ILLINOIS HOUSING DEVELOPMENT AUTHORITY

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FINANCE COMMITTEE MEETING MINUTES
Friday, April 18, 2025

The meeting of the Finance Committee of the Illinois Housing Development Authority took place on Friday, April 18, at 9:00 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, Ms. Berg, 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, Ms. Karen Davis, Mr. Seth Runkle, Ms. Christina McClernon, and Mr. Keith Evans.

I.A. Mr. Tornatore called the meeting to order at 9:00 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 Ms. Ramirez were present.

I.C. Mr. Tornatore called a motion for the approval of the February 21, 2025, minutes to be approved as presented. Motion carried.

II.A. Information Technology Update

Mr. Evans stated: This is the regularly scheduled IT update. Reviewing the IT Strategic Themes, Update Core Technologies, Drive Employee Efficiency, Enhance Cybersecurity, Strengthen Infrastructure Management, and a new theme to Improve Project Delivery. With respect to updating core technologies, the JDE to Oracle Conversion went live 7/1/24. We are looking for a long-term managed service provider with responses to our request due April 28. JDE has been archived. Key Benefits and Challenges were discussed. Multifamily Development Lifecycle Software Procurement kicked off 9/24/24. We are evaluating solutions across application intake, underwriting, award funding, closing, compliance monitoring and loan servicing activities. There are three phases of the project. The Courtroom Based Rental Assistance Program Software Replacement was held to allow confirmation of FY26 State funding. Other initiatives related to Updating Core Technologies are a Loan Service Replacement, awarded to Mitas, IHDA Connect for Closing, HRIS Replacement, Grant Management Needs Evaluation and Recommendation is on hold through FY26, and a new ILHousingSearch.org replacement and Benedict Loan Servicing Expansion are in the works.

Mr. Evans continued: With regard to Driving Employee Efficiency and Effectiveness, we are implementing Site Inspection Software for Asset Management, E-Notarization which will go live in April, and Policy Management Software expected to roll out late October/early November. Regarding Enhancing Cyber Security, a Baker Tilly Cybersecurity audit was conducted with the following findings identified, extending Single Sign On, Adopting formal timing for regular review of IT administrative accounts and physical access permissions, documenting our IT security risk assessment process, formalizing third-party risk management, documenting our encryption standards, developing and deploying specialized cybersecurity training, formalizing and implementing a data classification methodology, and changing the timing for the review of all IT policies to an annual basis. We also have several initiatives to Strengthen Management of the IT environment including migrating appropriate workloads to the Azure clous, upgrading Windows 2012 servers to Server 2022. Upgrading laptops to Windows 11, Testing our Enterprise Disaster Recovery, and Implementing IT Service Management application by year end. Next, a graph showing the Projects Completed and Capacity Needs related to Improving Project Delivery. Redesigning Project Management Methodology with projects prioritized based on Regulatory/ Compliance/or Mandated, do they generate revenue, do they reduce costs and do they improve productivity. We are developing and implementing standardized documents for each phase of the project management process, consolidating project and portfolio management on Monday.com for transparency and enhanced resource planning, and analyzing IT processes and reorganizing resources.

Mr. Evans concluded: Moving on to our journey with Artificial Intelligence, there are operational benefits of AI including efficiency, accuracy, and cost savings. The next slide identifies AI Governance measures we are required to take. Our general guiding principles around AI are Data Privacy, Accountability, Explainability and Transparency, Fairness and Bias Detection, Security and Safety, and Validity and Reliability. Our evolution of AI at IHDA starts with Copilot for enhanced office productivity, add AI agents for task automation and enhanced data analysis in specific target areas, and creating generative AI models offering innovative solutions for IHDA. A slide identifying the Copilot 365 value categories and metrics and an implementation overview was shared.

III.A. Presentation of Consolidated Interim Financial Statements

Mr. Jalaluddin stated: We are examining fiscal YTD data covering 9 months of FY25. Operating Revenues FYTD are $52.3M, reflecting a favorable deviation of $11.9M over budget, mainly from origination fees of $3.2M resulting from higher collection of federal 9% tax credit reservations and 4% determination fees, as well as ongoing fees of $2.9M due to higher bond administration 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 $5.2M. The Administrative reimbursements were $22.9M under budget ($637K), which I will cover in the upcoming slide.

Mr. Jalaluddin continued: Operating Expenses FYTD are $51.6M, which is $9.5M under budget. Favorability is attributed to Salaries and Benefits of $2.1M due to vacancies or open positions; Professional Fees of $5.5M driven by a combination of favorable spend on Contractual Services & Consultants Fees; these savings were partially offset by higher spending in Other G&A, largely due to temp staffing for the Illinois General Revenue Fund Program. However, this overage is offset on the Governmental Fund side through higher reimbursements.

Mr. Jalaluddin 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. The unfavourability in Salaries & Benefits that we see here is due to underbudget in the administrative fund with a corresponding over budget on the government side. These variances net out, resulting in a neutral impact at the consolidated level.

Mr. Jalaluddin continued: Shifting our attention to the Governmental Fund's operating revenues which consist of Administrative Reimbursements for incurred Authority expenses, FYTD reimbursements reached $22.9M, behind budget by ($637K). This shortfall has improved from the ($1.5M) variance reported in January. As we've previously communicated, this is generally timing related. There are some exceptions like RHSP, where we expect continued unfavourability for the fiscal year due to lower program activity. Conversely, the Illinois General Revenue Fund Program is outperforming, driven by higher program activity. The variance is also impacted by overages in Other G&A—previously discussed, which is matched by increased reimbursements.

Mr. Jalaluddin concluded: Operating Expenses for the Governmental Funds FYTD are $23.1M, favorable to budget by $5.8M. This is primarily due to Salaries and Benefits of $3.9M, driven by the offsetting allocation from the Admin Fund and Professional Fees of $2.4M, due to underspend of budgeted consulting resources. Towards the end you can see the actuals FYTD we are approaching break even as expected, aligning with the cost recovery nature of the governmental fund.

III.B. Multifamily Update

Ms. Pawlis stated: Today I will share the Multifamily Quarterly Update for the third quarter of Fiscal Year 2025. First, we will start with the Underwriting Pipeline – the pipeline is defined by projects that are in underwriting and are working towards initial financial closing. This does not include Preliminary Project Assessments or applications for 9% Low Income Tax Credits, Permanent Supportive Housing, and Non-Congregate Shelter resources that are currently under review. There are currently 80 projects in the pipeline. This is an increase of 17 projects from the prior quarter (Q2 2025). As shown on the slide, most of the deals 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 (*~100 units per development*).

Ms. Pawlis continued: This slide shows the units created and preserved by program over the past seven quarters. In the first three quarters of fiscal year 2025, we closed 46 transactions representing over 2,900 affordable units. We had three additional closings compared to the same period in fiscal year 2024. The next slide shows projects in construction period. IHDA's field reps are currently monitoring 59 projects totaling 3,450 units in 20 counties across the state. In Q3, 7 projects moved out of construction completion into the Lease-Up and Stabilization phase.

Ms. Pawlis continued: This slide shows multifamily loan originations over the last four fiscal years. The high volume shown in fiscal year 2022 was due to projects reaching initial financial closing after covid related construction delays and projects benefiting from the low-interest rate environment. By comparison, as a result of elevated interest rates and limited soft funds over the last few years, production has normalized. Regarding Multifamily Private Activity Bond Issuance, this slide depicts Multifamily tax-exempt bond issuance over the last four fiscal years. IHDA issued a record $576MM in tax exempt bonds in fiscal year 2024. Based on current applications, fiscal year 2025 Multifamily tax exempt bond issuance is forecasted to be approximately $285MM. Our forecast decreased from the fiscal year 2025 second quarter update due to project delays which have pushed closings to 1st quarter of fiscal year 2026.

Ms. Pawlis stated: Pivoting to the April board agenda - we have one item on the main agenda for your consideration today, Providing Stable Foundations. Providing Stable Foundations is sponsored by The Habitat for Humanity. Habitat for Humanity received a donated house from the DeKalb County History Center. Habitat is moving the house to a lot they own, rehabilitating the house, and selling it to a qualifying low-income household.

Ms. Pawlis concluded: We are currently in the process of evaluating applications for three funding rounds as shown on the slide. We received 38 Common Applications for the 2025 9% LIHTC Round, 11 Applications for the PSH Round 11, and 6 Applications for the Non-congregate shelter. We are anticipating bringing the recommended PSH awards to the May Board and the 2025 9% LIHTC and Non-Congregate Shelter awards to the June Board.

III.C. Single Family/Homeownership Update

Mr. Nestlehut stated: Homeownership reservations for the month of March 2025 totaled just over $116 million in first mortgages, we had a variance decrease of 22% by loan count and 21% 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 22% of total volume, Access 5%, our deferred program, made up 38%, Access 10%, our repayable program, made up 39%, and SmartBuy accounting for the remaining 1%. Chicagoland was the largest of the regions by loan count and volume, followed by Central, Northwest, and Southern. As of 3/31/25, our pipeline is just over $430 million which includes the number of loans reserved, not yet purchased and loans purchased not yet pooled. Average count is 53 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 3/31/25 compared to the State of Illinois, those who identify as Black or African American households of IHDA's purchased loans was 15.1% 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 28.4% 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.

IV.A.1. Resolution Ratifying Permitted Financial Activities

Ms. Sanders stated: This presentation is for the Ratification of Permitted Financial Activities for the quarter ending 3/31/2025. IHDA's book value was $4.6 billion. The unrealized gain/loss totaled $58 Millon. This is an improvement of $68M from the last time this figure was presented to the board. The next slide depicts a summary of Purchases along with Sales/Maturities for the Quarter, IHDA Purchases totaled $980 million, Sales and Maturities totaled $636 million. Using the Weighted Average US Treasury Yield Curve as our baseline. IHDA Yields met the Weighted Average US Treasury Curve each month in the quarter.

Ms. Sanders concluded: IHDA processed $25 million in Payouts & Draws this quarter, a decrease of $3 million. IHDA processed roughly $56 million of Bond Debt Service Payments this quarter, an increase of $17 million. This slide reflects our Interest Rate Risk Management Positions as of 3/31/2025. We hedge variable rate debt to protect against interest rate volatility/risk. This includes 27 Swaps and 3 Interest Rates Caps. As for our TBA Position, there were approximately $196 million in outstanding hedges.

IV.A.2. Resolution of Intent Concerning the Issuance of Revenue Obligations under Single Family and Multifamily Bond Programs (Home Rule Pool)

and

IV.A.3. Resolution of Intent Concerning the Issuance of Revenue Obligations under Single Family and Multifamily Bond Programs (Non-Home Rule Pool)

Ms. Jacobson stated: Today, I am presenting two resolutions expressing the intent to issue Revenue Obligations under the Authority's Single-Family and Multifamily Bond programs, utilizing volume cap from both the Home Rule and Non-Home Rule pools. Please note that the following presentation corresponds to items 2 and 3 on the Finance Committee agenda. Pursuant to the Illinois Private Activity Bond Allocation Act and the Governor's State Guidelines, the Authority may begin applying for unused bond volume cap starting June 1, 2025, from the Home Rule pool, and starting July 15, 2025, from the Non-Home Rule pool.

Ms. Jacobson concluded: For 2025, total private activity bonds allocation in Illinois is $1.65 billion, which is based on a population formula of $130 per resident. Should the Authority receive unallocated cap from the State, it intends to issue Revenue Bonds under the Single Family and Multifamily programs in an amount not to exceed $1 billion from the Home Rule pool and $250 million from the Non-Home Rule pool.

IV.B.1. Multifamily Revenue Bonds 2025 Series AB (South Park Plaza and Riverwoods)

Mr. Babcock stated: Today the finance department is seeking approval for the issuance of Multifamily Revenue Bonds Series 2025 AB not to exceed $22,570,000. IHDA will issue Multifamily Revenue Bonds Series 2025 A to refund the previously issued conduit bonds and finance the permanent phase of a 134-unit development known as South Park Plaza in Chicago. The bonds will refund a previously issued conduit note. The offered bonds will be tax-exempt, publicly offered, and variable rate. At initial closing the Authority entered into a forward starting swap in order to hedge future interest rate risk and to lock the Risk Share loan for the borrower. The offered bonds are special limited obligation, and are on parity with previously issued series. IHDA will issue Multifamily Revenue Bonds Series 2025 B to refund the previously issued conduit bonds and finance the permanent phase of a 125-unit development known as Riverwoods Apartments located in Kankakee. The bonds will refund a previously issued conduit note. The offered bonds will be tax-exempt, publicly offered, and fixed rate. The offered bonds are special limited obligation, and are on parity with previously issued series.

Mr. Babcock continued: Today's request is for the authorization of the issuance of Multifamily Revenue Bonds Series 2025 AB in an amount not to exceed 22,570,00 dollars, with an interest rate not to exceed 12.0% per annum, and a maturity not to exceed 46 years from the date of issuance. The amount of variable rate debt in the Multifamily Revenue Bonds Indenture will increase from 16% to 18% after the transaction. While the Indenture will be above the Authority's targeted variable rate threshold of 15%, this is temporary due to the refunding of approximately $30MM of fixed rate assets in December 2024, and there are no plans to issue additional variable rate debt at this time. The estimated closing date is May 7th. A list of transaction participants was shared.

IV.B.2. Palmer Place Loan Assignment

Mr. Babcock stated: Pursuant to Resolution No. 2007-IHDA-144F, the Authority had previously provided financing to Augusta Associates Limited Partnership in the original principal amount of $1,037,045 to fund the loan known as Palmer Place Apartments, located in the Logan Square neighborhood in Chicago, Illinois. This loan currently resides within the Housing Bonds Indenture ("Indenture") and is pledged to the Bondholders within, with an outstanding balance of $803,739 due as a balloon payment on April 1st, 2025. At this time, the Finance Department is requesting funds from the Authority's Administrative Fund to purchase the Loan, thereby removing the Asset from the terms and conditions of the Indenture and subsequently pledging the loan as an Unassigned Loan within the Indenture. The re-pledging of the loan requested today will remove a delinquent asset from the Housing Bonds Indenture in order to both safeguard the underlying credit ratings of the indenture, as well as allow the Authority to modify the maturity date on the tax exempt bond loan.

Mr. Babcock concluded: For a bit of context, on February 27th, the owner executed a sales contract with Cataline Housing, who plans to maintain the affordability. The purchaser plans to apply for 9% tax credits through the City of Chicago in July with a response expected in October 2025. In addition to this re-pledging request, the Authority is also extending the maturity dates on all three (3) IHDA loans through November 15, 2025, to provide the owner additional time to sell the property and maintain affordability.

IV.B.3. South Park Plaza Conduit Prepayment Amendment

Mr. Lindsey stated: South Park Plaza is the rehabilitation of an existing 134-unit property located in Chicago in Cook County. At the June 2023 Board Meeting, IHDA approved a resolution authorizing the issuance of short term, tax-exempt conduit notes in an amount not to exceed $35,000,000, a Risk Share First Mortgage in an amount not to exceed $13,250,000 (w/Housing and Urban Development), a Trust Fund Loan in an amount not to exceed $2,700,000, Illinois Affordable Housing Tax Credits in an amount not to exceed 2,285,000 and a forward starting interest rate swap for permanent Multifamily Revenue Bonds to refund the conduit notes at conversion. The transaction subsequently closed in November 2023 with voluntary prepayment dates for the conduit notes as January 31, April 30, 2025, and at the maturity date of August 15, 2025. The amendment today provides increased flexibility for the authority and aligns with the completion and conversion of the development.

IV.C.1. External Audit Update

Mr. Runkle stated: Today I'll be giving you a final update on the external audit for FY24. The scope of the FY24 Audits were a Financial Audit, Federal Compliance/Single Audit, and the State Compliance Exam. Last January we had an update from the Auditor General's office on the Financial Audit. This update will cover the results of the Single Audit and State Compliance Exam. The Single Audit is performed annually and covers compliance requirements associated with the Authority's major federal programs. Not all programs are covered, only those with $750K in expenditures. These included Emergency Rental Assistance, Homeowner Assistance Fund, and Coronavirus State and Local Fiscal Recovery Fund. I'm pleased to report there were no material weaknesses identified, all prior year findings were remediated and no repeat findings identified. There is one new finding inadequate Controls over Subscription Based Information Technology Agreements. The Authority misstated the SBITA as short-term when they should have been long-term. This is the same finding we saw in the January Audit

Mr. Runkle continued: This slide shows the results of the State Compliance Exam, performed every two years, there were no material weaknesses identified, five prior year findings were remediated, six repeat findings and four new findings identified. A slide showing the details of the State Compliance Exam findings. You'll see some are related to financial matters, some are related to HR and recordkeeping matters, and others are related to procurement. We really wanted to focus on good governance and strengthening our approach to audits. You'll see we've put in place a process where every finding must have a plan established withing 60 days of audit completing. We will have quarterly status meetings with each CAP owner. Our remediation efforts will focus on closing a finding with substantiation, documentation, and sign-off. Updates will be provided to the Audit Committee twice per year.

Mr. Runkle concluded: In summary, no material weaknesses were found across the audits, we have shown progress with improving the internal control framework. While fewer deficiencies were identified, more work is required, and we are committed to driving further improvements. Where remediation has not occurred, corrective action will be established, and our goal is to remediate all deficiencies in a timely matter to minimize or avoid a recurrence going forward.

IV.C.2. Impact of Federal Funding Changes

Ms. Faust stated: What interesting times we live in! It's been about 90 days since a new administration took over in Washington DC. Today's presentation is meant to be the first of many about changes coming our way. Over 100 days ago we were in the worst housing crisis affecting the homeless all the way up to households earning over $100,000 per year that are still having trouble finding a place to rent or finding a home they can afford to buy. The are multiple challenges and we are working to address that. Now we have an additional challenge as our biggest partner, the federal government, is changing some things about how they are doing business. We find ourselves facing uncertainty about our biggest partner. Millions of Illinoisans are served by critical federally funded programs every year. There are 3.3 million people with healthcare provided by Medicaid,140,000 children in 80,000 households receive childcare, 1,060,000 receive SNAP assistance, and over 300,000 households receive energy assistance. Every year HUD provides more than $3 billion in grants and rental assistance to Illinois. HUD insures 301,000+ mortgages, over 100 public housing authorities operate 41,600 units of public housing, over 99,000 households utilize housing choice vouchers, and 60,700 renters in privately-owned apartments receive rental assistance.

Ms. Faust continued: The Trump administration issued an executive order requiring federal agency heads to complete staff reduction and reorganization by September 30. Cuts planned at HUD may include 84% of staff and funding freezes and staffing cuts would disrupt critical programs resulting in delays that jeopardize financial closings and grant disbursements. Federal funds comprise 84% of IHDA's annual spending equating to $1.575 billion, while State and Other Funds account for 16% or $307.8 million. We work with multiple partners, IRS, HUD/FHA, FHFA, and Treasury. The IRS accounts for 72% of our funding, while HUD is 9%, State is 16%, while Treasury, FHSA, and Other account for 3%. We don't know what the likely outcome of these programs will be. Following are slides showing IHDA's impact, projects in the pipeline and those under construction. So far, all the funds that we access to fund these deals have been available and we have not had any problems moving forward on our deals. Also, the Green Resilient Retrofit Program will be affected as the administration has blocked $1.4 billion in grants for green retrofits leaving planned or in-progress renovations in limbo.

Ms. Faust concluded: There are some other risks we see out there too besides uncertainty, there are tariffs and we expect them to increase the cost of materials. It's also possible the need for tax credits by corporations could be reduced so the value of the tax credit for our deals would diminish. Also, it will be difficult to plan, and good housing development requires planning. Some of the housing organizations we are working with include NCSHA, NAAHL, Affordable Housing Tax Credit Coalition, and our Governor has a Stand Up for Illinois initiative. We don't know what's next. State and local sources cannot make up the difference in the event of significant federal cuts. Fewer units, less support, and greater demand will be inevitable. Everyone will be forced to do more with less at a time when growing inventory has been identified as the solution nationally and by both parties. Ultimately, this will lead to innovation.

V. Mr. Tornatore adjourned the meeting at 10:57 a.m.