

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE COMMITTEE OF THE WHOLE
AND THE REGULAR MEETING OF THE COMMISSIONERS
HELD ON JUNE 7, 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 June 7, 2017 at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMISSIONERS PRESENT:

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

COMMISSIONER ABSENT:

Clarissa McAdoo Cannon
Shekar Narasimhan

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Arthur N. Bowen, Managing Director of Rental Housing
Janet Wigglesworth, 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
Llewellyn C. Anderson, Managing Director of Executive Services
Julie Camus, Managing Director of Risk
J. Kyle Howard, Managing Director of Information Technology (Acting)
Toni Ostrowski, Director, Homeownership and Lending Programs
Pamela Holmes, Director of Single Family Servicing
Janice Burgess, Assistant Director, Homeownership Loan Programs
J.D. Bondurant, Director of Low Income Housing Tax Credit Programs
Fred Bryant, Deputy General Counsel
Barry Merchant, Senior Policy Analyst
Jason Thompson, Organizational Health Reporting and Risk Analyst
Demas Boudreaux, Legislative Liaison
Neal Rogers, Director of Compliance and Asset Management

Sandy Edwards, Office Manager
Courtney Insley, Executive Administrator
Ron Reger, Risk Manager
Jaynell Pittman-Shaw, Senior Tax Credit Allocation Officer
Hope Coleman Rutter, Senior Tax Credit Allocation Officer
Shelia Stone, Senior Tax Credit Allocation Officer
Stephanie Flanders, Tax Credit Allocation Analyst
Pamela Schwartzenburg-Freeth, Tax Credit Allocation Coordinator
Joe Feaser, Senior Finance Manger
Andrew Klein, Principal, Titan Group
Quinn Pregliasco, Dantes Partners
Nathaniel Pride, Executive Director, Petersburg Housing Authority
Maurice Perry, Bank of America
Sandra Powell, Newport News Redevelopment and Housing Authority
Hugh Forehand, Newport News Redevelopment and Housing Authority
Jim Chandler
Tom Johnson, S.L. Nusbaum Realty Co.
Richard Counselman, S.L. Nusbaum Co.
Thaler McCormick, For Kids
Charles Dane, Assistant City Manager, Hopewell
Jake Elder, Hopewell
Craig Patterson, The Woda Group, Inc.
Bruce Watts, The Woda Group, Inc.
Evan Kauffman, Hopewell
Jeffery Meyers, Virginia Community Capital Corporation
Robert Margolis, TMS Associates Management, Inc.
Ari Severe, TMS Associates Management, Inc.
Ryne Johnson, Astoria, LLC

Chairman Chapman called the meeting of the Committee of the Whole to order at 9:05 a.m. on June 7, 2017. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting.

Mr. Bowen and Mr. Bondurant gave an overview of the applications requesting low-income housing tax credits in the 2017 competitive round; reviewed the rules of ranking for such applications; presented a report on the final rankings for reservations of the low income housing tax credits in 2017; 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 Pin Oaks Estates and Lassiter Courts from the Local Housing Authority Pool; and reported on the amount of tax credits that would need to be pre-allocated from the 2018 tax credit program to reserve tax credits to the recommended developments. Commissioner Chapman opened the discussion for public comment.

Five members of the public requested an opportunity to make comments during the public comment period of the meeting. Mr. Pride and Mr. Perry spoke in favor of reserving low income housing tax credits to Pin Oaks Estates. Mr. Forehand spoke in favor of reserving low income housing tax credits to Lassiter Courts and Spratley House. Mr. Counselman spoke in

favor of reserving low income housing tax credits to Riverbend Apartments. Mr. Peterson spoke in favor of reserving low income housing tax credits to Freedman Point.

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 Pin Oaks Estates and Lassiter Courts 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.

Ms. Dewey presented key talking points on the Authority's Business Model and Operating Principles that help describe the Authority, its accomplishments, and its future.

Ms. Dewey, Mr. Hawkins, Mr. Bowen and Ms. Wigglesworth presented a report on changes to the fiscal year 2018 allocation of REACH *Virginia* funds resulting in a decrease in the allocation to the Homeownership's down payment assistance program and increases in the allocations to Rental's targeted initiatives and Community Outreach's homeownership market support program.

Mr. Carey made a presentation on the Authority's proposed annual budget for fiscal year 2018. 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 fiscal year 2016 actuals, the fiscal year 2017 projected and the proposed budget for fiscal year 2018; (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 2011, the dollar amount of multi-family and single family loan assets and single family securitizations since 2011, and the net interest margin trend since 2011; (4) the major components of the programmatic expenses and administrative expenses included in the proposed budget in comparison to the fiscal year 2017 projected expenses and the trends in those expenses since 2011; (5) the depreciation expense included in the proposed budget in comparison to the fiscal year 2017 projected expense; (6) the excess revenue over expenses included in the proposed budget in comparison to the fiscal year 2017 projected excess revenue over expenses and the excess revenue trend since fiscal year 2007; and (7) the capital expenditures included in the proposed budget. Mr. Carey also presented a report on (1) 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; (2) a summary of remarks on the Authority by Standard & Poor's and by Moody's Investor Service; (3) comparisons of excess revenues, net assets and loan production with other state housing authorities; and (4) a summary of the REACH *Virginia* program.

Ms. Dewey presented a report on the Authority's key financial, programmatic and administrative accomplishments during fiscal year 2017.

Ms. Dewey, Ms. Blankenship, Mr. Carey and Mr. Klein 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 and a mid-year bonus pool. 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 \$2,921,000 to be allocated between staff merit increases and bonuses as the Executive Director shall determine and a mid-year bonus pool equal to \$1,623,000. Commissioner Hale 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. Commissioner Hale's motion to approve the combined pool for staff merit and as recommended by the Executive Committee was approved by the affirmative vote of each of the Commissioners listed above as present at the meeting.

On motion duly made and seconded, the resolution entitled "Resolution - Adoption of 2018 Fiscal Year Operating Budget" dated June 7, 2017 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 and the mid-year bonus pool, was approved by the affirmative vote of each of the Commissioners then present at the meeting.

There being no further business, the meeting of the Committee of the Whole was adjourned at approximately 12:33 p.m. on June 7, 2017.

Chairman Chapman called the regular meeting of the Board of Commissioners to order at approximately 12:37 p.m. on June 7, 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 retreat and regular meeting of the Commissioners held on April 2-4, 2017 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 Joy Bolling" dated June 7, 2017, was read by Mr. Reger, 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 June 7, 2017, in the form attached hereto was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Mr. Brennan presented a resolution authorizing staff to join a limited liability company for purpose of submitting a proposal to the Department of Housing and Urban Development to serve as Project-Based Contract Administrator for Section 8 project-based assisted developments in Virginia. A motion to recommend approval of the resolution entitled "Resolution - Project Based Contract Administration" dated June 7, 2017 was duly made and seconded and was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Mr. Brennan presented a resolution to use \$753,162,500 of the Authority's private activity bond authority for the mortgage credit certificate program. A motion to recommend approval of the resolution entitled "Mortgage Credit Certificate Program Resolution" dated June 7, 2017 was duly made and seconded and 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 discussed (i) plans regarding membership with the National Council of State Housing Agencies; (ii) the staff recommendation on the combined pool for staff merit and bonuses and a mid-year bonus pool. Chairman Chapman also reported the Committee (i), in its role as the nominating committee for the positions of Chairman and Vice Chairman of the Board, recommended that Commissioner Stedfast be nominated for Chairman and Commissioner Cannon be nominated for Vice Chairman at the next Board meeting in August; and (ii) reviewed the agendas for the committee meetings and the meeting of the Board of Commissioners.

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 2017 financial statements; and (ii) reviewed revisions to the Audit Committee 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 noted above as present at the meeting. Commissioner McConnell also reported that the Committee (i) approved revisions to the Internal Audit Charter; (ii) received a report on an independent quality assurance review of Internal Audit; and (iii) received updates on internal audit activities, an investigation into operational irregularities, and progress on strategic areas of emphasis involving information security, records management, and compliance and risk.

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, which assumes level funding for the upcoming year; and the Governor's announcement of \$8.4 million in Affordable and Special Needs Housing loans for 15 projects in 13 localities with funding from the HOME Investment Partnership Program, the National Housing Trust Fund, the Virginia Housing Trust Fund and Permanent Supportive Housing. Commissioner Shelton also thanked Authority staff for its involvement in the loans to the projects announced by the Governor.

Ms. Dewey presented her report on operations in which she advised the Commissioners of the following matters: (i) a tax-credit development in Loudoun County called Birchwood at Brambleton would be granted an exception to the cost limits because construction costs in Loudoun County are essentially the same as in Fairfax, which falls into the inner-northern Virginia region with higher cost limits and that the Authority intends to consider the inclusion of this portion of Loudoun County in the Inner inner-northern Virginia region when the QAP is updated next year; (ii) the Authority's intention to withhold membership dues for the National Council of State Housing Agencies due at the end of June; (iii) the success of the Annual Don Ritenour Golf Classic, the Authority's charity golf tournament held on May 25, 2017; (iv) an update on the plans for additional parking at the Authority; (v) the selection of Lynchburg as the

location for the next Board retreat; (vi) the Governor's Housing Conference to be held in Norfolk on November 15-17, 2017; (vii) the annual meeting of the Board of Commissioners to be held on August 9, 2017; and (viii) the regular meeting of the Board to be held on October 11, 2017.

There being no further business, the meeting was adjourned at approximately 1:34 p.m.

Timothy M. Chapman, Chairman

Paul M. Brennan, Assistant Secretary

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE
HELD ON JUNE 6, 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 June 6, 2017 at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMITTEE MEMBERS PRESENT:

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

COMMITTEE MEMBER ABSENT:

Clarisa McAdoo Cannon

OTHER COMMISSIONER PRESENT:

Thomas A. Gibson, IV

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
Barbara Blankenship, Managing Director of Human Resources
J.D. Bondurant, Director of Low Income Housing Tax Credit Programs
Andrew L. Klein, Principal, Titan Group

Chairman Chapman called the meeting of the Committee to order at approximately 6:08 p.m. on June 6, 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 meetings of the Committee held on April 2, 2017 were approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Ms. Dewey discussed with the members of the Committee the Authority's intention to withhold membership dues for the National Council of State Housing Agencies due at the end of June.

Ms. Dewey, Ms. Blankenship, Mr. Carey and Mr. Klein presented a report on compensation of the Authority staff. This report included a recommendation for the combined pool for staff merit and bonuses for the current year and a mid-year bonus pool. On a motion duly made and seconded, the Committee's recommendation that the Board approve a combined pool for staff merit and bonuses in an amount equal to \$2,921,000 to be allocated between staff merit increases and bonuses as the Executive Director shall determine and a mid-year bonus pool

equal to \$1,623,000 was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Ms. Dewey discussed with the members of the Committee the process for nominations of the Chairman and Vice Chairman of the Board of Commissioners. Commissioner Hale made a motion to recommend the nominations of Commissioner Stedfast for Chairman of the Board of Commissioners and Commissioner Cannon for Vice Chairman of the Board of Commissioners. 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.

Ms. Dewey discussed Lynchburg as an option for the site of the next Board retreat with the Committee.

Commissioner Gibson discussed with the Committee his observations of the functioning of the Board from the perspective of a new Board member.

The Commissioners and staff reviewed and discussed the agendas for the Committee of the Whole and meeting of the Board of Commissioners. Mr. Bowen and Mr. Bondurant reviewed the final rankings for reservations of the low income housing tax credits in 2017 with the Committee and presented an analysis of the amount of tax credits pre-allocated from Virginia's 2018 per capita credit allocation.

There being no further business, the meeting was adjourned at approximately 7:54 p.m.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE
HELD ON JUNE 7, 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 June 7, 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
Manju Ganeriwala

COMMITTEE MEMBERS ABSENT:

Shekar Narasimhan

OTHER COMMISSIONER PRESENT:

Timothy M. Chapman

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Patrick J. Carey, Managing Director of Finance
Julie Camus, Managing Director of Enterprise Risk Management
Ross Strodel, Internal Audit Director
Melody Barackman, Controller
Fred Bryant, Deputy General Counsel
David Kohan, Enterprise Information Security Officer
David Henderson, Assistant Controller
Donna Craver, KPMG
Marquia Gunn, KPMG

The meeting of the Audit Committee was called to order by Committee Chairman McConnell at approximately 8:00 a.m. on June 7, 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 Ganeriwala 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 Audit Committee held on February 1, 2017 were approved by the affirmative vote of each of the members of the Committee then present at the meeting.

Ms. Camus introduced Mr. Kohan, who was the successful candidate for the position of Enterprise Information Security Officer.

Ms. Craver and Ms. Gunn from KPMG discussed their plan for the upcoming audit of the FY 2017 financial statements. The presentation identified members of the audit team, audit methodology, points of emphasis, and timeline for completion. Commissioner Ganeriwala joined the meeting during this presentation.

Mr. Strodel reviewed revisions to the Audit Committee Charter which establishes the governance role responsibilities for the Audit Committee. On motion duly made and seconded, a resolution to recommend approval of the "VHDA Audit Committee Charter" dated June 7, 2017, was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting. Mr. Strodel then presented the Internal Audit Charter which establishes the purpose, authority and responsibility for the Internal Audit function. On motion duly made and seconded, a resolution to approve the "Internal Audit Charter" dated June 7, 2017, was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting. Mr. Strodel also reported the results of the quality assurance review of Internal Audit performed by an independent consultant and completed in April 2017. The review results provided Internal Audit activity with highest possible rating of "general conformance". Lastly, Mr. Strodel provided an update of Internal Audit's current projects, including the review of the Housing Choice Voucher Section 8 Management Assessment Program Certification ("SEMAP") reporting process, the Ginnie Mae securitization process, and providing training to Homeownership management staff related to risk identification and internal control design.

Ms. Camus presented an update on operational irregularities that the Authority's internal controls identified involving approximately \$30,000 (not state or federal appropriations). Following identification of the irregularities, the Authority immediately contacted the Capitol Police and hired an independent accounting firm (Dixon Hughes Goodman) to partner with KPMG to ensure the identification of all relevant issues. The Board was notified of this issue on April 7, 2017. The investigation is ongoing and the Committee will get a full report when the investigation is completed. Ms. Camus also updated the Committee on the Strategic Objectives of Information Security, Records Management, and Compliance and Risk.

There being no further business, the meeting was adjourned at 8:57 a.m. on June 7, 2017.