

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE
HELD ON FEBRUARY 13, 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 February 13, 2018 at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMITTEE MEMBERS PRESENT:

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

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Paul M. Brennan, General Counsel
Barbara Blankenship, Managing Director of Human Resources
Arthur N. Bowen, Managing Director of Rental
Patrick J. Carey, Managing Director of Finance

Vice Chairman McAdoo Cannon called the meeting of the Committee to order at approximately 6:40 p.m. on February 13, 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 December 6, 2017 were approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Mr. Brennan and Ms. Blankenship updated the Committee on the Authority's need for more parking and office staff space and presented a potential short term solution while the Authority considered options for a long-term solution to the need for more space.

The Committee discussed the process for the nomination of the Chairman of the Board of Commissioners. Commissioner Chapman made a motion to recommend the nominations of Commissioner Hale for Chairman of the Board of Commissioners and Commissioner McConnell seconded the motion. The motion was approved by the affirmative vote of each of the members of the Committee 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. Mr. Bowen updated the Committee on the process for amending the Authority's Qualified Allocation Plan. Mr. Brennan updated the Committee on the Authority's policy regarding unsubordinated ground leases.

Ms. Blankenship presented a proposal for a mid-year bonus for the Executive Director. The members of the Committee discussed the proposal and approved the amount of the mid-year bonus that the Committee would recommend to the Board of Commissioners.

There being no further business, the meeting was adjourned at approximately 7:48 p.m.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE COMMITTEE OF THE WHOLE
AND THE REGULAR MEETING OF THE COMMISSIONERS
HELD ON FEBRUARY 14, 2018

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

COMMISSIONERS PRESENT:

Clarissa McAdoo Cannon, Vice Chairman
Lemella Y. Carrington
Timothy M. Chapman
Manju Ganeriwala
Kermit E. Hale
Erik Johnston
Charles McConnell

COMMISSIONERS ABSENT:

Thomas A. Gibson, IV
Shekar Narasimhan
David E. Ramos
William C. Shelton

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Arthur N. Bowen, Managing Director of Rental Housing
J. Michael Hawkins, Managing Director of Community Outreach
Paul M. Brennan, General Counsel
Patrick J. Carey, Managing Director of Finance
Tammy Neale, Chief Learning Officer
Llewellyn C. Anderson, Managing Director of Executive Services
Julie Camus, Managing Director of Risk
Toni Ostrowski, Director, Homeownership and Lending Programs
Pamela Holmes, Director of Single Family Servicing
Janice Burgess, Assistant Director, Homeownership Loan Programs
Dale Wittie, Director of Rental Housing Programs
J.D. Bondurant, Director of Low Income Housing Tax Credit Programs
Melody S. Barackman, Controller
Demas Boudreaux, Legislative Liaison
Jason Thompson, Director of Risk and Organizational Reporting
Zach Mayo, Risk and Organizational Data Analyst
Fred Bryant, Deputy General Counsel
David Henderson, Assistant Controller
Barry Merchant, Senior Policy Analyst
Hope Coleman Rutter, Senior Tax Credit Allocation Officer
Shayla Bailey, Senior Program Compliance Officer
Carmen Dodl, Program Support Analyst

Chris Moran, Compliance Officer
Megan Bryant, Asset Manager
Alex Barahona, Call Center Quality Analyst
Doricka Jeter, Customer Service/ Escrow Specialist
Amy Rubinos, Quality Review Analyst
Stephanie Flanders, Tax Credit Allocation Analyst
Sandy Edwards, Office Manager
Courtney Insley, Executive Administrator
Sarah Jones-Anderson, Program Liaison

Vice Chairman McAdoo Cannon called the meeting of the Committee of the Whole to order at 8:45 a.m. on February 14, 2018. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting.

Vice Chairman McAdoo Cannon welcomed Commissioner Johnston to the Board.

Ms. Dewey introduced the members of the Authority's Emerging Leaders Program that would be observing the meeting of the Committee of the Whole and the regular meeting of the Commissioners.

Vice Chairman McAdoo Cannon called for the election of the Board's Chairman for the remainder of the fiscal year, which would become effective immediately following the election. Vice Chairman McAdoo Cannon reported that the Executive Committee recommended the nomination of Commissioner Hale for Chairman. Vice Chairman McAdoo Cannon declared the floor open for nominations for Chairman. Commissioner Chapman nominated Commissioner Hale, and Commissioner McConnell 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 then present at the meeting. Chairman Hale then assumed the chair.

Mr. Bowen and Mr. Bondurant reported on the changes under consideration to the Qualified Allocation Plan for the federal low-income housing tax credits for calendar year 2019 and 2020 allocation cycles; including revisions to (i) green building requirements, (ii) cost limits; (iii) administrative timing issues, (iv) developer fees; and (v) other miscellaneous changes. Mr. Bondurant noted that the changes under consideration will be presented to stakeholders at a forum to be held on February 15, 2018 and proposed changes to the Qualified Allocation Plan would be presented to the Commissioners at the regional meeting in April.

Mr. Carey advised the Board on the salient features of the Authority's proposed Rental Housing Bonds, 2018 Series A-Non-AMT with a maximum issue size of \$65 million that will finance mortgage loans for approximately four 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 A-Non-AMT are expected to be determined by competitive bid. Mr. Carey next presented the salient features of the Authority's proposed Rental Housing Bonds, 2018 Series B-Non-AMT with a maximum issue size of \$110 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 B-Non-AMT may be selected on the basis of performance in recent Authority competitive bids.

Mr. Henderson reported on the Authority's financial results for the fiscal year-to-date ending December 31, 2017. In his report, Mr. Henderson noted the following: year-to date excess revenues are \$82.1 million (prior to GASB adjustments), \$24.9 million higher than budget and \$12.2 million higher than last fiscal year; net interest margin for year-to-date totaled \$128.9 million, which is \$3.9 million higher than the budget plan; year-to-date programmatic expenses were \$12.0 million, which is \$14.0 million less than budget, primarily due to delayed spending in grants, higher ancillary fee income and loan loss provision and expenses; year-to-date administrative expenses were \$33.2 million, \$6.5 million less than budget, primarily due to lower spending on staffing costs; technology costs and marketing. Due to rising interest rates, excess revenues over expenses have been reduced by \$3.0 million year-to date due to GASB adjustments, however such adjustments do not affect operational funding. 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. The Authority's net position (total assets less total liabilities) was \$3.2 billion, which is 5.6% greater than last year.

Mr. Carey, Mr. Hawkins, Mr. Bowen and Ms. Ostrowski presented the Authority's mid-year strategic report and year-to-date progress on the metrics that show the Authority's progress in addressing the goals of the Authority's strategic plan; that included: (i) the Authority's current financial position and the REACH *Virginia* resources resulting from that position; (ii) the response rate to the survey of the affordable housing delivery network; (iii) a timeline for the use of Authority resources to support state housing initiatives; (iv) the number of rental units produced for unmet rental needs in Virginia; (v) the Authority's homeownership market share in underserved markets; and (vi) a timeline for the implementation of a post-purchase homeownership education class.

Mr. Brennan and Mr. Bowen presented an overview of the Board's policy regarding unsubordinated ground leases in Rental Housing loan financing and the staff's recommendation not to change the current policy to permit unsubordinated ground leases for church-owned property.

Ms. Anderson briefed the Commissioners on a new community engagement report that will be added to the Board materials.

Commissioner Johnston reported on recent activities of the Department of Housing and Community Development, including the following: (i) work on the Consolidated Five-Year Plan and the upcoming public hearing on March 30, 2018; (ii) the joint effort of the Department and Virginia Economic Development Authority to create a strategy for the Governor to designate Opportunity Zones; (iii) the review of ten applications for funding under the Department's Vibrant Community Initiative; (iv) the receipt of thirty applications for funding under the Department's Homeless Solutions Program; (v) monitoring the General Assembly for the possibility of state appropriations for supportive services for persons with severe mental illness; and (vi) the announcement of the Fostering Futures pilot program.

Ms. Dewey presented her report on operations in which she advised the Commissioners of the following matters: (i) a bill introduced in the General Assembly that would require the Authority to create a pilot homeownership loan program was referred to the Housing Commission for further study; (ii) the Authority is reviewing its programs to determine if there are any opportunities to address the findings identified in the Housing Policy Advisory Council

(HPAC) report and plans to provide an overview of the report's findings to the Board at the regional meeting in April; (iii) the Virginia Chamber of Commerce includes a specific reference to housing as a component of economic development as part of its new strategic plan for economic development in Virginia (Blueprint for Virginia 2025) and that Ms. Dewey is a member of the Virginia Chamber Foundation Advisory Board; (iv) plans to have a series of meeting with federal, state and local elected officials to inform them about the Authority's programs; (v) the education sessions that will be presented to the Board in upcoming meetings include succession management, financial reports and capital markets, programmatic risk, and homeownership loss mitigation; (vi) the regional meeting of the Board to be held on April 8-10, 2018 in Lynchburg and (vii) the Governor's Housing Conference to be held on November 14-16, 2018 in Arlington.

There being no further business, the meeting of the Committee of the Whole was adjourned at approximately 11:48 a.m. on February 14, 2018.

Chairman Hale called the regular meeting of the Board of Commissioners to order at approximately 12:05 p.m. on February 14, 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 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, 2017 were approved by the affirmative vote of each of the Commissioners then present at the meeting.

The resolution entitled "Resolution in Recognition and Appreciation of Lemella Y. Carrington" dated February 14, 2018, was read by Chairman Hale, and on motion duly made and seconded, was approved in the form attached hereto by the affirmative vote of each of the Commissioners then present at the meeting.

On motion duly made and seconded, the resolution entitled "Resolution in Recognition and Appreciation of Sarah B. Stedfast" dated February 14, 2018 was approved in the form attached hereto 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 (i) discussed the nomination of the Chairman; (ii) discussed and reviewed the agendas for the committee meetings and the meeting of the Board of Commissioners; and (iii) reviewed a matter that would be discussed in closed session.

Commissioner McConnell, on behalf of the Audit Committee, reported that the Committee had received and discussed staff reports on the Authority's (i) current internal audit activities, including the results of the audits of the Anti-Money Laundering and the status of active audits; (ii) information security program and the status of completed and current open projects; and (iii) progress on strategic areas of emphasis involving records management and compliance and risk. Internal Audit also confirmed ongoing conformance with Professional Standards.

On motion duly made and seconded, a resolution that the Commissioners convene in closed session to discuss and consider the acquisition of real property for public purpose in accordance with Section 2.2-3711.A.3 of the Code of Virginia and further that Ms. Dewey, Ms. Blankenship 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. On motion duly made and seconded, a motion to authorize staff to enter into a lease for additional temporary office space was approved by a vote of the Commissioners. Commissioners Hale, McAdoo Cannon, Chapman, McConnell, Ganeriwala and Carrington voted in favor of motion; and Commissioner Johnston voted to abstain from the motion.

Ms. Blankenship presented the Executive Committee's proposal for a mid-year bonus for the Executive Director. On motion duly made and seconded, a motion to approve the Executive Committee's proposal for the mid-year bonus for the Executive Director was approved by a vote of the Commissioners. Commissioners Hale, McAdoo Cannon, Chapman, McConnell, Ganeriwala and Carrington voted in favor of motion; and Commissioner Johnston voted to abstain from the motion.

There being no further business, the meeting was adjourned at approximately 1:04 p.m. on February 14, 2018.

Kermit E. Hale, Chairman

Paul M. Brennan
Assistant Secretary

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE
HELD ON FEBRUARY 14, 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 February 14, 2018 at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMITTEE MEMBERS PRESENT:

Charles McConnell, Chairman
Manju Ganeriwala

COMMITTEE MEMBERS ABSENT:

Shekar Narasimhan
David E. Ramos

OTHER COMMISSIONER PRESENT:

Clarissa McAdoo Cannon

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Patrick J. Carey, Managing Director of Finance
Julie Camus, Managing Director of Enterprise Risk Management
J. Kyle Howard, Managing Director of Information Technology
Ross Strodel, Internal Audit Director
Fred Bryant, Deputy General Counsel
David Kohan, Enterprise Information Security Officer
David Henderson, Director of Accounting and Administration
Melody Barackman, Controller
Jeff Quann, Senior Counsel

The meeting of the Audit Committee was called to order by Committee Chairman McConnell at approximately 8:10 a.m. on February 14, 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 December 6, 2017 were approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Mr. Strodel presented the results of the completed audits covering the Bank Secrecy Act (BSA)/Anti Money Laundering (AML) and Office of Foreign Assets Control (OFAC) Policy and the IT Asset Management Processes. Mr. Strodel also referenced the written Board materials detailing the current status of active audits involving Low Income Housing Tax Credit Allocations, Periodic Expense Report Processing, Rental Development Activities, and Mortgage Credit Certificate and Down Payment Assistance Programs. Mr. Strodel also confirmed Internal Audit's ongoing conformance with Professional Standards.

Mr. Kohan provided an update on enterprise information security activities and the status of completed and current open projects, including the data classification program and the Information Security Office (ISO) blueprint.

On motion duly made and seconded, the Audit Committee delegated their authority to approve the Authority's written Information Security Program to the Information Security Governance Committee. This review and approval is to be conducted annually pursuant to the Gramm-Leach-Bliley Act (GLBA). The Information Security Governance Committee shall report back to the Audit Committee annually on such program.

Ms. Camus provided an update on Records Management and the Compliance and Risk strategic goals, including the project to review and update VHDA's internal administrative regulations and the procurement task force.

There being no further business, the meeting was adjourned at 8:30 a.m. on February 14, 2018.