

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE COMMITTEE OF THE WHOLE
AND THE REGULAR MEETING OF THE COMMISSIONERS
HELD ON FEBRUARY 1, 2017

Pursuant to the call of the Chairman and notice duly given, the meeting of the Committee of the Whole and the regular meeting of the Commissioners of the Virginia Housing Development Authority (the "Authority") were held on February 1, 2017 at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMISSIONERS PRESENT:

Timothy M. Chapman, Chairman
Sarah B. Stedfast, Vice Chairman
Clarissa McAdoo Cannon
Lemella Y. Carrington
Manju Ganeriwala
Thomas A. Gibson, IV
Kermit E. Hale
Charles McConnell
Shekar Narasimhan
David E. Ramos
William C. Shelton

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
Julie Camus, Managing Director of Risk
Jay Howard, Managing Director of Information Technology (Acting)
Fred Bryant, Deputy General Counsel
J.D. Bondurant, Director of Low Income Housing Tax Credit Programs
Toni Ostrowski, Director, Homeownership Lending Programs
Pamela Holmes, Director of Homeownership Servicing
Janice Burgess, Assistant Director, Homeownership Loan Programs
Melody Barackman, Controller
Barry Merchant, Senior Policy Analyst
Jason Thompson, Director of Risk and Organizational Reporting
Zach Mayo, Risk and Organizational Data Analyst
Demas Boudreaux, Legislative Liaison
Sarah Jones-Anderson, Associate Program Liaison
Sandy Edwards, Office Manager

Bonnie McRae, Senior Executive Assistant
Sharon Fairburn, Housing Choice Voucher Program Director
Virginia Kessler, Data Base Administrator
Anna Novitsky, Data Base Administrator
Sherry Estridge, Business Data Reporting Analyst
Chris Keeter, Applications Developer
Shelia Phillips, Director of ePMO
John Jezek, Senior Program Manager - Contractor
Chris Sterling, Virginia Community Development Corporation

Chairman Chapman called the meeting of the Committee of the Whole to order at 9:00 a.m. on February 1, 2017. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting, except Commissioner Ganeriwala, who joined the meeting in progress as noted below and thereafter remained present during the meeting.

Mr. Hawkins and Ms. Fairburn presented a report on the Authority's Housing Choice Voucher (HCV) program which included: how the HCV program relates to the Authority's mission; the Authority's staffing of the HCV program; an overview of how the HCV program functions; the roles of the Authority and local administrative agents in the administration of the HCV program; preferences in selection of HCV applicants; the portability of vouchers; demographic characteristics of voucher recipients; the funding of the HCV program; and the outlook for the HCV program for fiscal year 2018.

Ms. Neale presented a report on the completion of the renovation of the Authority's headquarters on South Belvidere Street, noting that, when the renovation is completed in March, the total cost of the renovation will be slightly under budget.

Ms. Dewey described the formation of a team that is studying the Authority's infrastructure needs regarding office space and parking due to the significant growth in Homeownership loan production. Ms. Dewey also presented a proposal to obtain additional parking spaces in a parking deck to be constructed adjacent to the Authority's property that will serve the Virginia War Memorial. On motion duly made and seconded, the Board of Commissioners authorized the Authority to spend approximately \$1.5 million for 70 parking spaces under a long term lease by the affirmative vote of each of the Commissioners then present at the meeting.

Mr. Carey and Ms. Barackman reported on the Authority's financial results for the fiscal year to date ending December 31, 2016. In their report, they noted the following: net interest margin totaled \$117.8 million which is \$5.0 million lower than the budget plan; programmatic expenses were \$14.2 million, better than budget by \$11.5 million, primarily due to a reduction in the provision for loan losses; administrative expenses were \$32.2 million, lower than budget at \$ 1.6 million; excess revenues were \$69.9 million which is over budget by \$8.7 million; the Authority's net position (total assets less total liabilities) was \$3.1 billion; and total assets and securitized loans totaled \$10.6 billion.

Ms. Dewey, Mr. Carey, Ms. Wigglesworth, Mr. Bowen, and Mr. Hawkins presented a report on the Authority's organizational performance through the six month period ending on December 31, 2016. In this report, they advised the Commissioners as to capital markets activities, including mortgage credit certificate utilization; the Authority's financial strength; the status of loan losses and loan loss provision; homeownership loan production, noting that homeownership loan production in dollars for the first six months of the fiscal year already exceeds such production for the entire previous fiscal year; the level of homeownership activity by month and by product; the disbursements made under the down payment assistance program; the growth and performance of the homeownership loan portfolio; rental housing loan production; the performance of the rental housing loan portfolio; the activities of community outreach in homeownership education and housing choice vouchers; the utilization of REACH funds, including the transfer of \$5 million in REACH subsidy from Homeownership programs to Rental Housing programs; and key uncertainties that may significantly impact the Authority's programs and services.

Ms. Dewey presented a report on the Authority's 2020 Vision strategic plan. In her report, Ms. Dewey noted (i) the addition of an organizational philosophy linking the Authority's financial strength to its mission; (ii) minor changes to the language in the goals; (iii) the addition of metrics to the goals; and (iv) the combination of customer service and vhda.com into one area of emphasis and the addition of infrastructure planning as an area of emphasis under goal 4.

Mr. Bowen and Mr. Bondurant presented a report on the status of the 2016 low-income housing tax credit developments and a recommendation to address developments with equity gaps resulting from the recent decrease in the value of tax credits. The recommendation would require the executive director to exercise her discretion to waive or modify provisions in the Authority's Qualified Allocation Plan deemed appropriate for good cause to promote the goals and interests of the Commonwealth in the federal low-income housing tax credit program. On motion duly made and seconded, Commissioners Chapman, Stedfast, Cannon, Carrington, Ganeriwala, Gibson, Hale, McConnell, Ramos, and Shelton voted in favor of permitting the executive director to exercise discretion to modify provisions in the Authority's Qualified Allocation Plan in the interest of the low-income housing tax credit program in order to provide additional tax credits to developments seeking only to address equity gaps in the funding of their developments resulting from the decrease in the value of tax credits. Commissioner Narasimhan opposed the motion, not wanting to borrow credits from future low-income housing tax credit application cycles. Commissioner Ganeriwala joined the meeting during this report.

Ms. Andersen updated the Committee on developments in improving the vhda.com website, including meeting with a consultant and combining the effort to improve the website with the Authority's emphasis on improving customer service.

There being no further business, the meeting of the Committee of the Whole was adjourned at approximately 12:55 p.m. on February 1, 2017.

Chairman Chapman called the regular meeting of the Board of Commissioners to order at approximately 1:12 p.m. on February 1, 2017. 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 December 6, 2016 were 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 Virginia Kessler” dated February 1, 2017, 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.

Mr. Brennan presented a resolution to approve and ratify the reservations of federal low-income housing tax credits for five developments in the Accessible Supportive Housing pool known as Upper Street Apartments, Angelwood at Westmoreland, Carlton Neighborhood Housing, Old Forest Village, and Alleghany Apartments. On motion duly made and seconded, the resolution entitled “Resolution Approving and Ratifying Reservation of Federal Low-Income Housing Tax Credits” dated February 1, 2017, in the form attached hereto was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

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

Commissioner McConnell, on behalf of the Audit Committee, reported that the Committee had received staff reports on the Authority’s (i) current internal audit activities, including the results of their periodic expense report review and an overview of the results generated to date from the completed ongoing REACH program external partner reviews; (ii) initial planning discussions with KPMG staff related to the annual financial audit; (iii) results of Internal Audit’s quality assurance review process in preparation for the external review scheduled for April; (iv) strategic approach to address training requirements for both the audit staff and identified organizational training essentials; and (v) progress on strategic areas of emphasis involving information security, records management, and procurement process improvements.

Commissioner Shelton reported on recent activities of the Department of Housing and Community Development, including the following: (i) the advancement of the regulatory process to update the state-wide building code; (ii) upcoming input sessions across the Commonwealth for feedback on the 2017-2018 Action Plan for the CDBG, HOME, National Housing Trust Fund, HOPWA and ESG programs; and (iii) an acknowledgement of the contributions of Authority staff in assisting with the Department’s Vibrant Community Initiative.

Ms. Dewey presented her report on operations in which she advised the Commissioners of the following matters: (i) an update on the last meeting of the Housing Policy Advisory Council held on December 19, 2016; and (ii) the Board retreat to be held on April 2-4, 2017 in Alexandria.

There being no further business, the meeting was adjourned at approximately 1:36 p.m. on February 1, 2017.

Timothy M. Chapman, Chairman

Paul M. Brennan
Assistant Secretary

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE
HELD ON JANUARY 31, 2017

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 January 31, 2017 at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMITTEE MEMBERS PRESENT:

Timothy M. Chapman, Chairman
Sarah Stedfast, Vice Chairman
Clarisa McAdoo Cannon
Kermit E. Hale
Charles McConnell

OTHER COMMISSIONERS PRESENT:

Thomas A. Gibson, IV
Shekar Narasimhan
David E. Ramos

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Paul M. Brennan, General Counsel
Arthur N. Bowen, Managing Director of Rental Housing
Patrick J. Carey, Managing Director of Finance
Llewellyn C. Anderson, Managing Director of Executive Services

Chairman Chapman called the meeting of the Committee to order at approximately 6:00 p.m. on January 31, 2017. 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 December 6, 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 meetings of the Audit Committee, the Committee of the Whole and the Board of Commissioners. Mr. Bowen provided an overview of the status of the 2016 low-income housing tax credit developments and staff’s intent to bring a recommendation to the Board to assist developments with equity gaps resulting from the recent decrease in the value of tax credits.

There being no further business, the meeting was adjourned at approximately 6:36 p.m.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE
HELD ON FEBRUARY 1, 2017

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 February 1, 2017 at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMITTEE MEMBERS PRESENT:

Charles McConnell, Chairman
Sarah B. Stedfast
David E. Ramos
Shekar Narasimhan

COMMITTEE MEMBERS ABSENT:

Manju Ganeriwala

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Patrick J. Carey, Managing Director of Finance
Julie Camus, Managing Director of Audit and Enterprise Risk Management
Ross Strodel, Internal Audit Director
Melody Barackman, Controller
Fred Bryant, Deputy General Counsel

The meeting of the Audit Committee was called to order by Committee Chairman McConnell at approximately 8:17 a.m. on February 1, 2017. The members of the Committee listed above as being present at the meeting were present at that time and remained present throughout the meeting, except Commissioner Stedfast who joined the meeting in progress as noted below and thereafter remained present during the meeting.

On motion duly made and seconded, the minutes of the meeting of the Finance and Audit Committee held on December 7, 2016 were approved by the affirmative vote of each of the members of the Committee then present at the meeting.

Mr. Strodel presented the results of Internal Audit’s periodic Expense Report review and an overview of the results generated to date from the REACH program external partner reviews. In response to committee members’ inquiries, Ms. Barackman provided a brief summary of the travel plan, expense report and company credit card procedures. During this report, Commissioner Stedfast joined the meeting.

Mr. Strodel provided an update regarding active audits, including (a) the procedures in the ITS department for updates or “patches” to computer programs and (b) review of the Housing Choice Voucher Section 8 Management Assessment Program Certification (“SEMAP”) reporting process.

Mr. Strodel also informed the committee regarding (a) initial planning discussions with KPMG staff related to the annual financial audit, (b) the results of Internal Audit's internal quality assurance review process in preparation for the external review scheduled for April, and (c) Internal Audit's strategic approach to address training requirements for both the audit staff and identified organizational training essentials.

Ms. Camus presented an update on four areas in the Authority's Strategic Goal 4: procurement, records management, information security, and compliance and risk. Updates included (a) training on the "cloud" for the Audit and Risk and Legal Departments, (b) the ongoing anti-phishing activities and training, (c) the ongoing recruitment of an Information Security Officer and the plans to engage an outside contractor to assist with the information security duties, (d) revisions to the authorized officer matrix, (e) the preparation of a strategic recommendation to the Executive Director regarding procurement, and (f) the hiring of a Senior Procurement Officer. In response to committee members' inquiries, Ms. Dewey provided a brief summary of the Authority's policy on use of texting for business purposes.

There being no further business, the meeting was adjourned at 8:54 a.m. on February 1, 2017.