

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE RETREAT AND REGULAR MEETINGS OF THE
COMMITTEE OF THE WHOLE AND THE COMMISSIONERS
HELD ON APRIL 10-12, 2016

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 10-12, 2016 at the Omni Charlottesville Hotel, 235 West Main Street, Charlottesville, Virginia.

COMMISSIONERS PRESENT:

Timothy M. Chapman, Chairman
Sarah B. Stedfast, Vice Chairman
H. Richard Ashe
Lemella Y. Carrington
Douglas R. Fahl
Manju Ganeriwala
Kermit E. Hale
Charles McConnell
Shekar Narasimhan
William C. Shelton

COMMISSIONER ABSENT:

Marjorie N. Leon

OTHERS PRESENT:

Susan F. Dewey, Executive Director
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
Llewellyn C. Anderson, Managing Director of Executive Services
Patrick Gluesing, Managing Director of Information Technology Services/Chief
Innovation Officer
Julie Camus, Managing Director of Internal Audit and Enterprise Risk Management
Toni Ostrowski, Director, Homeownership and Lending Programs
Dale Wittie, Director of Rental Housing
J. D. Bondurant, Director of Low Income Housing Tax Credit Programs
Barry Merchant, Senior Policy Analyst
Sandy Edwards, Office Manager
J. Judson McKellar, Jr., Contractor
Neal Rogers, Director of Compliance and Asset Management

Robert Margolis, TMS Associates Management, Inc.
Ken Mextorf, Branch Manager, TowneBank
Shelly Murphy, Director of Program Services, Piedmont Housing Alliance
Scott Reithel, Community Housing Partners Corporation
Ron White, Chief of Housing, Albemarle County

Chairman Chapman called the retreat meeting of the Committee of the Whole to order at 1:30 p.m. on April 10, 2016 and welcomed the Commissioners and staff to Charlottesville. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting on April 10, 2016, except Commissioners Fahl and Ashe who left the meeting as noted below and did not return to the meeting on April 10, 2016.

Chairman Chapman welcomed Commissioner Narasimhan to the Board.

Ms. Dewey reviewed the agenda of the retreat meeting.

Ms. Neale, Ms. Blankenship, Ms. Wiglesworth, Mr. Hawkins, Mr. Bowen, Mr. Gluesing, Mr. Brennan and Mr. Carey presented and discussed with the Commissioners several issues affecting the Authority, including the following: the Authority's internal and external training needs; the process for addressing staffing needs for fiscal year 2017; the Authority's Down Payment Assistance and Mortgage Credit Certificate Programs; the Authority's efforts with public housing authorities regarding HUD's Rental Assistance Demonstration program; the Authority's efforts to assist in meeting the terms of the Department of Justice settlement on community housing options for persons with intellectual and developmental disabilities; the status of the Authority's information security; an update on recently passed state legislation and on the federal and state housing trust funds; and a report on the current financial environment, including monetary policy, market liquidity and recession risk.

The meeting continued with a bus tour of affordable housing developments financed or assisted by the Authority in Charlottesville. Commissioners Fahl and Ashe were not present on the bus tour.

The retreat meeting of the Committee of the Whole was recessed at 6:16 p.m. on April 10, 2016.

Chairman Chapman reconvened the retreat meeting of the Committee of the Whole at 8:56 a.m. on April 11, 2016. All of the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting on April 11, 2016.

Mr. Merchant presented a report on the housing market in Virginia in which he discussed the following: (i) the growth trends in employment and population; (ii) the status of the rental markets, the recent improvements in homeownership loan performance and equity and the status of the recovery in the home purchase market; (iii)

a comparison of the costs of buying a home versus renting a home; and (iv) the potential shift to homeownership by young households.

Ms. Dewey, Mr. Hawkins, Mr. Bowen and Ms. Wiglesworth presented a draft report on the Authority's Strategic Direction and Priorities through 2020. The draft report outlined the Authority's plans to (i) address state housing needs in partnership with the housing delivery network; (ii) address unmet rental needs of low-income and critical needs populations with emphasis on economically integrated communities; (iii) create homeownership opportunities for first-time homebuyers with specific emphasis on underserved markets; and (iv) focus on internal strategic areas of emphasis.

After the lunch recess, a panel composed of Mr. Hawkins, Mr. Margolis, Mr. Mextorf, Ms. Murphy, Mr. Reithel and Mr. White made presentations to the Commissioners on the following: the challenges in creating affordable housing in the Charlottesville area; their participation in the Authority's programs; and possible ways the Authority could assist their efforts to provide affordable housing.

Ms. Dewey, Mr. Carey, Ms. Wigelsworth, Mr. Bowen and Mr. Hawkins made a presentation on the REACH *Virginia* program that: (i) recommended an increase in the percentage used in the calculation of the amount of REACH *Virginia* program funds from 20% to 40%; (ii) described the proposed allocation for fiscal year 2017 of REACH *Virginia* program funds in the Authority's homeownership programs, including support for Habitat for Humanity and down payment assistance; (iii) described the proposed allocation for fiscal year 2017 of REACH *Virginia* program funds in the Authority's rental programs as a loan subsidy; and (iv) described the proposed allocation for fiscal year 2017 of REACH *Virginia* program funds in the Authority's community outreach efforts, including network capacity support, community market support, homeownership market support and accessibility.

The Commissioners separated into three groups to discuss the three programmatic goals of the Authority's strategic direction and priorities. The Commissioners reconvened to report out what was discussed at each of the small group discussions. Following this discussion, the retreat meeting of the Committee of the Whole was recessed at 5:15 p.m. on April 11, 2016.

Chairman Chapman reconvened the retreat meeting of the Committee of the Whole at 9:17 a.m. on April 12, 2016. All of the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting, except Commissioner Narasimhan, who was not present during the meeting on April 12, 2016.

Mr. Carey reported on the significant factors that will impact the Authority's budget for the fiscal year 2017, including: (i) factors affecting the Authority's net interest margin; (ii) programmatic expenses, including loan loss provision and expenses, REACH *Virginia* grants, single family lender compensation and ancillary fee income; (iii) administrative expenses, including staff compensation and increased ongoing technology expenses; and (iv) capital expenditures, including physical security

enhancements to the Virginia Housing Center and the procurement of a new general accounting system.

Upon the conclusion of this report, the retreat meeting of the Committee of the Whole was adjourned at 9:38 a.m. on April 12, 2016.

Chairman Chapman convened the regular meeting of the Commissioners at 9:38 a.m. on April 12, 2016. All of the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting, except Commissioner Narasimhan, who was not present during the regular meeting on April 12, 2016.

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 3, 2016 were approved by the affirmative vote of each of the Commissioners then present at the meeting.

Mr. Brennan presented 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, 2017, 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 12, 2016, in the form attached hereto was approved by the affirmative vote of each of the Commissioners then present at the meeting.

Mr. Brennan presented 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, 2017 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 12, 2016, in the form attached hereto was approved by the affirmative vote of each of the Commissioners then present at the meeting.

Mr. Brennan presented a resolution to designate authorized officers of the Authority to engage in financial transactions with Freddie Mac. On motion duly made and seconded, the resolution entitled "Resolution of the Board of Directors of Virginia Housing Development Authority" dated April 12, 2016, in the form attached hereto was 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 12, 2016, in the form attached hereto was approved by the affirmative vote of each of the Commissioners then present at the meeting.

Ms. Dewey and Ms. Ostrowski presented a report on the activities of Housing Virginia and the Authority’s plan to provide financial support in the amount of \$75,000 annually to Housing Virginia with funds from the Authority’s wholly-owned subsidiary, Housing for Virginia, Inc. Upon the conclusion of this presentation, it was the consensus of the Commissioners that the Authority provide the planned support to Housing Virginia.

Chairman Chapman, on behalf of the Executive Committee, reported that the Committee had reviewed the agendas for the committee meetings and the meeting of the Board of Commissioners.

Commissioner McConnell, 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 29, 2016; (ii) the salient features of the Authority’s proposed Rental Housing Bonds, 2016 Series C-Non-AMT; (iii) the salient features of the Authority’s proposed Commonwealth Mortgage Bonds, 2016 Series A; and (iv) the organizational changes to the Audit and Enterprise Risk Management Division, including a change to give the Internal Audit Director a direct reporting relationship with the Executive Director, and the move of the Procurement Department into the Finance Division, which will report to the Controller.

Chairman Chapman, on behalf of the Committee of the Whole, briefly reviewed the presentations and the issues that had been discussed at the retreat meeting of the Committee of the Whole. Commissioner Chapman reported that the Committee had received and discussed a staff recommendation to increase the percentage used in the calculation of the amount of funds made available to REACH *Virginia*. Commissioner Hale moved that the calculation of the annual amount of the Authority net assets to be dedicated, on a present value basis as determined by the Authority, to reduce the interest rates or otherwise provide housing subsidies, including grants, under the REACH *Virginia* program be increased from 20% to 40% of the average of the Authority’s excess revenues (as unadjusted for the effect of GASB 31 and GASB 53) for the immediately preceding five fiscal years for which audited financial statements are available. This motion was seconded and 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 (i) the Governor’s announcement of the funding awards from the Housing Trust Fund; (ii) the funding level for the Housing Trust Fund for the next biennium; (iii) the inclusion in the state budget for fiscal years 2017 and 2018 of state rent subsidies for approximately 150 persons with intellectual and developmental disabilities to be used in

connection with the Department of Justice settlement; (iv) HUD's award of funds to Virginia's project for resiliency planning for Hampton Roads; (v) the upcoming adoption of the annual action plan under the Consolidated Plan; and (vi) the initiation by the Board of Housing and Community Development of the process to update the state building code.

Ms. Dewey presented her report on operations of the Authority in which she advised the Commissioners of the following matters: (i) a summary of the meeting of the Housing Policy Advisory Council held on April 4, 2016; (ii) a report on NCSHA's Leg Con meeting held in Washington, D.C. in March; and (iii) upcoming events, including the following: the Authority charity golf tournament to be held on May 26, 2016; the annual HAND luncheon to be held on June 21, 2016; the regular meeting of the Board of Commissioners to be held on June 8, 2016, and the ELP graduation to be held after the June meeting; the annual meeting of the Board of Commissioners to be held on August 3, 2016; the Virginia Housing Credit Conference to be held on September 21-22, 2016; and the Governor's Housing Conference to be held on November 16-18, 2016.

There being no further business, the meeting was adjourned at approximately 10:51 a.m. on April 12, 2016.

Timothy M. Chapman, Chairman

Paul M. Brennan
Assistant Secretary

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE
HELD ON APRIL 10, 2016

Pursuant to the call of the Committee 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 10, 2016 at the Omni Charlottesville Hotel, 235 West Main Street, Charlottesville, Virginia.

COMMITTEE MEMBERS PRESENT:

Timothy M. Chapman, Chairman
Sarah Stedfast, Vice Chairman
Kermit E. Hale
Douglas R. Fahl
Charles McConnell

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Paul M. Brennan, General Counsel

Chairman Chapman called the meeting of the Committee to order at approximately 12:01 p.m. on April 10, 2016. 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.

The minutes of the meeting of the Committee held on February 3, 2016 were approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

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

Ms. Dewey reported to the Committee on the Authority's proposed increase in the percentage used in the calculation of the amount of REACH *Virginia* program funds.

There being no further business, the meeting was adjourned at approximately 12:22 p.m.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE
HELD ON APRIL 12, 2016

Pursuant to the call of the Committee 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, 2016 at the Omni Charlottesville Hotel, 235 West Main Street, Charlottesville, Virginia.

COMMITTEE MEMBERS PRESENT:

Timothy M. Chapman, Chairman
Sarah Stedfast, Vice Chairman
Kermit E. Hale
Douglas R. Fahl
Charles McConnell

OTHER COMMISSIONERS PRESENT:

William C. Shelton
Manju Ganeriwala

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Paul M. Brennan, General Counsel
Patrick J. Carey, Managing Director of Finance
Barbara Blankenship, Managing Director of Human Resources
J. Judson McKellar, Jr., Contractor
Christine Burns-Fazzi, Gallagher Benefit Services, Inc. (via telephone)

Chairman Chapman called the meeting of the Committee to order at approximately 11:35 p.m. on April 10, 2016. 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.

Mr. Carey and Ms. Blankenship presented a report on the deferred compensation and retention plan created for the Executive Director authorized by the Board at its meeting on December 2, 2015. Ms. Dewey reported on plans to create a similar deferred compensation plan for Leadership Team members without the retention portion of plan developed for the Executive Director.

There being no further business, the meeting was adjourned at approximately 12:22 p.m.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE FINANCE AND AUDIT COMMITTEE
HELD ON APRIL 12, 2016

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 12, 2016 at the Omni Charlottesville Hotel, 235 West Main Street, Charlottesville, Virginia.

COMMITTEE MEMBERS PRESENT:

Charles McConnell, Chairman
Sarah B. Stedfast
Manju Ganeriwala

COMMITTEE MEMBERS ABSENT:

Marjorie N. Leon
Shekar Narasimhan

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Patrick J. Carey, Managing Director of Finance
Julie Camus, Managing Director of Audit and Enterprise Risk Management
J. Judson McKellar, Jr., Contractor

The meeting of the Finance and Audit Committee was called to order by Committee Chairman McConnell at approximately 8:13 a.m. on April 12, 2016. 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 3, 2016 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 and budget comparison for the period ending February 29, 2016. In his report, Mr. Carey noted the following: excess revenues were \$120 million and over budget by \$33 million; administrative expenses were better than budget by \$2.9 million; programmatic expenses were better than budget by \$33 million primarily due to lower grant disbursements, lower loan losses, and reduced mortgage lending and servicing costs; excess revenues for the month of February were \$25 million, a monthly record; total assets were \$7.8 billion; and net assets had increased to \$2.94 billion.

Mr. Carey presented the salient features for the sale and issuance of \$158 million of Commonwealth Mortgage Bonds that will refund outstanding bonds of the Authority and are expected to bear fixed interest rates and have a final maturity equal to the final scheduled maturity date of the mortgage loans. Mr. Carey next presented the salient

features for the sale and issuance of \$90 million of Rental Housing Bonds that will finance mortgage loans for approximately 9 multi-family developments and are expected to bear fixed interest rates and have a final maturity in 30-35 years.

Ms. Camus reported on recent audit activities and organizational changes in the Audit and Enterprise Risk Management Division, including the following: Mr. Ross Strodel, who is the Internal Audit Director and who will be the head of the internal audit team, will be reporting to the Executive Director; the Information Management Office has been formed to focus on information security and records management; the Process Excellence Office has been formed to support business processes, procedures and policies; the Project Management Office, formerly in the Information Technology Services Division, has been moved into the Audit and Enterprise Risk Management Division; and Mr. Jason Thompson in the Audit and Enterprise Risk Management Division will head a cross-divisional team that will coordinate data analytics. Ms. Camus also noted that the Procurement Department had been moved into the Finance Division and will be reporting to the Controller. Ms. Camus advised the Committee that KPMG had reviewed and approved each of these organizational changes. Ms. Camus also reported that the staff has been in contract negotiations with KPMG for external audit services.

There being no further business, the meeting was adjourned at 9:10 a.m. on April 12, 2016.