**ILLINOIS HOUSING DEVELOPMENT AUTHORITY**
**FINANCE COMMITTEE MINUTES**
**November 20, 2020**

The meeting of the Finance Committee of the Illinois Housing Development Authority took place virtually via Zoom on Friday, November 20, 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, Mr. Thomas Morsch, and Ms. Rita Ali.

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

Mr. Hubbard motioned to approve the October 16, 2020 Finance Committee Meeting minutes as presented.

***ONGOING ACTIVITIES***

***Discussion: Monthly Interim Financial Statements.***

Mr. Hicks stated: Year to date Actual vs. Budget is as follows: Total Administrative Fund operating revenues are approximately $24.0 million, $8.8 million above budget, mainly from higher investment income ($6.8 million) the result of investment gains experienced in the TBA market, higher ongoing fees ($1.5 million) due to higher bond administration fees and federal tax credit monitoring, higher origination fees ($0.5 million) due to collection of federal 9% tax credit reservation fees. Governmental Funds' reimbursements, which are submitted for payment on a quarterly basis, are estimated at $9.5 million. Most of the variance of ($5.3 million) is related to the new CUREF (Cares Act) Program not reflected in the budget for fiscal year ending June 2021.

Mr. Hicks continued: Governmental Funds' operating expenses are approximately $9.4 million, $4.5 million over budget. The variance is mainly due to the new CUREF (Cares Act) Program, at $4.9 million, which is not budgeted. Key drivers pertaining to the CUREF (Cares Act) are higher salaries and benefits ($1.9 million), professional fees ($2.4 million) and others ($0.6 million). Other government programs were $0.4 million favorable variance. Most government programs are estimated to be fully reimbursed for the first four months of this fiscal year's expenses. Total Administrative Fund operating expenses are approximately $16.7 million, $1.1 million under budget. The variance is mainly due to the new CUREF (Cares Act) Program, at $4.9 million, which was not budgeted. Key drivers pertaining to the CUREF (Cares Act) Program are higher salaries and benefits ($1.9 million), professional fees ($2.4 million) and others ($0.6 million). IHDA Admin (excluding CUREF) is $6.0 million favorable to budget. Key drivers are lower salaries and benefits ($3.1 million), professional fees ($1.3 million), financing costs ($0.9 million), office administration ($0.3 million), training and public relations ($0.2 million), site visit and travel ($0.1 million) and others ($0.1 million).

Mr. Hicks continued: For FY2021 vs. FY2020, total Administrative Fund operating revenues through October 31, 2020 are approximately $24.0 million, $3.5 million higher than last year, mainly due to higher investment income ($1.8 million) resulting from changes in market conditions and higher ongoing fees ($2.0 million) due to the timing and collection of tax credit monitoring and bond administration fees offset by origination fees ($0.3 million) due to the timing of the collection of federal

9% tax credit reservations. Governmental Funds' reimbursements, which are submitted for payment on a quarterly basis, are estimated at $9.5 million, $4.5 million over last year mainly due to new funding for the new CUREF (Cares Act) Program.

Mr. Hicks concluded: Governmental Funds' operating expenses are approximately $9.5 million, $5.1 million over last year. The variance is mainly due to the new CUREF (Cares Act) Program, at $4.9 million, which was not budgeted. Key drivers pertaining to the CUREF (Cares Act) are higher salaries and benefits ($1.9 million), professional fees ($2.4 million) and others ($0.6 million). Other government programs were $0.2 million favorable to budget. Most government programs are estimated to be fully reimbursed for the first four months of this fiscal year's expenses. Total Administrative Fund operating expenses are approximately $16.7 million, $2.9 million unfavorable to last year. The variance is mainly due to the new CUREF (Cares Act) Program, at $4.9 million, which was not budgeted. Key drivers pertaining to the CUREF (Cares Act) are higher salaries and benefits ($1.5 million), professional fees ($2.4 million) and others ($0.6 million). IHDA admin (excluding CUREF) is favorable $2.0 million to prior year. Key drivers are lower salaries and benefits ($1.5 million), professional fees ($0.3 million), office administration ($0.2 million) and training and public relations ($0.1 million) offset by technology management ($0.2 million).

***<u>Discussion: Multifamily Update.</u>***

Ms. Moran stated: Multifamily continues to be very busy, we have 18 transactions targeting for year-end closing. Our permanent supportive housing applications were due October 30th, and we have 17 applications that are pre-approved, and we had 14 projects make application to IHDA, projects total $85 million and we hope to fund 7 of those projects totaling $40 million. We also received the 2021 9% low-income housing tax credit PPAs. We received 70 of these and they were reviewed for site, market, development team, and financial feasibility, and 56 were approved to make application to IHDA. We have two projects on the Board agenda today, both in partnership with the Chicago Housing Authority.

***<u>Discussion: Homeownership Mortgage Program Update.</u>***

Ms. Pavlik stated: Reservations for October 2020 were at 711 first mortgage loans or $112.36 million, 450 or $73.36 million for GNMA and 261 or $39.01 million for Conventional. Prior year reservation comparisons for the month of October were at $93.66 million, $59.49 million for GNMA and $34.17 million for Conventional.

Ms. Pavlik continued: For October 2020, IHDA Mortgage Statistics consisted of 711 Access Mortgage Loans accounting for 100% or $112.36 million. There were zero 1st Home Illinois Mortgage Loans. Within the Access Mortgage Program usage is as follows: 4% Forgivable accounted for 66% or $68.51 million, 5% Deferred accounted for 18% or $23.66 million, and 10% Repayable accounted for 16% or 20.19 million. Geographical percentages were 15% for the Central region, 64% for Chicago, 13% for the Northwest, and 8% for the Southern regions respectively. There are 2,898 loans in the pipeline at a total of $457.61 million. Timing from reservation to approved for purchase is 50 days average, 58 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 –

1.3% to 5.9%, Black – 18.8% to 14.6%, Hawaiian/Other Pacific Islander – 0.1% to 0.1%, White – 66.5% to 76.8%, Two or More Races – 0.3% to 2.0%, Information not Provided/Unknown – 12.6% to N/A. Ethnicity comparison for Hispanic or Latino is 22.2% for IHDA compared to 17.5% for State of Illinois.

***NEW BUSINESS***

***Resolution Authorizing Intent to Issue Single Family and Multifamily Revenue Obligations, $750,000,000.***

Mr. Nestlehut stated: IHDA is authorized to issue private activity bonds ("Bonds") for the purposes of providing financing for single family and multi-family housing developments and other authorized purposes, including issuances of the Bonds pursuant to the Illinois Private Activity Bond Allocations Act, 30 ILCS 345/1 et seq. ("Bond Act"). IHDA anticipates strong demand for the Bonds after January 1, 2021 and has previously received authority from the Governor's Office to issue Bonds.

Mr. Nestlehut concluded: Intent to issue the Bonds requires IHDA to adopt a resolution expressing such intent. Currently, the Finance department requests the Board for approval of the following: IHDA states its intention to issue Bonds in aggregate not to exceed $750,000,000 pursuant to the Bond Act, in addition to any allocation that currently exists.

***Resolution Amending Delegations and Funding in connection with the Authority's Single Family Loan Origination and Securitization Programs.***

Mr. Nestlehut stated: While it is anticipated that the Authority's Programs will continue to be funded from a variety of sources, including among others the proceeds of taxable or tax-exempt bonds of the Authority, it is in the best interests of the Authority, in furtherance of the public purposes for which it was created, to authorize, or re-authorize as the case may be, an amount not to exceed $10,000,000 of moneys in the Administrative Fund, to finance the following items on either a permanent or temporary/interim basis.

Mr. Nestlehut concluded: On an *interim basis*: (i) qualifying homeownership mortgage loans and/or mortgage-backed securities representing pools of qualifying homeownership mortgage loans; and (ii) temporary support of warehousing lines and or costs of the Lender Network; and (iii) the Authority's down payment assistance programs, as necessary. On a *permanent basis*: (i) qualifying homeownership mortgage loans and/or mortgage-backed securities representing pools of qualifying homeownership mortgage loans; and (ii) delivery fees, warehousing costs, and other varying fees and costs, including down payment assistance of the Lender Network.

***Resolution Ratifying Establishment of Loan Loss Reserve.***

Mr. Hicks stated: We are seeking the approval of the Quarterly Resolution Ratifying Establishment of Loan Loss Reserve for September 30, 2020. The Loan Loss Reserve has decreased from the June 30$^{th}$ Balance by $1.2 Million. The reserve for Proprietary Funds decreased by $444K; driven by decreases in the Admin Fund of $505K, Housing Bonds $327K offset by an increase of $318K in the Homeowner Revenue Mortgage Bonds Fund. For the Governmental Funds, decreased by $679K driven by decreases in the Illinois Affordable Housing Trust Fund of $228K and $701K in the HOME Fund offset by a $249K increase in the ARRA Fund.

***<u>Resolution Authorizing the Issuance of Multifamily Revenue Bonds, 2021 Series A (Non-AMT) – North Sheffield.</u>***

Mr. Nestlehut stated: This request is for new construction and rehabilitation of 485 elderly and non-elderly units at 2640, 2700, 2720 North Sheffield Avenue, Chicago, IL, in the DePaul Neighborhood. IHDA will issue Multifamily Revenue Bonds, Series 2021 A-1 & A-2 (North Sheffield) to finance the rehabilitation and construction of both the North Sheffield-Senior and North Sheffield-Family projects. The Bonds will be tax-exempt, publicly offered, short and long term with variable and fixed rate components. Offered Bonds are Special Limited Obligations of the Authority. Collateral supporting series A1 and A2 will be a combination of real estate and cash collateral. Offered Bonds will be issued on a parity basis with other parity bonds within the Indenture. The permanent financing will be two separate Risk-Sharing loans which will be fixed rate, tax-exempt, and have a 40-year maturity.

Mr. Nestlehut continued: Interest rate risk can be mitigated by purchasing an interest rate swap to protect against upward interest rate movement. Interest rate risk hedge considerations are Counterparty Risk, Termination Risk, Amortization Risk, and Basis Risk. The Multifamily Revenue Bond Debt Profile is 100% Fixed Rate for Pre-Transaction and 83% Fixed Rate/17% Hedged Variable Rate Post-Transaction.

Mr. Nestlehut concluded: This resolution is for the Issuance of MFRB, 2021 Series A (Non-AMT) in an amount not to exceed $85,500,000. Final maturity no later than forty-six years from the date of their original issuance and delivery (January 2067 if the transaction closes in January 2021). For fixed rate bonds - interest rate not to exceed 7%. For variable rate bonds - interest rate not to exceed 12% (except with respect to Bonds purchased with funds provided by a liquidity provider, which may bear a higher interest rate), and the initial interest rate mode (i.e., weekly, daily, etc.). The projected schedule of events and list of transaction participants was also shared.

***<u>Resolution Authorizing the Issuance of Multifamily Housing Revenue Bonds, 2021 Series A-1 and A-2 - North Sheffield.</u>***

Mr. Nestlehut stated: This request is for new construction and rehabilitation of 485 elderly and non-elderly units at 2640, 2700, 2720 North Sheffield Avenue, Chicago, IL, in the DePaul Neighborhood. IHDA will issue Multifamily Housing Revenue Bonds, Series 2021 A1 & A2 (North Sheffield) to finance the rehabilitation and construction of both the North Sheffield-Senior and North Sheffield-Family projects. The Bonds will be tax-exempt, privately placed, short term with variable rate component. Offered Bonds are Special Limited Obligations of the Authority.

Mr. Nestlehut concluded: This resolution request is for the issuance of MFHRB, 2021 Series A1 and A2 in an amount not to exceed $68,000,000. Final maturity currently estimated at July 1st, 2024 (subject to closing date). Interest rate not to exceed 5% per annum. The projected schedule of events and list of transaction participants was also shared.

***<u>Resolution Authorizing the Issuance of Multifamily Housing Revenue Note, Series 2020 (Heiwa Terrace) and Multifamily Housing Subordinate Revenue Bonds, Series 2020A (Heiwa Terrace).</u>***

Mr. Ess stated: This request is for the rehabilitation of 204 elderly 62+ units at 920 West Lawrence Avenue, Chicago, IL in the Uptown Neighborhood. IHDA will issue a Multifamily Housing Revenue Note and Subordinate Revenue Bonds (Heiwa Terrace) to finance the acquisition and rehabilitation of Heiwa Terrace. The Note will be placed directly with Bellwether Enterprise Real Estate Capital, LLC, or an affiliate thereof. The Subordinate Bond will be purchased directly by the Japanese American Service Committee Housing Corporation, an Illinois not-for-profit corporation, the seller of the Development. Conduit financing – the Series 2020 Note will be tax-exempt, privately placed and short term. The Series 2020A Bonds will be privately placed and tax-exempt through conversion and will convert to taxable post conversion. These are limited obligation - No IHDA G.O.

Mr. Ess concluded: The resolution request is for the Issuance of MHRN Series 2020 (Heiwa Terrace) in an amount not to exceed $23,800,000. Final maturity no later than December 1, 2063. Interest rate not to exceed (i) 8% or (ii) the maximum rate permitted under IL law. Issuance of MHSRB Series 2020A (Heiwa Terrace) in an amount not to exceed $23,800,000. Final maturity no later than December 1, 2063. Interest rate not to exceed (i) 8% or (ii) the maximum rate permitted under IL law. The projected schedule of events and list of transaction participants was also shared.

Mr. Hubbard adjourned the meeting at 10:57 a.m.