

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE COMMITTEE OF THE WHOLE  
AND THE REGULAR MEETING OF THE COMMISSIONERS  
HELD ON JUNE 8, 2016

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 June 8, 2016 at the Authority's offices at the Virginia Housing Center, 4224 Cox Road, Glen Allen, 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  
Marjorie N. Leon  
Charles McConnell  
William C. Shelton

COMMISSIONER ABSENT:

Shekar Narasimhan

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  
Pamela Holmes, Director of Single Family Servicing  
Michele G. Watson, Director, Homeownership Strategic Relationships  
J.D. Bondurant, Director of Low Income Housing Tax Credit Programs  
Barry Merchant, Senior Policy Analyst  
Fred Bryant, Deputy General Counsel  
Sandy Edwards, Office Manager

J. Judson McKellar, Jr., Contractor  
James Chandler, Contractor  
Jason Thompson, Organizational Health Reporting and Risk Analyst  
Jaynell Pittman-Shaw, Senior Tax Credit Allocation Officer  
Hope Coleman Rutter, Tax Credit Allocation Officer  
Stephanie Flanders, Tax Credit Allocation Analyst  
Pamela Schwartzenburg-Freeth, Tax Credit Allocation Coordinator  
Kim Hart, Windy Hill Foundation  
Hollis Fitch, Flatirons Partners LLC  
Miles Leon, S.L. Nusbaum Realty Co.  
Richard Counselman, S.L. Nusbaum Realty Co.  
Thurl Montgomery, S.L. Nusbaum Realty Co.  
Ryne Johnson, Astoria, LLC

Chairman Chapman called the meeting of the Committee of the Whole to order at 11:03 a.m. on June 8, 2016. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting, except Commissioner Shelton, who left the meeting as noted below.

Mr. Bowen and Mr. Bondurant reviewed the rules of ranking for the low-income housing tax credit applications; presented a report on the final rankings for reservations of the low income housing tax credits in 2016; recommended reservations of tax credits to the developments having scores high enough to receive all of the approved amount of tax credits in each of the pools, all the developments in the Tier One At-Large Pool, and The Village at Oakview, Cypress Terrace Apartments and Oyster Point-Brighton Apartments from the Local Housing Authority Pool; and reported on the amount of tax credits that would need to be pre-allocated from the 2017 tax credit program to reserve tax credits to the recommended developments. Commissioner Chapman opened the discussion for public comment.

Two members of the public requested an opportunity to make comments during the public comment period of the meeting. Mr. Hart and Mr. Fitch spoke in favor of reserving low income housing tax credits to Heronview Apartments.

Upon conclusion of the public comment, the Board discussed the reservations of tax credits as recommended by the staff. On motion duly made and seconded, a motion that the staff proceed with the reservations of tax credits to the developments having scores high enough to receive all of the approved amount of tax credits in each of the pools, all the developments in the Tier One At-Large Pool, and The Village at Oakview, Cypress Terrace Apartments and Oyster Point-Brighton Apartments from the Local Housing Authority Pool was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Mr. Carey made a presentation on the Authority's proposed annual budget for fiscal year 2017. During this presentation, the Commissioners and the staff discussed the following matters: (1) the significant financial drivers affecting the proposed budget; (2) a comparison of the major components of the budget for the fiscal year 2016 budget, the budget projected for fiscal year 2016 and the proposed budget for fiscal year 2017; (3) the projections and estimates affecting the net interest margin, the dollar amount of loans and the number of units of production in the

Authority's single family and multi-family loan programs since 2010, the dollar amount of multi-family and single family loan assets and single family securitizations since 2010, and the net interest margin trend since 2010; (4) the major components of the programmatic expenses and administrative expenses included in the proposed budget in comparison to the fiscal year 2016 projected expenses and the trends in those expenses since 2010; (5) the depreciation expense included in the proposed budget in comparison to the fiscal year 2016 projected expense; (6) the excess revenues included in the proposed budget in comparison to the fiscal year 2016 projected excess revenues and the excess revenue trend since fiscal year 2005; (7) the capital expenditures included in the proposed budget; and (8) an update on the costs of the renovation to the headquarters on Belvidere Street and the estimated cost of renovations to the Virginia Housing Center.

The meeting of the Committee of the Whole was recessed at 11:55 a.m. on June 8, 2016. Chairman Chapman reconvened the meeting of the Committee of the Whole at 12:20 p.m. on June 8, 2016. All of the Commissioners listed above as present at the meeting were present at that time, except Commissioner Shelton, who left the meeting during the recess and did not return to the meeting.

Ms. Dewey presented a report on (1) the Authority's key financial, programmatic and administrative accomplishments during fiscal year 2016; (2) the bond ratings of the Authority in comparison to the ratings of other state housing finance agencies by Moody's Investor Service and by Standard & Poor's as of September 2015 and a summary of remarks on the Authority by Standard & Poor's in May 2016 and by Moody's Investor Service in April 2016, (3) comparisons of excess revenues, net assets and loan production with other state housing authorities; and (4) the community support activities of the Authority.

Ms. Dewey and Mr. Carey presented a report on compensation of the Authority staff. This report included a review of the Board of Commissioners' approvals on compensation since 2010 and a recommendation for the combined pool for staff merit and bonuses for the current year. Chairman Chapman, on behalf of the Executive Committee, reported that the Executive Committee recommended approval of a combined pool for staff merit and bonuses in an amount equal to 9% of fiscal year 2016 salaries to be allocated between staff merit increases and bonuses as the Executive Director shall determine. Commissioner Fahl then moved a resolution to approve the combined pool for staff merit and bonuses as recommended by the Executive Committee and the motion was seconded. During discussion of the motion, Commissioner Ashe moved to amend the resolution to increase the percentage of fiscal year 2016 salaries for the combined pool for staff merit and bonuses from 9% to 10% to recognize the staff's outstanding performance and record excess revenues during the past fiscal year and the motion was seconded. The motion to amend the resolution failed to pass by a vote of 3 to 6 with Commissioners Ashe, Chapman and Steadfast voting yes and Commissioners Carrington, Fahl, Ganeriwala, Hale, Leon and McConnell, voting no. Commissioner Fahl's motion to approve the combined pool for staff merit and bonuses equal to 9% of fiscal year 2016 salaries to be allocated between staff merit increases and bonuses as the Executive Director shall determine, as recommended by the Executive Committee, was approved by the affirmative vote of each of the Commissioners then present at the meeting.

On motion duly made and seconded, the resolution entitled “Resolution - Adoption of 2017 Fiscal Year Operating Budget” dated June 8, 2016 in the form attached hereto, as amended to include the portion of the pool representing the amount of merit increases to be determined by the Executive Director, was approved by the affirmative vote of each of the Commissioners then present at the meeting.

Ms. Dewey reported to the Committee that the Authority is in the process of switching to a new software system for administering leave and that the Authority will alter its current practice of processing payroll from Wednesday to Tuesday to processing payroll from Sunday to Saturday. It was the consensus of the Committee that the Authority continue to pay salary without interruption to associates and allow payroll to accrue to the associates when the Authority changes the manner in which it processes payroll in connection with the implementation of a new software system.

There being no further business, the meeting of the Committee of the Whole was adjourned at approximately 1:12 p.m. on June 8, 2016.

Chairman Chapman called the regular meeting of the Board of Commissioners to order at approximately 1:12 p.m. on June 8, 2016. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting, except Commissioner Shelton, who was not present at the Board 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 retreat and regular meeting of the Commissioners held on April 10-12, 2016 were approved by the affirmative vote of each of the Commissioners then present at the meeting.

Chairman Chapman noted that the meeting was the last Board meeting for Commissioner Leon and Commissioner Ashe, and he thanked them on behalf of the Board for their service to the Authority. Chairman Chapman also noted that the meeting was the last Board meeting during Commissioner Fahl’s current four year term of appointment, but that Commissioner Fahl was seeking re-appointment to another term.

Ms. Dewey presented and discussed with the Commissioners the Authority’s 2020 Vision and Strategic Direction focusing on (i) three program goals to (a) address state housing needs in partnership with the housing delivery network; (b) address unmet rental needs of low income and critical needs populations with emphasis on economically integrated communities; and (c) create home ownership opportunities for first time home buyers with specific emphasis on underserved markets; and (ii) a goal of strengthening internal strategic operations involving information security, records management, compliance and risk, procurement, vhda.com, training, customer service and data analytics. On motion duly made and seconded, the Authority’s 2020 Vision and Strategic Direction was approved by the affirmative vote of each of the Commissioners then present at the meeting.

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, including staff reports on (i) the final rankings for reservations of the low income housing tax credits in 2016; (ii) the Authority's key accomplishments for fiscal year 2016; (iii) the Authority's operating budget for fiscal year 2016, and (iv) the staff recommendation on the combined pool for staff merit and bonuses. Commissioner Fahl reported that the Committee, in its role as the nominating committee for the positions of Chairman and Vice Chairman of the Board, recommended that Commissioner Chapman be nominated for Chairman and Commissioner Stedfast be nominated for Vice Chairman at the next Board meeting in August.

Commissioner McConnell, on behalf of the Finance and Audit Committee, reported that the Committee had (i) received a presentation from KPMG on its plan for the audit of the Authority's fiscal year 2016 financial statements; (ii) received and discussed the Authority's monthly financials and budget comparisons for the period ended April 30, 2016; (iii) discussed possible topics for a risk presentation to be presented to the Board; and (iv) reviewed the current organizational structure of Internal Audit. Commissioner McConnell reported that the Committee reviewed revisions to the Audit Committee Charter and approved a revised Internal Audit Charter. Commissioner McConnell reported that the Committee recommended approval of the Audit Committee Charter as revised. On motion duly made and seconded, the revised Audit Committee Charter, in the form attached hereto, was approved by the affirmative vote of each of the Commissioners then present at the meeting. Commissioner McConnell reported that the Committee received staff reports on the Authority's (i) internal audit activities; (ii) planned enterprise risk activities; and (iii) progress on strategic areas of emphasis involving procurement, records management, information security, and compliance and risk.

Commissioner Fahl, on behalf of the Operations Committee, reported that the Committee had received and discussed staff reports on the following: (a) in the case of the homeownership loan program - (i) the Down Payment Assistance Program went live on March 14, 2016 and the program is going better than anticipated with 1,483 active grants totaling approximately \$9,600,000 as of June 1, 2016; and (ii) the Mortgage Credit Certificate program has committed 1,318 certificates totaling approximately \$51,000,000; (b) in the case of the rental loan program – (i) projected loan production for fiscal year 2016 is 4,300 units for a loan volume of approximately \$350,000,000, with approximately 75% (3,200) of the units financing targeted households with incomes less than 60% of area median; (ii) work with Redevelopment and Housing Authorities across the Commonwealth on HUD RAD deals has produced over \$8,500,000 in financing for the rehabilitation of 528 public housing units; (iii) the acquisition and renovation of the Lorton Hill, an adaptive reuse project, was financed and the loan on a second phase of this project is being underwritten; and (iv) four properties from the Authority's multi-family REO portfolio were sold in fiscal year 2016 totaling \$34,675,000 in sales proceeds resulting in an accounting gain of \$9,600,000 over book value and reducing the REO portfolio to four remaining properties; (c) in the case of community outreach activities - the staff reported on the progress of planning efforts with the Piedmont Housing Alliance in Charlottesville on the transformation of Friendship Court as part of the Authority's Community Impact Grant process; (d) in the case of REACH *Virginia* utilization – the use of \$35,000,000 REACH *Virginia* funds in fiscal year 2016 (\$18,500,000 in new annual allocation and \$16,000,000 in reserves) is anticipated leaving approximately \$6,000,000 in REACH *Virginia* reserves available for fiscal year 2017; (e) in the case of the Project Management Office – (i) the last stage of the renovation to the Authority's Headquarters is almost complete and (ii) planning for security upgrades to the

Virginia Housing Center has started; and (f) in the case of the strategic areas of emphasis – staff described plans to strengthen and improve customer service, vhda.com, external and internal training, and data analytics.

Chairman Chapman, on behalf of the Committee of the Whole, reported that the Committee had received and discussed staff reports on the final low-income housing tax credits rankings for 2016 and that the Committee has authorized the staff to proceed with the reservations of tax credits to developments as recommended by staff. Commissioner Chapman reported that the Committee had reviewed the Authority’s proposed operating budget for fiscal year 2017 and the key accomplishments of the Authority for fiscal year 2016 and that the Committee had approved the Authority’s operating budget for fiscal year 2017 with the combined pool for staff merit and bonuses as recommended by the Executive Committee.

Ms. Dewey, on behalf of Commissioner Shelton, reported on recent activities of the Department of Housing and Community Development, including the following: the completion and filing of the annual action plan under the Consolidated Plan that governs the Community Development Block Grant, HOME, Emergency Solutions Grant, Housing for Persons with AIDS and the Federal Housing Trust Fund. The action plan continues existing programs, including the Vibrant Communities Initiative; adds a rural single-family rehabilitation program under HOME; and establishes an allocation process for the Federal Housing Trust Fund.

Ms. Dewey presented her report on operations in which she advised the Commissioners of the following matters: the success of the Annual Don Ritenour Golf Classic, the Authority’s charity golf tournament held on May 26, 2016; an update on the last meeting of the Housing Policy Advisory Council held on June 3, 2016; the Governor plan to proclaim June as Virginia Homeownership Month on June 13, 2016 at the Authority’s headquarters; the Virginia Housing Alliance annual awards luncheon to be held in Richmond on June 16, 2016; the annual HAND luncheon to be held in Arlington on June 21, 2016; the annual meeting of the Board of Commissioners to be held on August 2 and 3, 2016; and the Governor’s Housing Conference to be held in Roanoke on November 16-18, 2016. Ms. Dewey also recognized Ms. Watson, Mr. McKellar and Mr. Chandler for the forty plus years of service that each of them had accumulated upon their retirement from the Authority.

There being no further business, the meeting was adjourned at approximately 1:51 p.m.

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Timothy M. Chapman, Chairman

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Paul M. Brennan  
Assistant Secretary