide represents the reservations history of last 11 fiscal years, in Fiscal Year 2024 we achieved the highest on record at nearly $2Billion in reservations. This next slide shows a snapshot of where our total (8,865) units for the Fiscal year production were distributed within our various GSE or Government Sponsored Enterprise partners. As you can see there is uniform representation between FHA and Fannie Mae and Freddie Mac a strong third. This is a positive sign as over 98% of our borrowers are utilizing both conventional and FHA lending offerings. Here's how we were regionally distributed this Fiscal Year. Production flowed within the 4 regions, much like our monthly updates, with Chicagoland being first, followed by Central, NW, and Southern. Production reached a total of 8,865 units delivering the highest fiscal year volume in IHDA history at $1.7B!

Mr. Gumucio stated: Our homebuyer profile changed in the three categories from last fiscal year: average purchase price, income, and age, all rising this fiscal year. This change in our homebuyer profile is important as it depicts how the effects of decreasing housing stock and rising interest rates have on our borrowers. The lack of housing stock has caused our average purchase price to increase by 22% from FY2023. This purchase price pressure combined with increasing interest rates has caused our average qualifying income to rise to support higher mortgage payments. In addition, we know from previous research that low to moderate income borrowers, especially Black and Brown, are disproportionately affected by these factors, thus causing IHDA's average age of our borrowers to rise by 1 year over FY 2023.

Mr. Gumucio continued: Now, you've heard the economic impacts, but Homeownership wanted to share something else with you, a few words from 2 our borrowers, and I quote, "This assistance will help me in buying the forever home for me and my son who has a disability. It's been hard after losing my mom, but this has given me the support I need to keep going. Thank you." And another one, "Been through a hard life. Took in my 17 yr. old nephew and 16 yr. old niece. Then a little while later, I got their little brother and sister from foster care. We were living in a 2-bedroom apartment with 7 people, so, we had to move from the apartment we had been renting. Now we are finally going to be able to call this home our own!" These are two of thousands of new homeowners who received life changing assistance and were able to have homes to call their own. I wanted to highlight these stories as they capture the why we are doing what we do.

Mr. Gumucio continued: What did Fiscal Year 2024 look like from a demographic perspective? This chart shows our Access programs as well as HFA-1 and Opening Doors. Each program is represented by the blue bar which shows Black/AA participation rates, and the red bar which shows Hispanic/Latino ethnic participation rates. When we average all the program's participation rates for FY2024, we rose to 46.0% net racial and ethnic minority participation; almost 5% higher than in FY2023. What is Access + and why is it important? Homeownership believed there was a gap that existed in the market and many home loans of $50K and below didn't have an outlet due to various unfavorable market conditions. Homeownership creating the Access Plus Initiative which is designed to increase home purchase accessibility for low-to-moderate income families by incentivizing lenders to provide 30-year fixed rate 1st mortgages to underserved borrowers with loan amounts $50,000 or less paired with down payment assistance. Since the program's release in April of 2022 we have totaled 177 loans, 85 of which happened in FY 2024, serving many downstate residents, closing a lending gap to a problem that otherwise didn't have a solution.

Mr. Gumucio concluded: Take Aways for Fiscal year 2024 include the following: Historic volume! Number 1 in IHDA history, Increased demographics, 46% of all IHDA borrowers are from minority groups, an almost 5% increase from FY2023, and Seeing success with programmatic offerings which continue to fill lending gaps in Illinois. Homeownership will continue striving to create and evaluate programs that address the affordability gaps and access to equity that exist in the marketplace.

III.A.1. Quarterly Resolution Ratifying Permitted Financial Activities

Mr. Martin stated: This is a recap of the financial activities during the quarter ending June 30, 2024. Our book value was $4.06 billion, an increase from the prior quarter, which was $3.90 billion, an increase of $160 million. This increase can be attributed to continued warehousing MBSs for future bond issuances and the increase of investable case from our RB2024CD issuance that closed during this quarter. Purchases were $873 million, a $19 million decrease from the previous quarter and sales/maturities were $683 million, a $253 million increase from last quarter.

Mr. Martin concluded: Regarding return on investments for this quarter, we are outperforming the weighted average Treasury yield curve each month. Payouts and draws for the quarter were at $98.1 million and bond debt service payments were $114.4 million over the course of the quarter. We had twenty-five swaps, three interest rate caps, and $393.13 million in hedges outstanding.

III.A.2. Resolution Authorizing Single Family Revenue Bonds 2024 Series EFGH

Mr. Babcock stated: Today the finance department is seeking approval for the issuance of Single Family Revenue Bonds Series 2024 EFGH in an amount not to exceed $500 million. At this time, the structure is planned to be a mirror of previously approved Series 2024 CDEF transaction that was approved at April board and closed in May as Series 2024 CD. The Offered Bonds are contemplated to be both short term and long term, fixed rate and variable rate issuance. If variable rate debt is issued, the Authority would enter into a derivative instrument in the form of a fixed rate swap.

Mr. Babcock continued: The issuance may include but is not limited to increasing net position of the Indenture, deploying new money capital for future obligations and lock in long term spread for the Authority. Depending on the market environment during the transaction, stored zero percent participations generated from past issuances may be used to reach the full spread allowed under tax law. The Offered Bonds will be special limited obligations of the Authority and on parity with identified past issuances under the Revenue Bonds indenture. It is expected that the Offered Bonds will be designated "Social" or "Sustainable" Bonds. The Offered

Bonds could incorporate zero's &/or subsidies.

Mr. Babcock continued: The Series 2024 E bonds will be fixed rate, tax-exempt bonds, Series 2024 F Bonds will be fixed rate, taxable bonds, and Series 2024 G & H Bonds will be taxable and tax-exempt variable rate bonds. The percentage of Hedged Variable Rate debt in the indenture is expected to decrease from 13% to 12%.

Mr. Babcock concluded: The request today is for the issuance of Revenue Bonds Series 2024 EFGH in an amount not to exceed $500 million. The final maturity will be no later than 35 years after issuance, the interest rates on the fixed rate series will not exceed 6% or 11% per annum based on tax status, and the interest rates on the variable rate series will not exceed 12% or 15% per annum based on tax status. The estimated pricing date for the bonds is July 29th, with an estimated closing of August 14th. Transaction participants are shown on the slide with the Senior Underwriters being Raymond James for the tax-exempt series and Bank of America for the taxable series.

III.B.1. Multifamily Revenue Bonds 2024 Series F (The Villager and Briarwood West)

Mr. Babcock stated: IHDA will issue Multifamily Revenue Bonds Series 2024 F to finance the acquisition and rehabilitation and new construction of a 116-unit elderly and non-elderly development known as The Villager and Briarwood located at 77 South Williams Street in Crystal Lake. IHDA will issue Multifamily Revenue Bonds, 2024 Series F to finance the acquisition and rehabilitation of the property. The 2024 Series F Bonds will be placed directly with AFL-CIO Housing Investment Trust and will be fixed rate and long term. IHDA takes 50% risk on the underlying loan via FHA risk share insurance. IHDA will also issue a Junior loan which will be fixed rate, taxable, and have a 17-year maturity.

Mr. Babcock continued: Today's request is for the authorization of the issuance of Multifamily Revenue Bonds Series 2024 F in an amount not to exceed 18 million dollars, with an interest rate not to exceed 7.0% per annum, and a maturity no to exceed 46 years from the date of issuance. The amount of variable rate debt in the Multifamily Revenue Bonds Indenture will decrease from 14% to 13% after the transaction. The estimated closing date is August 21st. A list of transaction participants was shared.

III.B.2. Resolution Authorizing the Issuance of Aggregate Multifamily Housing Revenue Bonds, 2024 Series E (Burnham Manor)

Mr. Babcock stated: IHDA will issue Multifamily Revenue Bonds Series 2024 E to finance the rehabilitation of a an existing 100-unit elderly (62+) development known as Burnham Manor located at 1350 Fleetwood Drive in Elgin. IHDA will issue Multifamily Revenue Bonds to pay off the Series 2022 Note. The Bonds will be tax-exempt, publicly offered, and variable rate. At Initial Closing, the Authority entered into a forward starting fixed rate swap to lock in the permanent rate for the Borrower. Offered Bonds are Special Limited Obligations of the Authority. Offered Bonds will be issued on a parity basis with other parity bonds within the Indenture. IHDA takes 50% credit risk on the underlying loan via FHA risk share insurance.

Mr. Babcock continued: Today's request is for the authorization of the issuance of Multifamily Revenue Bonds Series 2024 E in an amount not to exceed 12.725 million dollars, with an interest rate not to exceed 12.0% per annum, and a maturity no to exceed 46 years from the date of issuance. The amount of variable rate debt in the Multifamily Revenue Bonds Indenture will decrease from 16% to 19% after the transaction. The estimated closing date is August 8th. A list of transaction participants was shared.

III.B.3. Supplemental Resolution Regarding Multifamily Housing Revenue Note, Series 2022A (Burnham Manor)

Mr. Babcock stated: Burnham Manor is the rehabilitation of an existing 100-unit property located in Elgin in Kane County. At the March 2022 Board Meeting, IHDA approved a resolution authorizing issuance of Short-Term Tax-Exempt Conduit Notes in an amount not to exceed $20,400,000, a Risk Share First Mortgage in an amount not to exceed $12,725,000, a HOME Loan not to exceed $1,865,962, and a forward starting interest rate swap for permanent Multifamily Revenue Bonds to refund the conduit notes at conversion.

Mr. Babcock continued: The transaction subsequently closed in June 2022, with voluntary prepayment dates for the conduit notes as June 30, 2024, September 30, 2024, and December 30, 2024. The amendment today updates the voluntary prepayment date to "any time after August 1, 2024 and prior to the maturity date, on a date selected by the Governmental Lender with the consent of the Funding Lender and Borrower." The change in the prepayment language will allow the Authority to issue permanent, refunding, Multifamily Revenue Bonds in August to align with the completion and conversion of the development, resulting in interest savings for the Development.

III.B.4. Resolution Amending the Issuance of Aggregate Multifamily Housing Revenue Bonds, Series 2024 (Walden Oaks)

Mr. Babcock stated: Walden Oaks is the rehabilitation of an existing 191-unit property located in Woodstock in McHenry County. At the March 2024 Board Meeting, IHDA approved a resolution authorizing issuance of Short-Term Tax-Exempt Conduit Bonds in an aggregate amount not to exceed $22,425,000 and a new IHDA Housing Trust Fund loan in the amount of $3,262,000, of which $438,172 will be used to pay off an existing IHDA Trust Fund Loan. The resolution described the financing structure, including the monies used to cash-collateralize the short-term bonds, which was contemplated to be a taxable Seller Note. The project now plans to use the IHDA Trust Fund monies as the cash collateral for the bonds. The internal IHDA loan resolution authorizing this change was presented and approved at May Board, however this resolution is to amend the bond resolution to align with the intended financing structure.

III.B.5. Resolution Amending the Issuance of Multifamily Housing Revenue Note, Series 2024A and Series 2024B (Brainerd Senior Preservation)

Mr. Babcock stated: Brainerd Senior Preservation is the rehabilitation of an existing 60-unit property located in the Washington Heights Community area of Chicago, within Cook County. At the January 2024 Board Meeting, IHDA approved a resolution authorizing issuance of Long-Term and Short-Term Tax-Exempt Conduit Notes in an aggregate amount not to exceed $13,680,000 and a new IHDA Housing Trust Fund loan in the amount of $2,610,000. The resolution described financing structure, including the Long-Term Conduit Loan interest rate as "fixed" and Short-Term Tax-Exempt Conduit Loan interest rate as "variable". After review of the construction lender's proposed transaction, Bond Counsel identified the Long-Term Conduit Loan interest rate as being synthetically fixed, and therefore would require an amendatory resolution to describe both the Long-Term and Long-Term Conduit Loan interest rates as "variable". There are no other changes to the project as approved at the January 2024 Board Meeting.

III.C.1. GFOA Certification

Mr. Runkle stated: I'm pleased to announce that for the third year in a row, IHDA was issued a Certificate of Achievement for Excellence in Financial Reporting for our Annual Comprehensive Financial Report from the Government Finance Officers Association. This award is the highest form of recognition given to state and local governments who go beyond the minimum requirements in the true spirit of transparency and full disclosure. I would say in short, this is really going beyond the minimum, allowing the public to really the position and performance of IHDA. This is a testament to the progress that the Authority has made over the years creating a culture of excellence from the top down with support from the Board, with the support from the Committee, and my thanks and our thanks to the Accounting Team for continued strides in this area. I know from those that have been around a lot longer than me that this was not always the case, and it shows the great progress we've made.

IV. Mr. Tornatore adjourned the meeting at 10:47 a.m.