

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY  
FINANCE COMMITTEE MINUTES  
October 15, 2021**

The meeting of the Finance Committee of the Illinois Housing Development Authority took place virtually via Zoom on Friday, October 15, 2021, at 10:00 a.m. Attending the meeting were Finance Committee Chair, Mr. Darrell Hubbard, Mr. King Harris, Ms. Luz Ramirez, Ms. Aarti Kotak, Ms. Sonia Berg, Mr. Sam Tornatore, Mr. Tommy Arbuckle, and Mr. Thomas Morsch. Attending the meeting from IHDA were Ms. Kristin Faust, Mr. Ed Gin, Ms. Maureen Ohle, Ms. Karen Davis, Mr. Lawrence Grisham, Mr. Scot Berkey, Ms. Christina Monroe, Ms. Tara Pavlik, Ms. Tracy Grimm, Mr. Tim Hicks, Ms. Christine Moran, Mr. Andrew Nestlehut, Mr. Javier Gumucio, Mr. Jack Wambach, Mr. Keith Pryor, Mr. Piotr Wietrzak, Ms. Heather Spray, Ms. Cheramie Hibbler, Mr. Zhe Chen, Mr. Benjamin Medina, Mr. Will Mack, and Ms. Sheri Geishecker.

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

Mr. Hubbard motioned to approve the September 17, 2021, Finance Committee Meeting minutes as presented. Motion carried.

**ONGOING ACTIVITIES**

**Discussion: Monthly Interim Financial Statements.**

Mr. Hicks stated: Operating Revenues for YTD are \$23.3M which is \$11.4M favorable to budget and Administrative Reimbursements YTD are \$9.7M. Key drivers for the favorability in Operating Revenues is Investment Income \$7.1M, Ongoing Fees \$2.3M, and Origination Fees \$1.9M.

Mr. Hicks continued: Operating Expenses for the Admin Fund YTD are \$17.5M which is \$3.7M favorable to budget while the Operating Expenses for the Government Funds YTD are \$9.5M which is \$1.5M favorable to budget. For the Admin Fund the key drivers for being favorable are Salaries & Benefits of \$1.5M, Professional Fees of \$1.6M, and Financing Costs of \$1.0M offset by Other Expense which is driven by Temporary Help \$1.0M.

Mr. Hicks continued: Operating Revenues for the Admin Fund and Administrative Reimbursements are favorable to prior year \$2.2M and \$1.2M respectively. For Operating Revenues, Origination Fees favorable \$1.4M and Ongoing Fees favorable \$0.8M are the key drivers.

Mr. Hicks concluded: Operating Expenses for the Admin Fund are \$8.3M unfavorable to prior year while the Expenses for the Governmental Funds are unfavorable to prior year by \$1.0M. Key drivers for both Admin Fund and Governmental Funds are Salaries and Benefits and Professional Fees related to expenditures for the IRPP Program.

**Discussion: Multifamily Update.**

Ms. Moran stated: Today we are sharing the Multifamily Update for the first quarter of FY2022. We have 88 projects with approved preliminary project assessments that are currently in underwriting and working toward an initial financial closing. This does not include the work involved in reviewing preliminary project assessments or converting our first position loans from construction to permanent loans. Since July 1, we have received eighteen 4% PPAs totaling 2500 units and twenty-three PSH PPAs totaling 635 units. The projects are grouped by 9% tax credit projects, 4% tax credit projects, and permanent supportive housing/other, other being primarily state donation tax credit projects, namely our Habitat for Humanity projects. The chart demonstrates the difference in project size, the average 9% projects average 60 units, 4% projects average 139 units, and PSH/Other average 21 units. We have a good balance of projects scattered around the state relative to the population set asides. For example, in the non-metro rural set aside we have 14 projects which is 16% of the total pipeline.

Ms. Moran continued: The next slide shows the number of units created in FY2021 and 1Q FY2022, the lower number of units in 4Q2021 were likely caused by the increased cost of construction. 1Q22 shows a 15% increase over 1Q21. For projects under construction, we are currently monitoring 58 projects totaling over 3800 units across the state, with a little more than half of the projects in Cook County. We have really grown our lending platform over the years. In FY2019 and FY2020, we originated approximately \$50 million annually, in FY2021 we tripled that amount and finished the year at \$155 million. We're off to a great start in FY2022 with \$158 million closed as of September 30. Of note, some of that volume was to close in FY2021 but was delayed because of COVID. We currently have approximately \$40 million in Board approved projects that should be closing in the next 90 days.

Ms. Moran concluded: Multifamily at a glance: PSH Applications are due October 22, 2021. PPAs for the 9% competitive round are due October 29, 2021, and we have 24 projects targeting a year-end close. We want to thank you for your support of the 900 West Randolph transaction. This 300 unit 80/20 deal was the first 80/20 deal IHDA completed in over ten years.

**Discussion: Homeownership Mortgage Program Update.**

Ms. Pavlik stated: Reservations for September 2021 were at 711 first mortgage loans or \$110.35 million, 357 or \$58.19 million for GNMA and 354 or \$52.16 million for Conventional. Prior year reservation comparisons for the month of July were at \$133.67 million, \$81.77 million for GNMA and \$51.90 million for Conventional.

Ms. Pavlik continued: For September 2021, IHDA Mortgage Program Statistics were as follows: Access 4% accounted for 3.0% or \$4.34 million, Access 5% accounted for 3.7% or \$5.17 million, and Access 10% accounted for 11.0% or 16.29 million and Opening Doors accounted for 82.0% or \$84.54 million. Geographical percentages were 20% for the Central region, 53% for Chicago, 19% for the Northwest, and 8% for the Southern regions, respectively. There are 2,311 loans in the pipeline at a total of \$360.69 million. Timing from reservation to approved for purchase is 49 days average, 56 days average from reservation to purchase.

Ms. Pavlik concluded: IHDA Demographic Analysis compared to State of IL year-to-date race comparisons with the percentage of all applications is as follows: American Indian/Alaskan Native – 0.5%

to 0.6% with .35% success rate, Asian/Pacific Islander – 1.5% to 5.9% with 6.29% success rate, Black – 17.1% to 14.6% with 5.05% success rate, Hawaiian/Other Pacific Islander – 0.13% to 0.1% with 0.7% success rate, White – 65.7% to 76.8% with 75.75% success rate, Two or More Races – 1.5% to 2.1%, Information not Provided/Unknown – 13.7% to N/A. Ethnicity comparison for Hispanic or Latino is 22.1% for IHDA compared to 17.5% for State of Illinois with 9.19% success rate.

### **NEW BUSINESS**

#### **Resolution Authorizing the Execution of Documents to Participate in the Federal Financing Bank/Section 542(c) Risk-Sharing Program.**

Mr. Wambach stated: The Multifamily Financing and Finance Departments request reauthorization to participate in the Federal Financing Bank/Section 542(c) Risk-Sharing Program. The FFB Risk-Sharing Initiative (“Initiative”) was started in 2014 to increase access to and reduce the cost of funding for multifamily mortgage loans insured by FHA through its Section 542(c) Risk-Sharing program with Housing Finance Agencies (“HFAs”). This Initiative was a temporary interagency partnership between HUD, Treasury’s FFB, and HFAs that provided a Ginnie Mae-like financing mechanism for HFA Risk-Sharing partners until use of Ginnie Mae securitization was allowed for the Section 542(c) programs. Ginnie Mae legislation was not ultimately enacted, and the Initiative was wound down in 2018. To address the critical need for affordable housing, and to ensure a stable source of capital in an environment of volatile tax-exempt bond pricing, HUD is temporarily resuming the Initiative, with a renewed emphasis on enacting legislation to provide a permanent source of lower-cost capital through Ginnie Mae securitization. This second phase of the FFB Initiative will sunset three years after implementation to give HUD adequate time to pursue legislation and transition Section 542(c) participants from FFB financing to Ginnie Mae securitization. HUD will accept Section 542(c) applications utilizing FFB from approved participants through September 30, 2024, and issue Firm Approval Letters through September 30, 2025, and the FFB will purchase the FHA-insured mortgages through September 30, 2027. HUD began issuing Firm Approval Letters on October 1, 2021.

Mr. Wambach concluded: The Authority was an active participant in the Initiative from 2015 until the program sunset. During that period, the Authority originated 17 loans with a total principal amount of \$126.7 million dollars aiding in the preservation and creation of 2,153 units across the State. The Multifamily Financing and Finance Departments recommend that the Members of the Authority reauthorize participation in the Federal Financing Bank/Section 542(c) Risk-Sharing Program.

#### **Resolution Regarding the Extension of Investment Banking Services Agreements.**

Mr. Nestlehut stated: The Illinois Housing Development Authority (“Authority”) requires the services of investment bankers in connection with the implementation of its financing plans, through which the Authority’s securities are offered, placed, or sold to the investment community. Pursuant to Resolution No. 2018-IHDA-045, the Authority engaged such investment banking firms to provide set services as outlined above. The awarded investment bankers (“Current Investment Bankers”) are set forth in Exhibit A to the Resolution. Pursuant to Resolution Nos. 2020-04-IHDA-056, 2020-09-IHDA-183, and 2021-03-IHDA-151, the Authority was authorized to extend the terms of the existing agreements with the Current Investment Bankers through and including October 29, 2021.

Mr. Nestlehut concluded: The Authority will require additional time to award and execute contracts with the new investment banking firms and is requesting a further extension of the terms of the existing agreements with the Current Investment Bankers through and including December 31, 2021, upon the same terms and conditions set forth in the existing agreements, to avoid a lapse in services until a new set of investment bankers may be awarded.

**Resolution Ratifying Permitted Financial Activities.**

Mr. Fein stated: This is a recap of the financial activities we have had during the quarter ending September 30, 2021. Our book value was \$1.433.65 billion. Purchases were \$554.0 million, sales were \$274.9 million, and maturities were \$151.8 million. Return on investments for this quarter were above the weighted average Treasury curve. We had two new bond issuances at \$222.3 million. Payouts and draws for the quarter were at \$311.24 million and bond debt service was \$104.3 million over the course of the quarter. We had one interest rate cap, four swaps, and \$457.7 million in hedges outstanding.

**Resolution Authorizing the Issuance of Multifamily Housing Revenue Bonds, Series 2021 (Terrace Senior).**

Mr. Wambach stated: This request is for the rehabilitation of 128 elderly units at 2321 Halsted Road, Rockford, IL. IHDA will issue Multifamily Housing Revenue Bonds, Series 2021 (Terrace Senior) to finance the acquisition and rehabilitation of the project. The Bonds will be publicly offered by PNC Capital Markets and are conduit financing – the Series 2021 Bonds will be tax-exempt, fixed rate and short-term. They are limited obligation - No IHDA G.O. The permanent financing will be an FHA 221(d)(4) loan which will be fixed rate, taxable, and have a 40-year maturity.

Mr. Wambach continued: This request is for the issuance of MHRB, Series 2021 (Terrace Senior) Amount not to exceed \$13,000,000 with a final maturity no later than 39 months after the date of bond issuance and an interest rate not to exceed 7% per annum. A projected schedule and list of transaction participants was shared.

**Resolution Authorizing the Issuance of Multifamily Revenue Bonds, Series 2021A and Multifamily Note (Governmental), Series 2021B (South Suburban Senior Housing).**

Mr. Wambach stated: This request is for the rehabilitation of 120 elderly units in the East at 178 East 155<sup>th</sup> Street, Harvey, IL. IHDA will issue Multifamily Housing Revenue Bonds, Series 2021A and Multifamily Note, Series 2021B (South Suburban Senior Housing) to finance the acquisition and rehabilitation of the project. The Bonds will be privately placed with R4 Capital Funding, LLC and the Notes will be privately placed with E-W Services, Inc. These will be conduit financing – the Series 2021A Bonds will be tax-exempt, fixed rate, long-term and privately placed. The Series 2021B Notes will be tax-exempt, fixed rate, short term and privately placed. They are limited obligation - No IHDA G.O.

Mr. Wambach concluded: This resolution request is for the issuance of MHRB, Series 2021A (South Suburban Senior Housing) in an amount not to exceed \$15,000,000 with a final maturity no later

than May 1, 2064 and an interest rate not to exceed 7% per annum, and for the issuance of MHRN, Series 2021B (South Suburban Senior Housing) in an amount not to exceed \$13,000,000 with a final maturity no later than May 1, 2026 and an interest rate not to exceed 7% per annum. A projected schedule and list of transaction participants was shared.

Mr. Hubbard adjourned the meeting at 10:37 a.m.