The meeting of the Finance Committee of the Illinois Housing Development Authority took place virtually via Zoom on Friday, July 17, 2020 at 10:00 a.m. Attending the meeting were Finance Committee Chair Mr. Darrell R. Hubbard, Mr. King Harris, Ms. Luz Ramirez, Mr. Sam Tornatore, Ms. Aarti Kotak, Ms. Sonia Berg, and Mr. Thomas Morsch.

Mr. Hubbard called the meeting to order at 10:01 a.m.

Mr. Hubbard motioned to approve the June 19, 2020 Finance Committee Meeting minutes as presented.

**ONGOING ACTIVITIES**

**Discussion: Monthly Interim Financial Statements.**

Mr. Hicks stated: Operating Revenues YTD are $52.0M which is $7.0M favorable to budget and Administrative Reimbursements YTD are $15.7M which is $1.0M favorable to budget. Key drivers for the favorability in Operating Revenues is Investment Income of $7.4M offset by lower Origination Fees down $1.5M.

Mr. Hicks continued: Operating Expenses for the Admin Fund YTD are $43.7M which is $9.8M favorable to budget while the Operating Expenses for the Government Funds YTD are $15.6M which is $0.8M unfavorable to budget. For the Admin Fund the key drivers for being favorable to budget are driven by Salaries and Benefits $4.8M, Professional Fees $2.9M, Financing Cost $0.7M, and Training & Public Relations $0.6M. For the Government Funds the key drivers are Salaries and Benefits which is favorable $1.4M offset by unfavorable Professional Fees $0.7M, Office Administration $0.8M, and Financing Costs $0.4M.

Mr. Hicks continued: Operating Revenues for the Admin Fund and Administrative Reimbursements are favorable to prior year $4.7M and $0.4M respectively. For Operating Revenues; Investment Income is up $6.3M, Ongoing Fees are up $0.5M offset by Origination Fees which are down $2.1M. For Administrative Reimbursements, the Trust Fund Program is up $1.4M and the HOME Program is up $1.0M offset by the Hardest Hit Fund which is down $2.2M versus prior year.

Mr. Hicks concluded: Operating Expenses for the Admin Fund are $3.1M favorable to prior year while the Expenses for the Governmental Funds are favorable to prior year by $0.1M. Key drivers for the Admin Fund are Office Administration $0.8M unfavorable (Office Moves and Construction) and Training & PR unfavorable $0.1M offset by favorability in Financing Costs $1.7M (Issuance of Bonds) and Salaries & Benefits $0.7M. Key drivers for the Government Fund are Financing Costs unfavorable $0.2M and Salary & Benefits unfavorable $0.4 offset by Technology Management $0.2M and Professional Fees both favorable $0.4M.
**Discussion: Multifamily Update.**

Ms. Moran stated: We are bringing the 9% tax credit awards to the Board today. We received 42 applications requesting approximately $50 million in low income housing tax credits. Today we’re asking approval for 21 of those projects totaling approximately $26 million in low income housing tax credits. We are going to be creating or preserving almost 1,200 units of housing across the state. Over 80% of the developments are going to target a non-elderly population, all the developments are exceeding our universal design requirements, and 86% of the developments have non-profit participation. Next, we will be working on the permanent supportive housing application round. We’ve been having concept meetings with various development partners, we have our pre-application phase due on August 14, with applications due on October 30. In April the Board approved IHDA to be able to do subsidy layering reviews on behalf of small housing authorities. We received the signed notification from HUD that we will be able to begin the reviews. This is going to reduce processing time from 120 days to 30 days. This is a huge win for the development community.

**Discussion: Homeownership Mortgage Program Update.**

Ms. Pavlik stated: Reservations for June 2020 were at 956 first mortgage loans or $147.11 million, 574 or $90.43 million for GNMA and 382 or $56.68 million for Conventional. Prior year reservation comparisons for the month of June were at $70.36 million, $49.70 million for GNMA and $20.66 million for Conventional.

Ms. Pavlik continued: For June 2020, IHDA Mortgage Statistics consisted of 897 Access Mortgage Loans accounting for 94% or $138.26 million. There were 59 1st Home Illinois Mortgage Loans accounting for 6% or $8.84 million. Within the Access Mortgage Program usage is as follows: 4% Forgivable accounted for 69%, 5% Deferred accounted for 18%, and 10% Repayable accounted for 13%. Geographical percentages were 20% for the Central, 57% for Chicago, 16% for the Northwest, and 7% for the Southern regions respectively.

Ms. Pavlik continued: There are 2,566 loans in the pipeline at a total of $391.65 million. Timing from reservation to approved for purchase is 49 days average, 55 days average from reservation to purchase.

Ms. Pavlik concluded: IHDA Demographic Analysis compared to State of IL year-to-date race comparisons were as follows: American Indian/Alaskan Native – 0.4% to 0.6%, Asian/Pacific Islander – 1.4% to 5.9%, Black – 20.0% to 14.6%, Hawaiian/Other Pacific Islander – 0.1% to 0.1%, White – 65.9% to 76.8%, Two or More Races – N/A to 2.0%, Information not Provided/Unknown – 12.1% to N/A. Ethnicity comparisons for IHDA and State of IL were Hispanic or Latino – 21.7% to 17.5%.

**NEW BUSINESS**

**Discussion: Update of Capital and Bond Markets.**

Mr. Nestlehut stated: Early March was the beginning of COVID’s impact on the market. The Authority had originally expected to price a $125MM single family issuance the week of March 9th, but
after discussion with the underwriter decided to accelerate the pricing to March 5th. The acceleration was overwhelmingly successful in that we netted an overall bond yield of 1.79%. This was one of the last successful sales before the muni market came to a halt. The following week Treasuries and Municipals began their dislocation, eventually reaching ratios of above 250% and 375% for 30 year and 10 year ratios respectively (historically around 75% to 100%). The Primary Market began to close and was effectively closed for the following two weeks. The Municipal Bond Fund weekly outflows reached as high has $10.8 billion by the end of March which was in contrast to the previous approximate averages of $2.0 billion in weekly inflows. Outflows occurred for approximately 6 consecutive weeks before posting modest inflows and then turning back to outflows for another two weeks. Overall and intraday volatility had spiked 160% in that timeframe, MMD had spikes around 200bps over just a few weeks with 40bp upward intraday moves across the curve marking some of the highest single day movements ever. Outflows, volatility, and investors sitting on the sidelines created serious liquidity issues which translated to short term rate resets at unprecedented levels. Daily resets were that had long been stable at .10% to .15% were as high as 9%. This impacted the rates on our VRDO bonds and to offset this we started buying up other VRDO paper to act as a hedge against the short term interest rate spike. We purchased over $125 MM in a few weeks to create this synthetic hedge. Around this time, the Federal Reserve established the Municipal Liquidity Facility to help relieve some of the pressure in the short term markets. Shortly after, primary markets began to open in the beginning of April, but many issuers continued to sit on the sidelines. Again, in this time 30 year MMD went from 1.38% on 3/9 to 3.37% on 3/23 and then 1.90% on 4/16. Housing specific transactions were beginning to get done. Over the course of the remaining weeks of April normalization lagged as weekly supply was constrained by both demand and liquidity. The month of May had a mix of outflows and then inflows at the end of the month. During the month the AAA benchmark yields hit historic lows on the front end of the curve as investors continued to focus on 10 years and shorter. During this time, we were continuing to evaluate alternative structures in order to avoid the longer end of the curve as the investor demand was not necessarily there. In terms of specific IHDA transactions, Major Jenkins and Park Tower were in process, and as such were brought to Finance Committee with multiple structures so that we could remain flexible to market conditions in order to keep them moving forward. The MMD curve has continued to stabilize, especially on the front end, and we have seen almost 9 weeks of consecutive inflows and were able to move forward with both originally proposed structures. Our current VRDO reset rates are at about 0.10% to 0.15%. Recent issuances have seen high subscription levels throughout the curve, and on the SF side PAC yields have come back in relative ranges from the last SF issuance.

Mr. Nestlehut concluded: In consideration of unprecedented market volatility in the muni space we have been evaluating non-bond options in order to add long term annuity when issuing bonds is not an option. We have begun to engage a few firms in discussions around execution of a CMO structure which allows us to create the long-term annuity consistent with a bond execution without issuance cost or market volatility impact. At this time, we have executed two (2) of these transactions and expect to continue to evaluate this structure as a part of our execution strategy on an ongoing basis.

Resolution Ratifying Permitted Financial Activities.

Mr. Nestlehut stated: This is a recap of the financial activities we’ve had during the quarter ending June 30, 2020. Our book value was $1.508 billion. Purchases were $612 million, sales were $296 million, and maturities were $426 million. Return on investments for this quarter were above the weighted average Treasury curve. Payouts and draws for the quarter were at $17.9 million and bond debt service
was $43.5 million over the course of the quarter. We had two interest rate caps, three swaps, and $395 million in hedges outstanding.

**Supplemental Resolution Amending the Authority’s Affordable Housing Program Trust Fund Bond General Resolution.**

Mr. Nestlehut stated: In 1994, IHDA adopted the Affordable Housing Program Trust Resolution. While the indenture is active there are currently no bonds outstanding at this time. We did not want to dissolve the indenture, but we do believe it is necessary to amend certain provisions regarding the release of some of the monies, specifically the surplus funds. There is a waterfall provision that allows us to waterfall that money out to the Authority, but it must remain for both the IHDA Act and the Affordable Housing Trust Fund Act. We are wanting to distinguish the monies that do not need to follow the rules of the Affordable Housing Trust Fund Act and be able to increase the use of that money for various program needs. There are no bond holders, so consent is straight forward.

**Resolution Authorizing an Increase in Utilization Amount Under Agreements with the Federal Home Loan Bank of Chicago.**

Mr. Nestlehut stated: In 2012, the Authority entered into an agreement with Board approval to access the Federal Home Loan Bank Programs at $100 million was enough to access their capital for the financing of both single family and multifamily mortgage loans. We are seeking approval to increase that amount to $250 million.

**Resolution Regarding Support for Revenue Bonds and Multifamily Revenue Bonds Indentures.**

Mr. Nestlehut stated: In March and September of 2016, the Authority established the Revenue Bonds ("RB") General Indenture and the Multifamily Revenue Bonds ("MFRB") Master Indenture, respectively. These indentures were created for the financing of Aaa rated assets only, thus securing pricing benefits of issuing bonds under the respective Indentures. The Aaa rated assets currently consist of Single Family Mortgage Backed Securities ("MBS") backed by Fannie Mae, Freddie Mac, and Ginnie Mae whereas the Multifamily loans are secured by FHA Risk Share Insurance. The recommendation for Board is to authorize a transfer of funds from existing non-Aaa indentures in an amount not to exceed $5,000,000 into the RB Indenture and a not to exceed amount of $5,000,000 into the MFRB Indenture to increase the asset base of these newer indentures thus providing for future flexibility in the structuring of bonds. The recommended transfer of funds to each the RB and MFRB Indentures will be from either the Homeowner Mortgage Revenue Bonds ("HMRB"), Housing Bonds ("HB") or a combination thereof. The transfer of funds will only be made if the transfer will not negatively affect the credit profile of the existing indentures, as determined by the Rating Agencies then rating the bonds.

**Resolution Authorizing the Issuance of Multifamily Housing Revenue Note, Series 2020A (Hebron).**

Mr. Ess stated: IHDA will issue 2020 Series A and B notes to finance the acquisition and rehabilitation of the project located in Zion, Illinois. Both series of notes will be purchased by Citibank. These are conduit financing – privately offered and tax exempt notes with the following parameters:
Series A note: fixed rate, and long term; Series B note: variable rate, and short term. These are limited obligation - no credit risk to the Authority (No IHDA G.O.).

Mr. Ess continued: IHDA will continue to provide financing during the permanent phase of this transaction by issuing bonds to take out the Multifamily Housing Revenue Note 2020 Series A (the “Refunding Bonds”). The Refunding Bonds will be issued out of IHDA’s Multifamily Revenue Bonds indenture (series designation to be determined at the time of issuance and terms subject to a series indenture). The Refunding Bonds are to be backed by FHA Risk Share insurance and rated Aaa by Moody’s. The Refunding Bonds are intended to be issued at the time of project stabilization and receipt of FHA Risk Share insurance. Citibank will be the sole investor of the Refunding Bonds and the purchase will be governed by a forward bond purchase agreement.

Mr. Ess concluded: Conduit Notes; Multifamily Housing Revenue Note, Series 2020A (Hebron). Note amount not to exceed $5,300,000 with an interest rate not to exceed 7%. Maturity not to exceed December 1, 2065 and Multifamily Housing Revenue Note, Series 2020B (Hebron). Note amount not to exceed $4,000,000 with an interest rate not to exceed 12% or the IL state maximum rate. Maturity not to exceed December 1, 2025. The projected schedule of events and list of transaction participants was also shared.

Resolution Authorizing the Issuance of Multifamily Housing Revenue Bonds (835 Wilson), Series 2020.

Mr. Ess stated: IHDA will issue Multifamily Housing Revenue Bonds (835 Wilson), Series 2020 to finance the acquisition and construction of the project. The Bonds will be placed directly with Chase or its designee. These are conduit financing – the Series 2020 Bonds will be tax-exempt, variable rate, short-term, and privately placed. They are limited obligation - no credit risk to the Authority (No IHDA G.O.). For the permanent financing, IHDA will issue a $2,350,000 Credit Advantage loan which will be fixed rate, taxable, and have a 40-year maturity.

Mr. Ess continued: Issuance of Multifamily Housing Revenue Bonds (835 Wilson), Series 2020 in an amount not to exceed $18,700,000. Final maturity no later than December 1, 2025, interest rate not to exceed the lesser of (i) 12% or (ii) the maximum rate permitted under IL law. The projected schedule of events and list of transaction participants was also shared.

Resolution Authorizing an Inducement Resolution for Issuance of Multifamily Housing Revenue Bonds (Concord Commons).

Mr. Ess stated: Envolve Communities, LLC (“Sponsor”) has made a request to the Authority to issue Multifamily Housing Revenue Bonds in an amount not to exceed $12,080,000 (the “Bonds”) and loan the proceeds to LRC – Concord Commons, LLC (“Borrower”) to finance the acquisition and rehabilitation of the project located in Rockford Illinois. The property was acquired in early June, and this proposed Conduit Bond Inducement Resolution will ensure that the acquisition cost can be financed by the Bonds.

Mr. Ess continued: Adoption of this resolution will express the Authority’s “official intent” to issue the Bonds (i) under terms and conditions satisfactory to the Authority and consistent with applicable law, and (ii) subject to the Authority’s adoption of a final bond resolution.
Mr. Ess concluded: The proposed financing structure will include both Construction and Permanent Financing. The construction financing – $10,500,000 short-term conduit bonds – not to exceed $12,080,000. Anticipated interest rate: 3.50%, Tax status: tax exempt, Security: cash collateral, Public bond issuance: Underwriter – Stifel, Maturity: 24 months. The permanent financing - $13,250,000 Bellwether FHA 221(d)(4) Loan, Anticipated interest rate: 3.50%, Tax status: taxable, Security: first position mortgage, Maturity: 40 years. The projected schedule of events and list of transaction participants was also shared.

Mr. Hubbard adjourned the meeting at 10:48 a.m.