

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE RETREAT AND REGULAR MEETINGS OF THE
COMMITTEE OF THE WHOLE AND THE COMMISSIONERS
HELD ON APRIL 12-14, 2015

Pursuant to the call of the Chairman and notice duly given, the retreat and regular meetings of the Committee of the Whole and the Commissioners of the Virginia Housing Development Authority (the "Authority") were held on April 12-14, 2015 at the Courtyard by Marriot Fredericksburg, 620 Caroline Street, Fredericksburg, Virginia.

COMMISSIONERS PRESENT:

Kermit E. Hale, Chairman
Timothy M. Chapman, Vice Chairman
William C. Shelton
James Hyland
Charles McConnell
Marjorie N. Leon
H. Richard Ashe
Douglas R. Fahl
Sarah Stedfast
Lemella Y. Carrington

COMMISSIONER ABSENT:

Manju Ganeriwala

OTHERS PRESENT:

Susan F. Dewey, Executive Director
J. Judson McKellar, Jr., General Deputy and Legal Advisor
Arthur N. Bowen, Managing Director of Rental Housing
Janet Wiglesworth, Managing Director of Homeownership
J. Michael Hawkins, Managing Director of Community Outreach
Paul M. Brennan, General Counsel
Patrick J. Carey, Managing Director of Finance
Barbara Blankenship, Managing Director of Human Resources
Tammy Neale, Chief Learning Officer
Herb H. Hill, Jr., Managing Director of Policy, Planning, and Research
Llewellyn C. Anderson, Managing Director of Executive Services
Patrick Gluesing, Managing Director of Information Technology Services/Chief
Innovation Officer
Barry Merchant, Senior Policy Analyst
Michele G. Watson, Director of Homeownership Programs
Toni Ostrowski, Assistant Director, Homeownership and Lending Programs
Dale Wittie, Director of Rental Housing
James M. Chandler, Director of Low Income Housing Tax Credit Programs
Broke Scott, Program Liaison

Shane Cochrane, Division Chief, Program Implementation, Office of Housing, City of Alexandria

Ms. Libby Gatewood, Associate Broker, Napier Realtors ERA

Mr. Ric Segovia, Senior Vice President, George Mason Mortgage

Ms. Margaret P. Bessette, CPM, President, Quantum Real Estate Mortgage

Mr. Brian P. Lopez, Vice President of Development, Osprey Property Company

Mr. William Park, Pinnacle Development and Construction Company

Mr. Melvin M. Ball, Director of Economic Services, Quin Rivers, Inc.

Ms. Connie Jones, interim Executive Director, Central Virginia Housing Coalition

Ms. Karen Wilds, Executive Director, Newport News Redevelopment and Housing Authority

Chairman Hale called the retreat meeting of the Committee of the Whole to order at 3:10 p.m. on April 12, 2015 and welcomed the Commissioners and staff to Fredericksburg. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting on April 12, 2015, except Commissioner Ashe who was not present at the meeting on April 12, 2015.

Ms. Dewey reviewed the agenda of the retreat meeting.

Ms. Dewey, Mr. Hill, Mr. McKellar, Mr. Hawkins, Mr. Brennan, Mr. Bowen, Ms. Anderson, Ms. Wiglesworth, Mr. Gluesing, Ms. Blankenship, Ms. Neale and Mr. Carey presented and discussed with the Commissioners several items of business involving the Authority, including, an overview of the issues raised at the NCSHA Legislative Conference; an update on the progress of the State Housing Policy Advisory Council; a description of federal and state housing trust funds; the efforts of four state agencies to meet the terms of the Department of Justice settlement on community housing options for persons with intellectual and developmental disabilities; a report on the increase in compliance requirements involving Authority programs; the Authority's plans to participate in HUD's Multi-Family Risk Share program; the impact of rising college debt on homeownership; a report on NCSHA's data initiative; the status of the implementation of a new single family loan origination system; a report on succession management; and a report on the significant items that will impact the Authority's fiscal year 2016 budget.

The retreat meeting of the Committee of the Whole was recessed at 6:00 p.m. on April 12, 2015.

Chairman Hale reconvened the retreat meeting of the Committee of the Whole at 9:15 a.m. on April 13, 2015. All of the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting on April 13, 2015, except Commissioner Ashe who joined the meeting in progress as noted below and thereafter remained present during the meeting on April 13, 2015 and Commissioner Hyland who left the meeting as noted below and did not return to the meeting.

Ms. Dewey made a presentation on the REACH *Virginia* program, reviewing the purposes of the program, the calculation for determining the amount of REACH *Virginia* program funds, potential future allocations of REACH *Virginia* program funds, and a

staff recommendation for a Special Initiatives Pool in the amount of \$10,000,000 per year for the next three years separate from the calculation of the annual amount of the REACH *Virginia* program funds to support (i) the transformation of public housing through HUD's Rental Housing Assistance Demonstration program and (ii) housing opportunities for persons with intellectual and developmental disabilities related to the Department of Justice settlement.

Ms. Wiglesworth made a presentation on the following: The use of REACH *Virginia* program funds in the Authority's homeownership programs; trends in the amount of REACH *Virginia* program funds utilized for homeownership programs since the inception of the program in 2006; and the new initiative in the use of REACH *Virginia* program funds in fiscal year 2015 for down payment assistance.

Mr. Bowen made a presentation on the following: The use of REACH *Virginia* program funds in the Authority's rental programs; challenges in the use of such funds in the current low interest rate environment; the populations served by REACH *Virginia* program funds in the Authority's rental programs; and a proposed new initiative in the use of REACH *Virginia* program funds in fiscal year 2015, including assistance for projects currently in the Authority's rental loan portfolio.

Mr. Hawkins made a presentation on the use of REACH *Virginia* program funds in the Authority's community outreach efforts and the challenges created by market conditions in the use of REACH *Virginia* program funds that has resulted in a shift in the use of such funds from loans to grants for community outreach programs.

A panel composed of Ms. Watson, Mr. Cochrane, Ms. Gatewood and Mr. Segovia made presentations to the Commissioners on the following: The challenges facing affordable homeownership; the issues facing first-time home buyers; the effects of the reductions in federal funds supporting homeownership; the impact of the Consumer Financial Protection Bureau regulations on the financing of single family loans; and possible uses of REACH *Virginia* program funds to support homeownership. Commissioner Ashe joined the meeting during this panel discussion.

After the lunch recess, a panel composed of Mr. Bowen, Ms. Bessette, Mr. Lopez and Mr. Park made presentations to the Commissioners on the following: The challenges facing rental housing development; the factors in the Authority's loan programs that create a competitive disadvantage to FHA insured loans; the marginal benefit of certain point items in the Authority's Qualified Application Plan; business practices in meeting Fair Housing accessibility requirements; the rapid increase in certain costs of construction of affordable rental housing, and possible uses of REACH *Virginia* program funds to support rental programs. Commissioner Hyland left the meeting after this panel discussion and did not return to the meeting.

A panel composed of Mr. Hawkins, Mr. Ball, Ms. Jones and Ms. Wilds made presentations to the Commissioners on the following: Their community outreach efforts; their participation in the Authority's programs; the challenges facing affordable housing in their communities; the partnerships necessary to conduct their programs; HUD's

Rental Assistance Demonstration program; and possible uses of REACH *Virginia* program funds to support community outreach efforts.

Ms. Dewey, Ms. Wiglesworth, Mr. Bowen and Mr. Hawkins described utilization of REACH *Virginia* program funds in fiscal year 2015 and the anticipated allocation of REACH *Virginia* program funds for fiscal year 2016. Ms. Dewey recommended a Special Initiatives Pool in the amount of \$10,000,000 per year for the next three years separate from the calculation of the annual amount of the REACH *Virginia* program funds to support (i) the transformation of public housing through HUD's Rental Housing Assistance Demonstration program and (ii) housing opportunities for persons with intellectual and developmental disabilities related to the Department of Justice settlement. Commissioner Shelton made a motion to recommend approval of the Special Initiatives Pool as recommended by staff. This motion was seconded and approved by the affirmative vote of each of the members of the Committee then present at the meeting. Upon the conclusion of this discussion, it was the consensus of the Commissioners that the staff proceed with the allocation of REACH *Virginia* program funds in fiscal year 2016 in accordance with the staff recommendations. Following this discussion, the retreat meeting of the Committee of the Whole was recessed at 5:30 p.m. on April 13, 2015.

Chairman Hale reconvened the retreat meeting of the Committee of the Whole at 9:15 a.m. on April 14, 2015. All of the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting, except Commissioners Hyland and Fahl who were not present during the meeting on April 14, 2015 and Commissioner Stedfast, who joined the meeting in progress as noted below and thereafter remained present during the meeting.

Mr. Merchant presented a report on the housing needs in the Northern Tier Region in which he discussed the following: The region's large share of Virginia's current and future housing needs; the need for new affordable housing units for young families; and challenges created by high costs and subsidy needs in producing affordable housing in the region.

Mr. Hawkins presented a virtual tour of the Georgetown South neighborhood in the City of Manassas and reported on the Authority's activities in promoting homeownership opportunities in the community. Commissioner Stedfast joined the meeting during this report.

Mr. Brennan presented an overview of the official statements used by the Authority in the sale of its bonds.

Upon the conclusion of this report, the retreat meeting of the Committee of the Whole was adjourned at 10:52 a.m. on April 14, 2015.

Chairman Hale convened the regular meeting of the Commissioners at 11:02 a.m. on April 14, 2015. All of the Commissioners listed above as present at the meeting were

present at that time and remained present throughout the meeting, except Commissioners Hyland and Fahl who were not present during the regular meeting on April 14, 2015.

No members of the public requested an opportunity to make any comments during the public comment period of the meeting.

The minutes of the meeting of the Committee of the Whole and the regular meeting of the Commissioners held on February 4, 2015 were approved by the affirmative vote of each of the Commissioners then present at the meeting.

Mr. Hawkins presented a resolution on the five-year and annual plans for the Authority's administration of the housing choice voucher program. On motion duly made and seconded, the resolution entitled "Resolution Approving the PHA Five-Year and Annual Plans for the Virginia Housing Development Authority for the Housing Choice Voucher Program" dated April 14, 2015, in the form attached hereto was approved by the affirmative vote of each of the Commissioners then present at the meeting.

Chairman Hale, on behalf of the Executive Committee, reported that the Committee had received and discussed a staff report on compensation and reviewed the agendas for the committee meetings and the meeting of the Board of Commissioners.

Commissioner Stedfast, on behalf of the Finance and Audit Committee, reported that the Committee had received and discussed (i) the Authority's monthly financials and budget comparisons for the period ended February, 2015; (ii) the salient features of the Authority's proposed Rental Housing Bonds, 2015 Series B-Non-AMT; (iii) the salient features of the Authority's proposed Rental Housing Bonds, Series C-Non-AMT; and (iv) two KPMG reports, the Report on Supplemental Information and the Report on Applying Agreed-upon Procedures, as required by the U.S. Department of Housing and Urban Development Real Estate Assessment Center. Commissioner Stedfast reported that the Committee had received and discussed a bond limitations resolution for the Authority's Rental Housing Bonds that (i) provides for issuance of Rental Housing Bonds in aggregate amounts not to exceed \$500 million, (ii) provides for the sale of the Rental Housing Bonds not later than May 31, 2016 and (iii) authorizes the distribution of one or more preliminary and final official statements for the Rental Housing Bonds in substantially the form thereof presented at the meeting. On motion duly made and seconded, the resolution entitled "Bond Limitations Resolution" dated April 14, 2015, in the form attached hereto was approved by the affirmative vote of each of the Commissioners then present at the meeting. Commissioner Stedfast reported that the Committee had received and discussed a bond limitations resolution for the Authority's Commonwealth Mortgage Bonds that (i) provides for issuance of Commonwealth Mortgage Bonds in aggregate amounts not to exceed \$500 million, (ii) provides for the sale of the Commonwealth Mortgage Bonds not later than May 31, 2016, and (iii) authorizes the distribution of one or more preliminary and final official statements for the Commonwealth Mortgage Bonds in substantially the form thereof presented at the meeting. On motion duly made and seconded, the resolution entitled "Bond Limitations Resolution" dated April 14, 2015, in the form attached hereto was approved by the

affirmative vote of each of the Commissioners then present at the meeting. Commissioner Stedfast reported that the Committee had received and discussed the Audit Committee member certification process and reviewed the proposed Audit Committee Charter.

Chairman Hale, on behalf of the Committee of the Whole, reported that the Committee had received and discussed a staff presentation on REACH *Virginia* program funds and that the Committee had recommended approval of a Special Initiatives Pool in the amount of \$10,000,000 per year for the next three years separate from the calculation of the annual amount of the REACH *Virginia* program funds to support (i) the transformation of public housing through HUD's Rental Housing Assistance Demonstration program and (ii) housing opportunities for persons with intellectual and developmental disabilities related to the Department of Justice settlement. On motion duly made and seconded, the Special Initiatives Pool was approved by the affirmative vote of each of the Commissioners then present at the meeting.

Commissioner Shelton reported on current activities in the Department of Housing and Community Development. In this report, Commissioner Shelton discussed the upcoming adoption of the annual action plan under the Consolidated Plan, that will include a special demonstration program which may combine funds from several sources for a single proposal, and he received the ongoing planning for the Governor's Housing Conference.

Ms. Wiglesworth reported on the operations of the Homeownership Division in which she advised the Commissioners that the status of the down payment assistance grant program and the Mortgage Credit Certificate program scheduled to go live in May.

Mr. Bowen reported on the operations of the Rental Division in which he advised the Commissioners that loan production appears to be on target to achieve the loan production estimates for fiscal year 2015, that the size of the rental loan portfolio has remained stable, and that two of seven REOs are under contracts for sale.

Mr. Hawkins reported on the operations of the Community Outreach Division in which he advised the Commissioners of the following matters: the high response rate to a survey to determine the potential size of HUD's Rental Assistance Demonstration program in Virginia; and the efforts of the multi-agency partnership working on the Department of Justice settlement.

Ms. Dewey presented her report on operations of the Authority in which she advised the Commissioners of the following matters: Several retirements since the last meeting; 70% completion of the renovation of the Authority's Headquarters; the Authority charity golf tournament to be held on May 21, 2015; the regular meeting of the Board of Commissioners to be held on June 9 and 10, 2015 at the Virginia Housing Center; the annual HAND luncheon to be held on June 23, 2015; and the Governor's Housing Conference to be held on November 18-20, 2015.

On motion duly made and seconded, a resolution that, in accordance with Section 2.2-3711.A.7 of the Code of Virginia, the Board of Commissioners convene in closed session to consult with the Authority's legal counsel and to receive briefings by staff members pertaining to the litigation filed by Ms. Nicolle Conyers against the Authority and certain employees of the Authority, it being determined that such consultation or briefing in open meeting would adversely affect the negotiating or litigating posture of the Authority, and to consult with legal counsel regarding related legal matters requiring the provision of legal advice by such counsel and further that Mr. McKellar, Mr. Brennan, Ms. Dewey and Ms. Blankenship, who are deemed necessary to be present or will reasonably aid the Board of Commissioners in its consideration of the aforesaid topics, be present during the closed session was approved by the affirmative vote of the Commissioners noted above as present at the meeting. At the conclusion of the closed meeting, the Commissioners reconvened in an open meeting. Each Commissioner certified, by roll call vote, that to the best of his or her knowledge, only public business matters lawfully exempted from open meeting requirements under the Freedom of Information Act and only such public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or considered in the closed meeting by the Commissioners. On motion duly made and seconded, a resolution to approve the Good Faith Determination dated April 14, 2015 in the form attached hereto was approved by the affirmative vote of the Commissioners noted above as present at the meeting.

There being no further business, the meeting was adjourned at approximately 11:49 a.m. on April 14, 2015.

Kermit E. Hale, Chairman

Paul M. Brennan
Assistant Secretary

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE
HELD ON APRIL 12, 2015

Pursuant to the call of the Chairman and notice duly given, the meeting of the Executive Committee of the Board of Commissioners of the Virginia Housing Development Authority (the "Authority") was held on April 12, 2015 at the Kenmore Conference Room, Courtyard by Marriot Fredericksburg, 620 Caroline Street, Fredericksburg, Virginia.

COMMITTEE MEMBERS PRESENT:

Kermit E. Hale, Chairman

Timothy M. Chapman

Sarah Stedfast

Douglas R. Fahl

OTHERS PRESENT:

Susan F. Dewey, Executive Director

J. Judson McKellar, Jr., General Deputy

Paul M. Brennan, General Counsel

Patrick Carey, Managing Director of Finance

Barbara Blankenship, Managing Director of Human Resources

Janet Wigglesworth, Managing Director of Homeownership

Chairman Hale called the meeting of the Committee to order at approximately 1:30 p.m. on April 12, 2015. All of the members of the Committee listed above as present at the meeting were present at that time and remained present throughout the meeting, except Commissioner Fahl, who joined the meeting in progress as noted below and thereafter remained present during the meeting.

The minutes of the meeting of the Committee held on February 3, 2014 were approved by the affirmative vote of each of the Commissioners then present at the meeting.

The Commissioners and staff reviewed and discussed the agendas for the meetings of the Committee of the Whole and the Board of Commissioners.

Ms. Dewey and Mr. Carey presented a report on compensation of the Authority staff. This report included a review of the Board of Commissioners' policy on compensation and a comparison of the Authority's financial status and operations with those of other state housing finance authorities, state headquartered financial institutions, and state universities and authorities. Mr. Carey then presented a choice of options for the combined pool for staff merit and bonuses for the Committee to consider. Commissioner Fahl joined the meeting during the presentation of this report.

There being no further business, the meeting was adjourned at approximately 2:58
p.m.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE FINANCE AND AUDIT COMMITTEE
HELD ON APRIL 14, 2015

Pursuant to the call of the Committee Chairman and notice duly given, the meeting of the Finance and Audit Committee of the Board of Commissioners of the Virginia Housing Development Authority (the "Authority") was held on April 14, 2015 at the Courtyard by Marriot Fredericksburg, 620 Caroline Street, Fredericksburg, Virginia.

COMMITTEE MEMBERS PRESENT:

Sarah Stedfast, Chairman

Timothy M. Chapman

Charles McConnell

Marjorie N. Leon

COMMITTEE MEMBER ABSENT:

Manju Ganeriwala

OTHERS PRESENT:

Susan F. Dewey, Executive Director

Patrick J. Carey, Managing Director of Finance

Julie Camus, Managing Director of Internal Audit and Enterprise Risk Management

J. Judson McKellar, Jr., General Deputy and Legal Advisor

The meeting of the Finance and Audit Committee was called to order by Committee Chairman Stedfast at approximately 8:00 a.m. on April 14, 2015. The members of the Committee listed above as being present at the meeting were present at that time and remained present throughout the meeting.

On motion duly made and seconded, the minutes of the meeting of the Finance and Audit Committee held on February 4, 2015 were approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Mr. Carey reported on the Authority's monthly financials ending February 28, 2015. In his report, Mr. Carey stated that net interest margin was \$153.7 million, that excess revenues were \$108.8 million and over budget by \$26.1 million, that net assets totaled \$2.75 billion, that programmatic expenses were better than budget by \$23.4 million primarily due to lower loan loss provision and expenses, and that administrative expenses were better than budget by \$1.9 million.

Mr. Carey presented the salient features for the sale and issuance of an estimated \$20 million of the Authority's Rental Housing Bonds, 2015 Series B-Non-AMT, and an estimated \$50 million of the Authority's Rental Housing Bonds, 2015 Series C-Non-AMT.

Mr. Carey reported that on March 24, 2015, KPMG had issued its Report on Supplemental Information and its Report on Applying Agreed-upon Procedures, as required by the U.S. Department of Housing and Urban Development Real Estate Assessment Center.

Mr. Carey presented the bond limitations resolution for the Authority's Commonwealth Mortgage Bonds that (i) provides for issuance of Commonwealth Mortgage Bonds in aggregate amounts not to exceed \$500 million, (ii) provides for the sale of the Commonwealth Mortgage Bonds not later than May 31, 2016 and (iii) authorizes the distribution of one or more preliminary and final official statements for the Commonwealth Mortgage Bonds in substantially the form thereof presented at the meeting. On motion duly made and seconded, a resolution to recommend approval of the resolution entitled "Bond Limitations Resolution" dated April 14, 2015, was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Mr. Carey presented the bond limitations resolution for the Authority's Rental Housing Bonds that (i) provides for issuance of Rental Housing Bonds in aggregate amounts not to exceed \$500 million, (ii) provides for the sale of the Rental Housing Bonds not later than May 31, 2016 and (iii) authorizes the distribution of one or more preliminary and final official statements for the Rental Housing Bonds in substantially the form thereof presented at the meeting. On motion duly made and seconded, a resolution to recommend approval of the resolution entitled "Bond Limitations Resolution" dated April 14, 2015, was approved by the affirmative vote of each of the Commissioners then present at the meeting.

Ms. Camus advised the members of the Committee that she would be sending them a Certification and Disclosure form in which they would certify their independence and which they would complete, sign and return to her.

Ms. Camus reviewed the proposed Audit Committee Charter which would be presented to the Committee for approval at its June meeting.

There being no further business, the meeting was adjourned at 8:47 a.m. on April 14, 2015.