ILLINOIS HOUSING DEVELOPMENT AUTHORITY

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FINANCE COMMITTEE MEETING MINUTES
Friday, January 17, 2025

The meeting of the Finance Committee of the Illinois Housing Development Authority took place on Friday, January 17, 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. Daniel Hayes, Mr. Brice Hutchcraft, Ms. Claire Leopold, Mr. Tom Morsch, and Ms. Erika Poethig. Attending from IHDA's Executive team were Ms. Kristin Faust, Mr. Lawrence Grisham, Mr. Seth Runkle, and Ms. Christina McClernon.

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, Chairman Harris, Mr. Hayes, Mr. Hutchcraft, Ms. Leopold, Mr. Morsch, Ms. Poethig, and Vice Chair Ramirez were present. Ms. Berg was absent.

I.C. Mr. Tornatore called a motion for the approval of the December 20, 2024, minutes to be approved as presented. Motion carried.

II.A. Presentation of Consolidated Interim Financial Statements

Mr. Jalaluddin stated: We are examining fiscal YTD data covering 6 months of FY25. Operating Revenues YTD are $37.1M, reflecting a favorable deviation of $ ($10.2 million) compared to budget. This positive variance is primarily driven by ongoing fees of $1.2 million, which includes IHDA bond administration fees and origination fees of $4.8 million resulting from developments closed during this FY that were budgeted for in FY'24. Additionally, the favorable variance has been supported by the heightened interest rate environment, which has contributed to strong investment returns fiscal year to date. The Administrative reimbursements were $14.4M, unfavorable to budget by $(1.2M), which I will get into further in the upcoming slide.

Mr. Jalaluddin continued: Operating Expenses YTD are $33.7M, which is $7M under budget. Favorability is attributed to underspending in Salaries and Benefits of ($2 million) due to open positions; Professional fees of $3.8M driven by a combination of favorable spend on Contractual Services & Consultants Fees.

Mr. Jalaluddin continued: Focusing solely on the admin fund, we observe favorability 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 comprise Administrative Reimbursements for incurred authority expenses. FYTD reimbursements reached $14.4M, unfavorable to budget by $(1.2M). The variance is partially due to timing in programs like SLFRF and HOME ARP, which are anticipated to pick up in Q3 of this FY. However, some unfavourability may persist in RHSP due to adjustments in anticipated program activity. We are closely monitoring reimbursements and expect an uptick in the latter half of the fiscal year, as reimbursements align with program timelines.

Mr. Jalaluddin concluded: Operating Expenses for the Governmental Funds YTD are $14.9M, favorable to budget by $4.3M. This is primarily due to Salaries and Benefits and Professional Fees of ($ 2.7 million) & ($ 1.6 million) respectively which again is due to timing of expenses. The overage in the Other GA is related to temporary employee expenses for ramping up the State CBRAP program which launched in Q1 of this FY.

II.B. Multifamily Update

Mr. Bannon stated: Today we will share the Multifamily Quarterly Update for the second quarter of Fiscal Year 2025. First, we will start with the Underwriting Pipeline – the pipeline is defined by projects with an approved Preliminary Project Assessment that have submitted to IHDA a formal application for resources and are working towards initial financial closings. There are currently 63 projects in the pipeline. This is down 15 projects from the prior quarter (Q1 2025) due to Second Quarter closings exceeding new applications…9% LIHTC projects in the pipeline average approximately 49 units per development and are heavily weighted towards New Construction…4% LIHTC projects, which are primarily Rehabilitation of existing developments, average approximately 98 units per development. This is in line with the average development sizes for the prior quarter's pipeline. Also shown on this slide is a breakdown of projects by geographic set-asides. Most of the deals in the pipeline are in the Chicago and Chicago Metro set-asides which, together, comprise about 65% of the state's population – these two set-asides also correlate with the locations of many 4% LIHTC preservation transactions, which tend to be larger developments.

Mr. Bannon continued: This slide shows the units created and preserved by program over the past six quarters. The first two quarters of FY 2025 recorded 40 transaction closings (representing over 2,800 affordable units), exceeding the first two quarters of FY 2024 by 6 closings (and by 48 units). The next slide shows projects in construction period. Through the second quarter of fiscal year 2025, IHDA's field reps monitored 53 projects consisting of approximately 3,800 units across 20 counties, in addition to those projects not shown which completed construction before the end of Q2. After construction completion, projects begin a new phase in the development cycle known as Lease-Up and Stabilization, of which the primary requirement is to achieve 90% occupancy for at least 90 days. In Q2, 21 projects met this milestone and converted project sources to permanent financing at Final Closing. After Final Closing, Multifamily transitions the projects to Asset Management for long-term monitoring.

Mr. Bannon continued: This next slide shows multifamily loan originations for the last six quarters and the pipeline for the 3rd and 4th quarters of FY 2025. In FY 2024, IHDA originated approximately $78MM in first mortgages for the financing of multifamily developments. The current forecast for FY 2025 is $86MM, of which $51.5MM has already closed. The high-interest rate environment and reduced availability of below-market gap financing are primary factors of the reduced projections in the near-term. Additionally, 4% PPAs are not included in forecasted data. Regarding Multifamily Private Activity Bond Issuance, this slide depicts Multifamily bond issuance for FY 2024 and the first two quarters of 2025, as well as the pipeline for 3rd and 4th quarters. IHDA issued a record $575MM in tax exempt bonds in FY 2024. Based on current applications, FY 2025 Multifamily TEB issuance will be $387MM.

Mr. Bannon stated: We have two items on the main agenda for your consideration today: Reclaiming Chicago is the new construction of 25 single family homes located in the North Lawndale and Back of the Yards neighborhoods. Our final item is the Permanent Supportive Housing Resolution Extensions as 15 of the PSH developments awarded in prior rounds are experiencing delayed closing timelines.

Mr. Bannon concluded: Our department updates are: 1) Completed Universal PPAs, 2) Published updates to Underwriting Standards Guide, 3) Published updated Common Application, 4) Converted software platforms for Multifamily pipeline, and 5) Engaged with HUD and the Federal Financing Bank to implement the FFB Collar Program.

II.C. Single Family/Homeownership Update

Ms. Pavlik stated: Homeownership reservations for the month of December 2024 totaled just over $90 million in first mortgages, we had a variance increase of 15% by loan count and 39% by loan volume compared to the same month in 2023.

Ms. Pavlik continued: Breakdown of IHDA DPA offerings were as follows: Access 4%, our forgivable program, accounted for 19% of total volume, Access 5%, our deferred program, made up 28%, Access 10%, our repayable program, made up 33%, and SmartBuy accounting for the remaining 20%. Chicagoland was the largest of the regions by loan count and volume, followed by Central, Northwest, and Southern. As of 12/31/24, our pipeline is just over $298 million which includes the number of loans reserved, not yet purchased and loans purchased not yet pooled. Average count is 54 days from reservation to purchase by our master servicer.

Ms. Pavlik 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 FHA benchmark from the Fed of St. Louis. The conventional loan reservation history for the IHDA programs over the last 13 months, the green line represents IHDA's rates compared to the red line representing the Freddie national 30 day offered rate.

Ms. Pavlik stated: IHDA Demographic Analysis compared to State of IL year-to-date race comparisons through 12/31/24, those who identify as Black or African American households of IHDA's purchased loans was 16.8% compared to the state of IL's total population at 14.6%, while those who identify as Hispanic or Latino of IHDA's purchased loans was 30.1% compared to the State of IL total population at 19.0%.

Ms. Pavlik concluded: This slide shows the year-to-date comparison for years 2021-2024. The purple line is 2024 YTD, compared to the last 3 calendar years. This was the largest December for reservations in the last 4 years. Lastly, we wanted to give you a brief overview of calendar year 2024 and then a reservation comparison over the last twelve calendar years. Calendar year 2025 ranked 5th overall.

III.A.1. Resolution Ratifying Permitted Financial Activities

Ms. Sanders stated: This presentation is for the Ratification of Permitted Financial Activities for the quarter ending 12/31/2024. IHDA's book value was $4.4 billion with the Prior Quarter = ~ $4 billion Difference = Increase ~ $4 million. The next slide depicts a summary of Purchases along with Sales/Maturities for the Quarter, IHDA Purchased = ~ $652 million (Last Quarter ~ $943 million) a $291 million decrease. Sales/Maturities = ~ $664 million (Last Quarter. ~ $516 million) $48 million increase. Using the Weighted Average US Treasury Yield Curve as our baseline. IHDA Yields beat the Weighted Average US Treasury Curve each month in the quarter.

Ms. Sanders concluded: IHDA processed ~ $28 Million in Payouts & Draws this quarter (Last Quarter: ~$57 million) a decrease of $29 million. IHDA processed ~ $156 million of Bond Debt Service Payments this quarter (Last Quarter: ~ $39.5 million) an increase of $116.5 million. This slide reflects our Interest Rate Risk Management Positions as of 12/31/2024. We hedge variable rate debt to protect against interest rate volatility/risk. This includes 28 Swaps & 3 Interest Rates Caps. As for our TBA Position, there were approximately $123.3 million in outstanding hedges.

IV. Mr. Tornatore adjourned the meeting at 10:25 a.m.