ILLINOIS HOUSING DEVELOPMENT AUTHORITY

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FINANCE COMMITTEE MEETING MINUTES
Friday, February 21, 2025

The meeting of the Finance Committee of the Illinois Housing Development Authority took place on Friday, February 21, 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. Berg, Mr. Daniel Hayes, 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, Ms. Christina McClernon, and Mr. Keith Evans.

I.A. Mr. Tornatore called the meeting to order at 10:01 a.m.

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

I.C. Mr. Tornatore called a motion for the approval of the January 17, 2025, minutes to be approved as presented. Motion carried.

II.A. Presentation of Consolidated Interim Financial Statements

Ms. Larson stated: We are examining fiscal YTD data covering 7 months of FY25. Operating Revenues FYTD are $44.8M, reflecting a favorable deviation of $13.4M over budget, mainly from origination fees of $4.4M resulting from higher collection of federal 9% tax credit reservation fees and loan origination fees, as well as ongoing fees of $3.3M due to higher bond administration fees and federal tax credit monitoring fees. Higher interest rate environment contributed to strong investment returns and receipts from swap termination caused favorability in interest and other income of $5.3M. The Administrative reimbursements were $16.9M, under budget by ($1.5M), which I will cover in the upcoming slide.

Ms. Larson continued: Operating Expenses FYTD are $39.2M, which is $8.3M under budget. Favorability is attributed to Salaries and Benefits of $1.8M due to open positions; Professional Fees of $4.4M driven by a combination of favorable spend on Contractual Services & Consultants Fees; Financing Costs of $0.6M due to timing of expenses.

Ms. Larson continued: Focusing solely on the Administrative 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.

Ms. Larson continued: Shifting our attention to the Governmental Fund's operating revenues which consist of Administrative Reimbursements for incurred Authority expenses, FYTD reimbursements reached $16.9M, behind budget by ($1.5M) primarily due to lower expenses due to timing or lower cost.

Ms. Larson concluded: Operating Expenses for the Governmental Funds FYTD are $17.2M, favorable to budget by $5.3M. This is primarily due to Salaries and Benefits and Professional Fees of $3.1M & $2M, respectively, due to the timing of expenses.

II.B. Multifamily Update

Mr. Bannon stated: We have three items on the main agenda for the Board's consideration today: Building Communities 2024 is the new construction of 5 single family homes located four in Waukegan and one in Round Lake. Next is Hope Manor Village Joliet, the proposed new construction of 48 non-elderly Corcoran Place Apartments, the proposed rehabilitation of two 5-story buildings containing 94 units located in the Oak Park neighborhood of Chicago.

Mr. Bannon concluded: Our department updates are: Full applications are coming due for the various multifamily programs; PSH applications were due last week, multifamily received 11 applications out of the total 13 approved PPAs. Our 2025 9% LIHTC applications are due March 6 and the current QAP is under review for the 2026-27 tax credit application cycle.

II.C. Single Family/Homeownership Update

Mr. Nestlehut stated: Homeownership reservations for the month of January 2025 totaled just over $120 million in first mortgages, we had a variance increase of 38% by loan count and 53% by loan volume compared to the same month in 2024.

Mr. Nestlehut continued: Breakdown of IHDA DPA offerings were as follows: Access 4%, our forgivable program, accounted for 10% of total volume, Access 5%, our deferred program, made up 25%, Access 10%, our repayable program, made up 26%, and SmartBuy accounting for the remaining 39%. Chicagoland was the largest of the regions by loan count and volume, followed by Central, Northwest, and Southern. As of 1/31/25, our pipeline is just over $331 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.

Mr. Nestlehut 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.

Mr. Nestlehut stated: With regard to YTD purchased loans through 1/31/25, those who identify as Black or African American households of IHDA's purchased loans was 16.5% 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 26.6% compared to the State of IL total population at 19.0%.

Mr. Nestlehut concluded: This slide shows the year-to-date comparison for years 2021-2025. The blue line/arrow indicates 2025 YTD, compared to the last 4 calendar years. Looking at the last five calendar years, this was the largest January for reservations.

III.A.1. Resolution Ratifying Establishment of Loan Loss Reserve

Ms. Larson stated: We are seeking approval at the Board meeting of the Quarterly Resolution Ratifying Establishment of Loan Loss Reserve for December 31, 2024. The loan loss reserve decreased by ($2.2M) from $128M to $125.8M. The decrease is primarily due to HOME Program for ($2.2M) and IL Affordable Housing Trust Fund of ($0.8M) resulting from lower probability of default driven by higher debt coverage ratio and increased valuation offset by Housing Bonds of $1.1M resulting from two new construction loans.

III.A.2. Resolution Authorizing Revenue Bonds, 2025 Series ABCD

Ms. Jacobson stated: Today the Finance Department is introducing a resolution for the issuance of Revenue Bonds Series 2025 ABCD in an amount not to exceed $350 million dollars. The bonds may be used to redeploy capital for future single-family originations, refund previously issued Revenue Bonds and increase the net position of the Indenture. The Bonds will be issued as a mix of tax-exempt and taxable fixed rate and variable rate new money and refunding bonds. The Bonds will be special limited obligations of the Authority and issued on parity with all previously issued Bonds in the Revenue Bonds indenture. The Bonds are expected to support the Authority's future Single-Family initiatives, lock in long-term spread for the Authority, and provide future financial flexibility.

Ms. Jacobson continued: This slide outlines the potential structure for the transaction. Capital Markets is seeking approval to issue a combination of the proposed series to maintain flexibility. The final structure will be based on market conditions and the lowest cost of financing at the time of pricing. For the contemplated variable rate component, the Authority would enter into a swap agreement to hedge against interest rate risk and lower cost of funds. FHLB will serve as the liquidity provider to ensure the ability to meet payment obligations. This would be structured through a Standby Bond Purchase Agreement (SBPA). There is no proposed change in the Authority's percentage of variable rate debt post the sale of the Bonds.

Ms. Jacobson concluded: The Finance Department will be requesting Board approval for the bond resolution to proceed with this financing. The request today is for the issuance of the Bonds, with the following parameters: Issuance of Revenue Bonds, 2025 Series A, B, C, & D not to exceed $350,000,000 in aggregate principal amount, final maturity no later than 35 years after the issuance of the bonds (this applies to all series), bond interest rate on any fixed rate series Bonds not to exceed 6% or 11% per annum, and bond interest rate on any variable rate series Bonds not to exceed 12% or 15% per annum. The estimated pricing date is on or around March 17th with an expected closing date of April 3rd. A slide highlighting the transaction team was also shared.

III.B.1. Multifamily Housing Revenue Bonds, Series 2025 (Corcoran Place Apartments)

Ms. Jacobson stated: The Finance Department is seeking approval for the issuance of Multifamily Housing Revenue Bonds, Series 2025, up to $25.2 million, to finance the acquisition and rehabilitation of the 94-unit Corcoran Place development located in the Oak Park neighborhood of Chicago. The bonds will be publicly offered as tax-exempt, fixed rate, short-term obligations with no impact on the Authority's general obligation credit. Permanent financing includes a $6.28M FFB loan, rate-locked via an interest rate swap, and an affordable housing surplus loan up to $1.61M for additional proceeds if needed. The estimated FFB loan amount is $6.28M with an expected interest rate of 5.93%. Interest rate risk is mitigated through an interest rate hedge, protecting against a rise of up to 125 basis points.

Ms. Jacobson concluded: Capital Markets respectfully requests the following in connection with this transaction: 1) Authorization to issue Multifamily Housing Revenue Bonds, Series 2025, up to $25.2 million, with an interest rate not exceeding 8.50% per annum and a final maturity no later than 60 months from issuance, 2) Authorization to enter into a Risk Sharing Loan with the Federal Financing Bank, exceeding 90% Loan to Value and 1.11 Debt Coverage Ratio stress-test through year 20, currently estimated at $6.28M, 3) Authorization to enter into an interest rate swap agreement with an authorized counterparty to mitigate IHDA's interest rate risk on the loan with FFB, and 4) Authorization to enter into an Affordable Housing Surplus loan up to $1.61M. This project has a target closing date of May 20, 2025. A list of transaction participants was also shared.

III.B.2. Multifamily Housing Revenue Bonds, Series 2025 (Hope Manor Village)

Mr. Ess stated: IHDA will issue Multifamily Housing Revenue Bonds Series 2025 (Hope Manor Village Joliet) to finance the acquisition and rehabilitation of a 48-unit non-elderly development located at 1301 Copperfield Avenue in Joliet. The Bonds will be publicly offered by Stifel, Nicolaus & Company, Incorporated. This is conduit financing, the Series 2025 Bonds will be tax-exempt, fixed rate, and short term. These are limited obligation – no IHDA G.O. The permanent financing will be an IHDA Trust Fund and HOME loan which will both have a 30 year maturity.

Mr. Ess continued: Today's request is for the issuance of Multifamily Housing Revenue Bonds Series 2025 (Hope Manor Village Joliet) in an amount not to exceed $14,300,000, with a final maturity no later than 60 months after the date of issuance, and an interest rate not to exceed 8.5% per annum. The estimated closing date is March 27th. A list of transaction participants was shared.

III.C. Lease Update

Mr. Runkle stated: Today I'll be providing an update on our lease and space plans. You may recall the last time you heard about this topic was in September, when Lawrence gave an update on the lease consultant. Before going into the details about where we are, where we've been, where we're going, I'd like to mention that this will include a high level discussion of our Request for Information, and we will soon publish the RFI. We've described our needs, we hope to get strong interest, and to ensure a strong competition on the state's procurement system, we're going to avoid getting too specific about the RFI and certainly we're going to stay away from certain landlords, specific locations, and property managers.

Mr. Runkle continued: A bit of background, our current lease expires in October of next year. We've been here for just under nine years and this is a ten year lease. As the term approaches, we're assessing what's next. We have approximately 66,000 square feet not including a novel amount of storage space as well as parking. We've engaged Avison Young as our lease consultant and established a steering committee in October of 2024. As we plan for what's next it's really about flexibility, not just meeting our needs today, but also our needs for the future. As you know we can fluctuate the size of the organization as program needs change and as program funding ebbs and flows, but also given the current market condition, we'd like to take advantage of cost efficiencies. As we look going forward, we're going to put emphasis on having a space that supports productivity, employee morale, and collaboration. Finally, I'll say lease negotiations are based on a long-term lease commitment.

Mr. Runkle concluded: The project timeline shared shows that this is really a two-year endeavor. We are approaching the third out of five phases. Phase 1 was introduction and planning, Phase 2 was the needs assessment, Phase 3 is the Request for Information, Phase 4 is procurement and execution of the lease, and Phase 5 is construction/move-in. Mr. Runkle explained the current phase and upon completion, we can expect to hear back on the decisions. That's also when we'll bring a final recommendation to the Board for approval, after which we will approach lease execution. That will take us to the final phase. Since we haven't made a decision, we do not know what that is as far as construction.

IV. Mr. Tornatore adjourned the meeting at 10:46 a.m.