

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE
HELD ON APRIL 7, 2019

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 7, 2019 at the Martha Washington Inn & Spa, 150 West Main Street, Abingdon, Virginia.

COMMITTEE MEMBERS PRESENT:

Kermit E. Hale, Chairman
Charles McConnell, Vice Chairman
Clarissa McAdoo Cannon

COMMITTEE MEMBER ABSENT:

Thomas A. Gibson, IV

OTHER COMMISSIONERS PRESENT:

Manju Ganeriwala
Erik Johnston
William C. Shelton

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Paul M. Brennan, Chief Counsel
Tammy Neale, Chief of Staff
Patrick J. Carey, Chief of Program Strategy
Janet Wiglesworth, Chief of Operations
Barbara Blankenship, Managing Director of Human Resources (via telephone)
Lisa Watson, Managing Director of Human Resources (via telephone)

Chairman Hale called the meeting of the Committee to order at approximately 2:04 p.m. on April 7, 2019. 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 meetings of the Committee held on February 12, 2019, were approved by the affirmative vote of each of the Committee members noted above as present at the meeting.

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

Mr. Brennan provided an update to the Committee on the work completed by Korn Ferry on the compensation study of the Executive Director position and the next steps Korn Ferry will take when it meets with the Board on May 21, 2019.

Mr. Brennan provided an update to the Committee on the expansion of the Authority’s headquarters, including, the work of a consultant to help with the preparation of the solicitation for bids.

There being no further business, the meeting was adjourned at approximately 2:27 p.m.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF REGULAR MEETING OF THE COMMISSIONERS
HELD ON APRIL 7-9, 2019

Pursuant to the call of the Chairman and notice duly given, the regular meeting of the Commissioners of the Virginia Housing Development Authority (the “Authority”) was held on April 7-9, 2019, at the Martha Washington Inn & Spa, 150 West Main Street, Abingdon, Virginia.

COMMISSIONERS PRESENT:

Kermit E. Hale, Chairman
Charles McConnell, Vice Chairman
Barbara Blackston
Clarissa McAdoo Cannon
Manju Ganeriwala
Thomas A. Gibson, IV
Abigail Johnson
Erik Johnston
Shekar Narasimhan
William C. Shelton

COMMISSIONER ABSENT:

David E. Ramos

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Paul M. Brennan, Chief Counsel
Patrick J. Carey, Chief of Program Strategy
Janet Wigglesworth, Chief of Operations
Tammy Neale, Chief of Staff
J. Michael Hawkins, Managing Director of Community Outreach
Arthur N. Bowen, Managing Director of Rental Housing
Toni Ostrowski, Managing Director of Homeownership
Llewellyn C. Anderson, Managing Director of Administration
Barry Merchant, Senior Policy Analyst
Sandy Edwards, Assistant to the Executive Director
Courtney Insley, Senior Executive Assistant
Donna Price Henry, Ph. D., Chancellor, UVA-Wise
Shannon Blevins, Associate Vice Chancellor, UVA-Wise,
Andy Kegley, Executive Director, HOPE
Lisa Porter, Executive Director, Bristol Redevelopment and Housing Authority
Cindy Stuart, President/Principal Broker, Mountain Sky Properties
Monty Saylor, Executive Director, Wise County Redevelopment and Housing Authority
Scott Napier, Executive Director, Lee County Redevelopment and Housing Authority

Chairman Hale called the regional meeting of the Board of Commissioners to order at 3:40 p.m. on April 7, 2019. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting, except Commissioners Gibson and Narasimhan, who were not present during the meeting on April 7, 2019.

Mr. Merchant presented a report on the housing issues in the southwest Virginia region in which he discussed the following matters: (i) the sub-regions of Appalachia that include southwest Virginia; (ii) the labor market in the region; (iii) the region's growth challenges; and (iv) the key housing issues for the region, including the aging housing inventory, affordability for low-income renters, access to quality homeownership inventory, housing for an aging and disabled population, the affordable housing delivery network, and aligning investments in housing and economic development.

Ms. Neale presented an update on the Authority's 2020 strategic plan that included (i) a review of the 2020 plan; (ii) the intent to update the 2020 plan and extend the plan through fiscal year 2022; and (iii) the plans for the creation of a new strategic plan that will cover fiscal years 2023-2025. Mr. Hawkins, Mr. Bowen and Ms. Ostrowski described the current state and overall progress on goals one, two and three of the 2020 strategic plan. Ms. Neale then described the timeline for the creation of the new strategic plan for fiscal years 2023-2025.

Upon conclusion of the report, the meeting was recessed at 5:22 p.m. on April 7, 2019.

Chairman Hale reconvened the meeting at 8:37 a.m. on April 8, 2019. All of the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting on April 8, 2019, except Commissioner Shelton who left and returned to the meeting as noted below.

Mr. Carey 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 40% to 50% retroactive for fiscal years 2018 and 2019; (ii) recommended an increase in the percentage used in the calculation of the amount of REACH Virginia program funds from 50% to 60% beginning fiscal year 2020 to include economic development; and (iii) dedicated a minimum of 10% (or 16.67% of REACH Virginia) to programs assisting public housing developments. Mr. Carey also reported on how the remaining 40% of net earnings are deployed in the Authority's core lending programs and the need for those funds to cover the maintenance of bond ratings; new loan programs; future growth in the Authority's loan portfolio; and all the future adverse unknowns that the Authority may encounter, such as reduced federal resources for housing and recessions. Ms. Ostrowski, Mr. Hawkins, Mr. Bowen and Ms. Dewey described the proposed allocations of REACH Virginia funds for fiscal year 2020 in homeownership, rental, community outreach and economic development programs. The Commissioners discussed different measurements and methods of verification to determine the proper percentage of net revenues to be used in the calculation of REACH funds. The consensus of the Board was to maintain the Authority's existing general obligation and issuer credit bond ratings (Moody's Aa1 and S&P AA+) in balancing the amount of net revenues between REACH Virginia and the amount necessary to protect the Authority's long-term operations and programmatic effectiveness. The Board also requested staff to provide updates at least quarterly on any reallocations of funds between the REACH Virginia programs.

Ms. Dewey and Mr. Brennan discussed the preference for pre-approved authority for the Executive Director when working with the Governor's office through the Secretary of Commerce and Trade on economic development initiatives. It was the consensus of the Board to consider a resolution at the next Board meeting in June to express support for such authority.

Ms. Ostrowski presented a report on a new lending program to address the strategic goals in Homeownership for first-time homebuyers. The Authority will partner with Rural Development on a single close program that will provide construction/permanent financing on manufactured homes. The Authority will work with a loan management company to conduct inspections and oversee the construction draw process. The program is expected to start in the beginning of fiscal year 2020. The Board advised staff to work with well-qualified installers of manufactured homes.

Mr. Carey provided an updated on activities with indieDwell, a modular housing manufacturer. The Authority has purchased a modular home that will be displayed at HousingX (if regulatory approval is obtained), a housing innovation conference in May. After the conference, the home will be donated to the nonprofit ProjectHomes, which will install the home on a lot in Richmond. The Authority also plans to work with a nonprofit in the Hampton Roads area and repeat the process at the Governor's Housing Conference in November. Mr. Carey then raised the possibility of engaging with indieDwell and a local partner to build a modular home manufacturing facility in Virginia. The consensus of the Board was to proceed with discussions with indieDwell. The Board also advised staff to get local inspectors involved in the initiative and to also consult with the Virginia Economic Development Partnership to determine if additional resources are available to assist in the effort.

The meeting was recessed at 10:24 a.m. on April 8, 2019.

Chairman Hale reconvened the meeting at 1:30 pm while the Board was on the bus ride to UVA-Wise. All of the Commissioners listed above as present at the meeting were present at that time except Commissioner Shelton.

Mr. Brennan advised the Commissioners of the possibility that UVA-Wise could be involved in a development that could take advantage of the Authority's credit facility designed to help developers acquire property in Opportunity Zones. If UVA-Wise pursues such a development, there is also the possibility that UVA-Wise could seek Opportunity Zone investors through a fund that involves a company owned in part by Commissioner Narasimhan. Mr. Brennan advised the Commissioners that this possible situation was reviewed with the Ethics Advisory Council. The Council determined that if such a situation occurred, Commissioner Narasimhan would have a personal interest in the transaction and that he must recuse himself from any discussion of the transaction that came before the Board. Also, Commissioner Narasimhan could not discuss the transaction with Authority staff. Mr. Brennan advised the Commissioners that if the Authority receives any applications for funding from the Authority's credit facility to acquire property in Opportunity Zones that includes investors from the Opportunity Zone fund involving Commissioner Narasimhan's company, such involvement would be noted on the Board Authorization Report that is sent to the Commissioners each month.

Commissioner Johnston provided an update on the Commonwealth's Virginia Telecommunications Initiative to provide access to broadband in unserved rural areas, which included an example in southwest Virginia in which Bland County partnered with a Giles County internet service provider to connect 350 homes to high-speed broadband. Commissioner Johnston also described elements in the Governor's broadband plan, Commonwealth Connect, which can be accessed from the Department of Housing and Community Development's website.

Mr. Hawkins, Mr. Bowen and Ms. Ostrowski discussed the Authority's manufactured housing initiatives to address housing affordability that included (i) supporting research and advocacy for such housing; (ii) partnering with entities to improve trailer park communities; (iii) reviewing underwriting standards to allow the rental financing of manufactured housing; and (iv) expanding homeownership opportunities through a manufactured housing financing partnership with Rural Development.

Upon arrival at UVA-Wise, Chairman Hale thanked UVA-Wise for hosting the panel discussion. Chairman Hale also thanked the panel members for agreeing to share with the Commissioners the housing issues they experience in southwest Virginia.

Dr. Henry and Ms. Blevins provided an overview of UVA-Wise, including its history, programs; students; and its role in economic development in southwest Virginia, including a focus on information technology. An example is the Oxbow Center for Technology and Innovation in St. Paul.

A panel moderated by Mr. Hawkins and composed of Ms. Porter, Mr. Kegley, and Ms. Stuart made presentations to the Commissioners that (i) provided an overview of their organizations' role in housing in the southwest region from the perspectives of public housing, the nonprofit sector and the private sector; (ii) described the housing challenges in the region, (iii) discussed opportunities for the affordable housing market in the region, and (iv) described their organizations' interaction with the Authority in their efforts to provide affordable housing. Commissioner Shelton returned to the meeting during the panel discussion.

Upon conclusion of the panel discussion, the meeting was recessed at 6:05 p.m. on April 8, 2019.

Chairman Hale reconvened the meeting at 9:07 a.m. on April 9, 2019. All of the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting on April 9, 2019.

Ms. Dewey presented a report on the activities and operations of the Authority that focused on three subjects: community impact developments, new statewide programs, and updates for the Board. On the topic of community impact developments, Ms. Dewey discussed (i) the Danville Initiative, a manufactured housing development in Danville; (ii) Woodlawn School, an historic adaptive reuse development in southwest Virginia; (iii) Cook's Corner, a mixed-use development and Vibrant Community Initiatives recipient in Middlesex County; (iv) Sycamore Towers, a public housing transformation development in Petersburg; and (v) New Clay House, a new construction and rehabilitation of a single room occupancy development in Richmond. On the topic of new statewide programs, Ms. Dewey discussed (i) the Community Heroes program, a down payment assistance program in partnership with the Federal Home Loan Bank of Atlanta; (ii) the Renter Education program, that includes information regarding evictions; and (iii) a Post Purchase Education program for new homeowners that addresses homeownership issues commonly raised by new borrowers of the Authority. Ms. Dewey updated the Commissioners on the following matters: (i) progress on the rebranding efforts of the Authority; (ii) progress on the study of the Authority's economic impact in the Commonwealth; (iii) discussions with ICON and the exploration of constructing a 3D printed home in Virginia; (iv) the initial meeting of the Northern Virginia Affordable Housing Task Force and the plans for a follow-up meeting; (v) plans to lease office space in northern Virginia and hire a regional

manager; (vi) the loan closing of Diggs Town; (vii) the Authority's grant to Virginia Community Capital to develop, in partnership with the Department of Housing and Community Development, a marketplace for Opportunity Zones; (viii) the Authority's intent to create a Minority Business Advisory Council; (ix) the Don Ritenour Charity Golf Classic will be held on May 23, 2019, at Ford's Colony in Williamsburg; and (x) the housing innovation conference, HousingX, will be held at the Richmond Convention Center on May 22, 2019. It was the consensus of the Board that the Authority proceed with plans to open an office in northern Virginia.

The following items were approved by the affirmative vote of each of the Commissioners noted above as present at the meeting on a motion to approve the consent agenda: (i) the minutes of the regular meeting of the Commissioners held on February 13, 2019; (ii) the resolution providing for issuance of Commonwealth Mortgage Bonds entitled "Bond Limitations Resolution" dated April 9, 2019, in the form attached hereto; (iii) the resolution providing for issuance of Rental Housing Bonds entitled "Bond Limitations Resolution" dated April 9, 2019, in the form attached hereto; (iv) the resolution to use \$659,098,900 of the Authority's private activity bond authority for the mortgage credit certificate program entitled "Mortgage Credit Certificate Program Resolution" dated April 9, 2019, in the form attached hereto; and (v) 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 9, 2019, in the form attached hereto.

Chairman Hale asked for a motion that (i) 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 the REACH *Virginia* program be retroactively increased from 40% to 50% of the average of the Authority's excess revenues (as unadjusted for the effect of GASB 31 and GASB 53) for fiscal years 2018 and 2019; (ii) 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 the REACH *Virginia* program be increased from 50% to 60% (to include economic development) of the average of the Authority's excess revenues (as unadjusted for the effect of GASB 31 and GASB 53) beginning fiscal year 2020; and (iii) a minimum of 16.67% of the funds in the REACH *Virginia* program be dedicated to programs assisting public housing developments. This motion was moved, seconded and approved by the affirmative vote of each of the Commissioners noted above as present at the meeting. The Board stressed that its approval of the increase in the calculation of funds for REACH *Virginia* was subject to its desire that the Authority maintain its current bond ratings (Moody's Aa1 and S&P AA+).

Chairman Hale, on behalf of the Executive Committee, reported that the Committee had (i) reviewed the agendas for the meeting of the Board of Commissioners; (ii) discussed next steps with Korn Ferry for the meeting of the Board on May 21, 2019; and (ii) discussed progress on the plans for the expansion of the Authority's headquarters.

Mr. Carey advised the Board on the salient features of the Authority's proposed Rental Housing Bonds, 2019 Series C-Non-AMT with an estimated issue size of \$115 million.

Ms. Anderson reported on the Authority's monthly financial results for the fiscal year-to-date ending February 29, 2019, including excess revenues over expenses before GASB adjustments are tracking ahead of plan.

Ms. Anderson reported on the significant factors that will impact the Authority's budget for fiscal year 2020, including: (i) factors affecting the Authority's net interest margin; (ii) programmatic expenses, including loan loss provision and expenses, REACH *Virginia* grants, and mortgage lending and servicing costs; (iii) administrative expenses, including staffing costs and professional services costs.

Commissioner Johnston reported on recent activities of the Department of Housing and Community Development, including the following: (i) the \$4 million increase in funding to the Housing Trust Fund during the reconvened session for fiscal year 2019 bringing to fiscal year total to \$11 million, with the total funding in FY 20 increased to \$7 million (a \$1.5 million increase); (ii) the process for the development of the annual update to the Consolidated Plan; (iii) the review of 29 applications to the Affordable Special Needs Housing program; (iv) upcoming how-to-apply workshops for the Vibrant Communities Initiative; (v) a decision to be made in May between two applications for a pilot Fostering Future program in Albemarle County/Charlottesville area and Richmond; (vi) the hiring of a staff person to work on efforts to reduce evictions; (vii) the processing of Community Development Block Grant applications that include applications from southwest Virginia; (viii) new incentives for solar energy in the Enterprise Zone program; (ix) the partnering with Virginia Community Capital, with help from the Authority, to encourage social impact investing in Opportunity Zones; (x) the restarting of the building code review cycle with a focus on energy efficiency, resiliency and innovative technology; and (xi) the use of an emergency process to amend regulations requiring rental units with expressed or implied air conditioning to be cooled to at least 77 degrees.

Chairman Hale thanked the Commissioners for their participation in the regional meeting of the Board and thanked staff for their efforts in coordinating the meeting.

There being no further business, the meeting was adjourned at approximately 11:56 a.m. on April 9, 2019.

Kermit E. Hale, Chairman

Paul M. Brennan
Assistant Secretary