

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE
HELD ON AUGUST 14, 2018

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 August 14, 2018 at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMITTEE MEMBERS PRESENT:

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

COMMITTEE MEMBER ABSENT:

Charles McConnell

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 Wigglesworth, Chief of Operations
Barbara Blankenship, Managing Director of Human Resources
Amy Burke, HR Director

Chairman Hale called the meeting of the Committee to order at approximately 4:06 p.m. on August 14, 2018. 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 June 12, 2018 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 Committee of the Whole and meeting of the Board of Commissioners.

The members of the Committee then reviewed the information provided by Ms. Blankenship on the Executive Director's performance for fiscal year 2017. The members of the Committee discussed Ms. Dewey's performance and decided on the compensation that the Committee would recommend to the Board of Commissioners.

There being no further business, the meeting was adjourned at approximately 5:20 p.m.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE COMMITTEE OF THE WHOLE
AND THE ANNUAL MEETING OF THE COMMISSIONERS
HELD ON AUGUST 14-15, 2018

Pursuant to the call of the Chairman and notice duly given, the meeting of the Committee of the Whole and the annual meeting of the Commissioners of the Virginia Housing Development Authority (the "Authority") were held on August 14-15, 2018 at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMISSIONERS PRESENT:

Kermit E. Hale, Chairman
Clarissa McAdoo Cannon, Vice Chairman
Barbara Blackston
Thomas A. Gibson, IV
Erik Johnston
Shekar Narasimhan
William C. Shelton

COMMISSIONERS ABSENT:

Manju Ganeriwala
Charles McConnell
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
Barbara Blankenship, Managing Director of Human Resources
Julie Camus, Managing Director of Risk
J. Kyle Howard, Managing Director of Information Technology
Fred Bryant, Deputy General Counsel
Hil Richardson, Managing Director of Capital Markets
J.D. Bondurant, Director of Low Income Housing Tax Credit Programs
Pamela Holmes, Director of Single Family Servicing
Janice Burgess, Assistant Director, Homeownership Loan Programs
Barry Merchant, Senior Policy Analyst
Demas Boudreaux, Legislative Liaison
Amy Burke, HR Director
David Henderson, Director of Accounting and Administration
Melody Barackman, Controller
Hope Coleman Rutter, Senior Tax Credit Allocation Officer

Sheila Stone, Senior Tax Credit Allocation Officer
Stephanie Flanders, Tax Credit Allocation Officer
Jovan Burton, Tax Credit Allocation Coordinator
Anton Shaw, Housing Choice Voucher Program Director
Jason Thompson, Director of Risk and Organizational Reporting
Zach Mayo, Risk and Organizational Data Analyst
Sarah Jones-Anderson, Program Liaison
Sandy Edwards, Assistant to Executive Director
Courtney Insley, Executive Assistant
Marco Howard, Senior Desktop Support Analyst
Renee Lacy, System Administrator
Najla Craddock, System Administrator
Steven N. Gentil, Colliers International
David M. Williams, Colliers International
Andrew Ferguson, Colliers International

Chairman Hale called the meeting of the Committee of the Whole to order at 6:39 p.m. on August 14, 2018. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting.

Chairman Hale welcomed Commissioner Blackston to the Board.

Ms. Dewey announced the recent death of former Commissioner Doug Fahl and would relay the plans for the memorial service to the Commissioners.

Mr. Ferguson, Mr. Gentil and Mr. Williams presented the report, Market Overview & Financial Comparison, that described various real estate options available in the Richmond area that could accommodate all the employees of the Authority in one location. On motion duly made and seconded, a motion to authorize the staff to proceed with the building of a new parking deck and an addition to the Authority's headquarters as described in the Market Overview and Financial Comparison report was approved by the affirmative vote of the Commissioners noted above as present at the meeting.

On motion duly made and seconded, a resolution that the Committee convene in closed session to discuss and consider the performance and compensation of Ms. Dewey in accordance with Section 2.2-3711.A.1 of the Code of Virginia and further that Ms. Dewey, Ms. Blankenship, Ms. Wigglesworth and Mr. Brennan, 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. Commissioner Narasimhan made a motion to (i) increase the merit compensation of the Executive Director by 6% and (ii) award a bonus for the Executive Director in the amount of 15%. The motion was seconded and discussed by the Board. During the discussion, Commissioner Gibson made a motion to amend the motion to increase the amount of the bonus to 20% to recognize a record year of performance was

seconded by Commissioner Narasimhan. After discussion, the motion to amend was approved by a vote of the Commissioners. Commissioners Hale, Cannon, Narasimhan, and Gibson voted in favor of motion to amend; Commissioners Johnston and Shelton voted to oppose the motion to amend; and Commissioner Blackston voted to abstain from the motion to amend. The motion, as amended, to (i) increase the merit compensation of the Executive Director by 6% and (ii) award a bonus for the Executive Director in the amount of 20% was approved by a vote of the Commissioners. Commissioners Hale, Cannon, Narasimhan, Gibson and Blackston voted in favor of motion; Commissioners Johnston and Shelton voted to oppose the motion.

The committee meeting was recessed at 8:47 p.m. on August 14, 2018.

Chairman Hale reconvened the committee meeting at 8:45 a.m. on August 15, 2018. All of the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting.

Mr. Hawkins presented a report on the joint DCHD/VHDA survey of non-profit and local government organizations that offer programs or services that are connected to affordable housing in Virginia. In his report, Mr. Hawkins discussed observations from the survey; staff engagement with the organizations in the survey, including organizational assessments and reports to be generated from the staff engagement; and next steps for program enhancement and development.

Mr. Carey advised the Board on the salient features of the Authority's proposed Rental Housing Bonds, 2018 Series E-Non-AMT with a maximum issue size of \$80 million that will finance mortgage loans for approximately eight multi-family developments and are expected to bear fixed interest rates and have a final maturity in 30-35 years. The underwriters for the 2018 Series E-Non-AMT are expected to be determined by competitive bid, but because of the size of the transaction it may be a candidate for a negotiated transaction.

Mr. Henderson reported on the Authority's monthly financials year ending June 30, 2018. In his report, Mr. Henderson noted the following: year-to-date excess revenues are \$149.1 million (prior to GASB adjustments), \$31.2 million higher than budget and \$15.3 million lower than last fiscal year; net interest margin for year-to-date totaled \$253.6 million, which is \$1.0 million higher than the budget plan; year-to-date programmatic expenses were \$29.6 million, which is \$22.8 million less than budget; year-to-date administrative expenses were \$71.6 million, \$6.4 million less than budget. Mr. Henderson advised that the Authority should continue to see more unrealized losses from GASB adjustments on investments; however, the Authority still plans to hold the investments to maturity and retains an interest income stream from those investments. Mr. Henderson also reported total assets decreased by \$301 million due to securitizations of mortgage loan, however, the total portfolio continues to grow; total liabilities decreased by \$433 million; the Authority's net position (total assets less total liabilities) grew to almost \$3.3 billion; and the Authority's net position combined with home ownership loans serviced for GNMA and FNMA totaled almost \$12 billion. Lastly, Mr. Henderson reported that KPMG is currently auditing the 2018 financial statements and will be reporting to the Board at its October meeting.

Mr. Carey, Mr. Hawkins, Mr. Bowen, Ms. Ostrowski and Ms. Wigglesworth presented the Authority's strategic report on the Authority's progress in fiscal year 2018 in addressing the goals of the Authority's strategic plan that included: (i) the reasoning behind the Authority's

organizational philosophy and its current financial position, the REACH *Virginia* resources resulting from that position, and a summary of major financial achievements of the Authority, including resources allocated to REACH *Virginia*; (ii) the results of the outreach efforts to strengthen the affordable housing delivery network, the use of Authority resources to leverage state housing initiatives, and a summary of the major achievements accomplished by Community Outreach; (iii) the number of rental units produced for unmet rental needs in Virginia, and a summary of the major achievements accomplished by Rental, including the information that the Authority is responsible for almost 10% of all multi-family housing production by housing finance agencies nation-wide; (iv) the Authority's homeownership market share in underserved markets, efforts to date for the implementation of a post-purchase homeownership education class, and a summary of the major achievements accomplished by Homeownership; and (v) a summary of major achievements in improving the internal operations of the Authority in connection with information management, customer service, human capital and process innovation.

Mr. Bowen, Mr. Bondurant and Mr. Bryant reported on proposed changes to the Qualified Allocation Plan for the federal low-income housing tax credits for calendar year 2019 and 2020 allocation cycles, including, (i) the schedule for implementing the changes; (ii) the addition of required threshold items to applications, including requirements for serving households with state rental vouchers, waiving the right to submit qualified contracts, and requiring minimum energy performance standards; (iii) new program opportunities in income averaging, an innovation pool of tax credits, and opportunity zone incentives; (iv) the restructuring of the accessible supportive housing pool, cost limits and developer fees, and (v) several adjustments to points in different scoring categories. The consensus of the Committee was for staff to proceed with soliciting public comment on the proposed changes after a reduction in the number of points for the proposed opportunity zone incentive.

Mr. Bondurant presented an update on the number of applications submitted to the Authority seeking tax credits from the Accessible Supportive Housing Pool. The Authority had received five applications, Alleghany, Ann Wingfield Commons, Carlton Views II, New Manchester V-9, and The Estates at Bank Street, seeking a total of \$1.2 million of the \$1.3 million tax credits in the Pool. Staff would be making a recommendation for the applications to be funded from the Accessible Supportive Housing Pool to the Board at the October meeting.

There being no further business, the meeting of the Committee of the Whole was adjourned at approximately 1:12 p.m. on August 15, 2018.

Chairman Hale called the annual meeting of the Board of Commissioners to order at approximately 1:28 p.m. on August 15, 2018. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting.

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

The minutes of the Committee of the Whole and the regular meeting of the Commissioners held on June 12-13, 2018 were approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

On motion duly made and seconded, the resolution entitled “Resolution in Recognition and Appreciation of Timothy M. Chapman” dated August 15, 2018, in the form attached hereto was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

The resolution entitled “Resolution in Recognition and Appreciation of Thirty Years of Service by Renee Lacy” dated August 15, 2018, was read by Ms. Neale, and on motion duly made and seconded, was approved in the form attached hereto by the affirmative vote of each of the Commissioners noted above as present at the meeting.

On motion duly made and seconded, the resolution entitled “Resolution Approving and Ratifying Reservations of Federal Low-Income Housing Tax Credits” dated August 15, 2019, in the form attached hereto was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

On motion duly made and seconded, the resolution entitled “Resolution in Recognition and Appreciation of the Twenty-Fifth Anniversary of the Little Ten Housing Authorities of Southwest Virginia” dated August 15, 2018, in the form attached hereto, as amended to include the names of the jurisdictions of the Little Ten Housing Authorities, was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

On motion duly made and seconded, the resolution entitled “Resolution Establishing Meeting Dates of the Board of Commissioners from January 1, 2019 through June 30, 2019” dated August 15, 2018, in the form attached hereto was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

On motion duly made and seconded, the resolution entitled “Resolution Approving Housing Choice Voucher Section 8 Management Assessment Program Certification” dated August 15, 2018, in the form attached hereto was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Chairman Hale reported that the Executive Committee had discussed (i) the agendas for the meetings of the Committees and the Board; and (ii) the performance and compensation of the Executive Director.

Vice Chairman McAdoo Cannon, on behalf of the Audit Committee, reported that the Committee had received and discussed updates to the Authority’s Anti-Money Laundering and Suspicious Activity Reporting Policy to align with industry best practices and that the Committee recommended the Board approve the Authority’s Bank Secrecy Act/Anti-Money Laundering and Office of Foreign Assets Control Policy, as amended. On motion duly made and seconded, the recommendation of the Committee was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Commissioner Johnston reported on recent activities of the Department of Housing and Community Development, including the following: (i) the Governor’s Housing Conference to be held in Arlington on November 14-16, 2018; (ii) the start of the application process for \$13.3 million in available funds for the Affordable Special Needs Housing Program; (iii) the start of the application process for Virginia Housing Trust Fund Homeless Reduction Grant Program; (iv) the reconvening of the Coordinated Council to End Homelessness; (v) the start of phase two

of the inter agency work to house the severely mentally ill population; and (vi) the opportunity presented by the availability of additional funds in the state budget due to the approval of Medicaid expansion.

Ms. Dewey presented her report on operations in which she advised the Commissioners of the following matters: (i) a request for proposals from Virginia universities to conduct an economic impact study of the Authority's programs and activities; (ii) the annual grantee meeting for organizations receiving Authority grants held to receive feedback from approximately 100 participants regarding Authority's grant making processes; (iii) a tour by the leadership team of Authority financed properties in Newport News which have supported revitalization efforts in the city's downtown and adjacent Southeast Community; (iv) an upcoming bus tour of affordable housing properties in Chesapeake and Portsmouth for Congressman Bobby Scott and invited members of the General Assembly, whose districts include part of these locations, along with mayors, and municipal staff and housing and redevelopment authority staff; (v) the Authority's SWaM expenditure percentage of 49.3% in fiscal year 2018 exceeded the state's SWaM expenditure target of 42%; (vi) the next meeting of the Board to be held on October 10, 2018; (vii) the Governor's Housing Conference to be held in Arlington on November 14-16, 2018; and (viii) the regional meeting of the Board to be held in Abington on April 7-9, 2018.

Chairman Hale then relinquished the chair to Ms. Dewey for the purpose of electing the Chairman of the Board. Ms. Dewey reported that the Committee at its June meeting had recommended the nominations of Commissioner Hale for Chairman and Commissioner McConnell for Vice Chairman. Ms. Dewey declared the floor open for nominations for Chairman. Commissioner McAdoo Cannon nominated Commissioner Hale, and Commissioner Gibson seconded the nomination. There being no further nominations, the floor was closed. Commissioner Hale was elected Chairman by the affirmative vote of each of the Commissioners noted above as present at the meeting. Chairman Hale then assumed the chair and declared the floor open for nominations for Vice Chairman. Commissioner McAdoo Cannon nominated Commissioner McConnell, and Commissioner Gibson seconded the nomination. There being no further nominations, the floor was closed. Commissioner McConnell was elected Vice Chairman by the affirmative vote of each of the Commissioners noted above as present at the meeting.

There being no further business, the meeting was adjourned at approximately 2:01 p.m. on August 15, 2018.

Kermit E. Hale, Chairman

Paul M. Brennan
Assistant Secretary

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE
HELD ON AUGUST 15, 2018

Pursuant to the call of the Committee Chairman and notice duly given, the meeting of the Audit Committee of the Board of Commissioners of the Virginia Housing Development Authority (the "Authority") was held on August 15, 2018 at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMITTEE MEMBERS PRESENT:

Clarissa McAdoo Cannon
Shekar Narasimhan

COMMITTEE MEMBERS ABSENT:

Charles McConnell, Chairman
David E. Ramos
Manju Ganeriwala

OTHER COMMISSIONER PRESENT:

Thomas A. Gibson, IV

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Paul M. Brennan, Chief Counsel
Fred Bryant, Deputy Chief Counsel
Llewellyn C. Anderson, Managing Director of Administration
Ross Strodel, Internal Audit Director
Melody Barackman, Controller
David Henderson, Director of Accounting and Administration

The meeting of the Audit Committee was called to order by Commissioner Cannon at approximately 8:15 a.m. on August 15, 2018. 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 Audit Committee held on June 13, 2018 were approved by the affirmative vote of the members of the Committee then present at the meeting.

Mr. Brennan provided the annual update on the Authority's Bank Secrecy Act/Anti-Money Laundering and Office of Foreign Assets Control Policy. Mr. Brennan reported that staff has completed its annual review and no mortgage fraud or money laundering activity has been detected. Also, an external audit of the Policy was completed in January of this year. The final audit report contained only one finding, and several observations. Mr. Brennan presented updates to the Policy in response to the audit and to align with industry best practices. On motion duly made and seconded and approved by the affirmative vote of the members of the Committee noted above as present at the meeting, the Committee voted to recommend to the Board the approval of

the updated Bank Secrecy Act/Anti-Money Laundering and Office of Foreign Assets Control Policy.

Commissioner Narasimhan inquired about the status of the operational irregularities reported to the Committee at its August 9, 2017 meeting and corrective action taken in response to such incident. Ms. Dewey and Mr. Strodel reported that all money has been recovered, there has been an arrest and criminal charges in the matter, and new policies and procedures have been implemented and are being followed in response to such incident. Ms. Barackman added that her area of supervision has a new computer system and approval flow that address the issues raised by the incident.

Commissioner Narasimhan also suggested that staff review recent guidance from Fannie Mae on “red flags” regarding fraudulent W2 forms, fictitious employers and procedures for verifying employment.

There being no further business, the meeting was adjourned at 8:28 a.m. on August 15, 2018.