

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE
HELD ON JUNE 12, 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 June 12, 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
Timothy M. Chapman
Charles McConnell

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Paul M. Brennan, Chief Counsel
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 4:45 p.m. on June 12, 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 April 8, 2018 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 process for nominations of the Chairman and Vice 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 for Vice Chairman of the Board of Commissioners. Commissioner Cannon 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.

Susan briefed the Committee on her short-term succession plan in the event of her disability. Pursuant to the Authorized Officer resolution passed by the Board, Pat Carey would serve as Authorized Officer in the event of Susan's disability until the Board could meet and name an acting Executive Director, if such action was necessary. Paul Brennan would serve in that role if Pat was not available to serve. The documentation for the plan is contained in Supplemental Reports in the Board Papers application.

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

Ms. Dewey, Ms. Blankenship and Mr. Carey 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 \$3,061,000 to be allocated between staff merit increases and bonuses as the Executive Director shall determine and a mid-year bonus pool equal to \$1,701,000 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.

There being no further business, the meeting was adjourned at approximately 5:40 p.m.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE
HELD ON JUNE 13, 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 June 13, 2018 at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMITTEE MEMBERS PRESENT:

Charles McConnell, Chairman
David E. Ramos
Manju Ganeriwala

COMMITTEE MEMBERS ABSENT:

Shekar Narasimhan

OTHER COMMISSIONER PRESENT:

Kermit E. Hale, Chairman
Clarissa McAdoo Cannon, Vice Chairman
Thomas A. Gibson, IV

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Paul M. Brennan, Chief Counsel
Patrick J. Carey, Chief of Program Strategy
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
Justin Short, Internal Staff Auditor
Donna Craver, KPMG
Jim Dougherty, KPMG

The meeting of the Audit Committee was called to order by Committee Chairman McConnell at approximately 8:03 a.m. on June 13, 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, except Commissioner Ramos who left the meeting in progress as noted below.

On motion duly made and seconded, the minutes of the meeting of the Audit Committee held on February 14, 2018 were approved by the affirmative vote of each of the members of the Committee then present at the meeting.

Ms. Craver and Mr. Dougherty from KPMG discussed their plan for the upcoming audit of the FY 2018 financial statements. The presentation identified members of the audit team, audit methodology, points of emphasis, and timeline for completion.

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 13, 2018, 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 13, 2018, was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Mr. Strodel then provided updates on completed audits of the Low Income Housing Tax Credit allocation processes, Small Women and Minority Business Purchasing (SWAM) activity, and Employee Expense Reimbursements. Mr. Strodel further provided updates on current active Internal Audit projects including Mortgage Credit Certificates, Down Payment Assistance, Rental Housing Loan Development Department, Retiree Healthcare Program, Ginnie Mae loan securitization program and assisting with the annual KPMG audit effort. Commissioner Ramos left the meeting during these updates.

There being no further business, the meeting was adjourned at 8:30 a.m. on June 13, 2018.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE COMMITTEE OF THE WHOLE
AND THE REGULAR MEETING OF THE COMMISSIONERS
HELD ON JUNE 12 - 13, 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 June 12 - 13, 2018, at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMISSIONERS PRESENT:

Kermit E. Hale, Chairman
Clarissa McAdoo Cannon, Vice Chairman
Timothy M. Chapman
Manju Ganeriwala
Thomas A. Gibson, IV
Erik Johnston
Charles McConnell
David E. Ramos

COMMISSIONERS ABSENT:

Shekar Narasimhan
William C. Shelton

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
Barry Merchant, Senior Policy Analyst
Demas Boudreaux, Legislative Liaison
Amy Burke, HR Director
David Henderson, Director of Accounting and Administration
Melody Barackman, Controller
Dania Luby, Budget and Risk Analyst

Shayla Bailey, Senior Compliance Officer
Alex Barahona, Call Center Quality Analyst
Stephanie Benson, Program Support Analyst
Matthew Bolster, Senior Strategic Housing Officer
Megan Bryant, Asset Manager
Kaylyn Chandler, Program Support Analyst
Carmen Dodl, Program Support Analyst
Candice Evans, Investor Reporting Analyst
Morgan Ferrell, Customer Service Specialist
Sally Fisher, Database Developer
Stephanie Flanders, Tax Credit Allocation Officer
Amy Herzing, Program Support Analyst
Doricka Jeter, Customer Service/Escrow Specialist
Brian Johnson, Loan Mitigation Supervisor
Chris Moran, Mortgage Loan Compliance Officer
Peter Netteberg, Loan Program Underwriter
Kara Nickerson, Associate Asset Manager
Cody Owens, Multi-Family Analyst
Hien Phan, Senior Staff Accountant
Amy Rubinos, Quality Review Analyst
Keyron Scott, Program Support Analyst
Nakeda Scott, Business Data Administrator
Lori Sikes, Quality Review Analyst
Sheila Stone, Senior Tax Credit Allocation Officer
Shawn Washington, Grant Programs Officer
Sandy Edwards, Office Manager
Courtney Insley, Executive Assistant
Sarah Jones-Anderson, Program Liaison
Marco Howard, Senior Desktop Support Analyst
Hope Coleman Rutter, Senior Tax Credit Allocation Officer
Pamela Schwartzenburg-Freeth, Tax Credit Allocation Coordinator
Joe Feaser, Senior Finance Manger
Stevens N. Gentil, Colliers International
David M. Williams, Colliers International
Andrew Ferguson, Colliers International
Tom Fleetwood, Director, Fairfax County Redevelopment and Housing Authority
Tim Henkel, Penrose Properties
Ivy Dench-Carter, Penrose Properties
David Schultz, Community Housing Partners
Christine Robertson, Penrose Properties
John Welsh, AHC, Inc.
Roberto Arista, Dakota Partners, Inc.
Jim Chandler, Henrico County
Ryan Wolf, Fairfax County
Shelly Murphy, Wesley Housing Development Corporation
Paul Brown, Wesley Housing Development Corporation
Ed Solarz, Genesis Properties
Rosemary Wilson, Virginia City Council
Tom Johnston, Franklin Johnston Group

Steve Cooper, Franklin Johnston Group

Chairman Hale called the meeting of the Committee of the Whole to order at 6:05 p.m. on June 12, 2018. All of 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 2018 competitive round; reviewed the rules of ranking for such applications; presented two scenarios on the final rankings for reservations of the low income housing tax credits in 2018 that calculated the credit authority at \$2.40 per capita and \$2.70 per capita, respectively; and reported on the amount of tax credits that would need to be pre-allocated from the 2019 tax credit program to reserve tax credits under both scenarios.

Mr. Ferguson, Mr. Gentil and Mr. Williams presented a report on the various real estate options available in the Richmond area that would accommodate all the employees of the Authority in one location. Upon conclusion of this report, the committee meeting was recessed at 8:24 p.m. on June 12, 2018.

Chairman Hale reconvened the committee meeting at 9:00 a.m. on June 13, 2018. All of the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting.

Ms. Dewey recognized the graduating class of the 2018 Emerging Leaders Program.

Mr. Bowen and Mr. Bondurant presented a report on the final rankings for reservations of the low income housing tax credits in 2018 that calculated the credit authority at \$2.70 per capita and 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 and all the developments in the Tier One At-Large Pool. 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 and all the developments in the Tier One At-Large Pool, was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting. Also, Ms. Dewey stated that staff would consider alternatives to promote innovation in the 2019 tax credit program for discussion at the August 2018 Board meeting.

Chairman Hale opened the discussion for public comment.

Three members of the public chose to make comments during the public comment period of the meeting. Mr. Fleetwood, Mr. Henkel and Mr. Schultz spoke in favor of reserving additional low income housing tax credits to The Residences at North Hill and The Residences at North Hill 2 from the Tier Two pool and discussed with the Board the circumstances of the request.

Upon conclusion of the public comment, the Board discussed the reservations of tax credits to The Residences at North Hill and The Residences at North Hill 2 from the Tier Two pool. On motion duly made and seconded, a motion to proceed with the reservations of tax credits to The Residences at North Hill and The Residences at North Hill 2 from the Tier Two pool, on the condition that such reservations be subject to (i) the recapture of an appropriate

amount of tax credits in the event additional funds become available to the developments; and (ii) the principals being disqualified from submitting a tax credit application during the 2019 competitive tax credit allocation cycle; was approved by the affirmative vote of Commissioners Hale, Cannon, McConnell, Chapman, Ramos, Ganeriwala, and Johnston. Commissioner Gibson voted against the motion.

Mr. Carey advised the Board on the salient features of the Authority's proposed Rental Housing Bonds, 2018 Series D-Non-AMT with a maximum issue size of \$60 million that will finance mortgage loans for approximately six 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 D-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 financial results for the fiscal year-to-date ending April 30, 2018. In his report, Mr. Henderson noted the following: year-to-date excess revenues are \$136.0 million (prior to GASB adjustments), \$37.2 million higher than budget and \$3.7 million higher than last fiscal year; net interest margin for year-to-date totaled \$213.9 million, which is \$4.5 million higher than the budget plan; year-to-date programmatic expenses were \$17.5 million, which is \$23.2 million less than budget, primarily due to delayed spending in grants, higher ancillary fee income, lower loan loss provision and lower program costs; year-to-date administrative expenses were \$57.7 million, \$8.7 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 \$17.5 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 combination of the Authority's net position (total assets less total liabilities) and ~~GSE-serviced~~ home ownership loans serviced for GNMA and FNMA totaled \$11.6 billion.

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 2017 actuals, the fiscal year 2018 projected and the proposed budget for fiscal year 2019; (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 2012, the dollar amount of multi-family and single family loan assets and single family securitizations since 2012, and the net interest margin trend since 2012; (4) the major components of the programmatic expenses and administrative expenses included in the proposed budget in comparison to the fiscal year 2018 projected expenses and the trends in those expenses since 2012; (5) the depreciation expense included in the proposed budget in comparison to the fiscal year 2018 projected expense; (6) the excess revenue over expenses included in the proposed budget in comparison to the fiscal year 2018 projected excess revenue over expenses and the excess revenue trend since fiscal year 2008; and (7) the capital expenditures included in the proposed budget.

Ms. Anderson presented a report on the REACH *Virginia* program. Ms. Anderson's report provided a recap of the fiscal year 2018 REACH *Virginia* allocation; the fiscal year 2019

REACH *Virginia* budget; and the level of REACH *Virginia* funding since 2002 and projected through fiscal year 2020.

Mr. Carey 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; and (3) comparisons of excess revenues, net assets and loan production with other state housing authorities.

Ms. Dewey presented a report on the Authority's key financial, programmatic and administrative accomplishments during fiscal year 2018.

Ms. Dewey, Ms. Blankenship, 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 2014 and a recommendation for the combined pool for staff merit and bonuses for the current year and a mid-year bonus pool. Chairman Hale, 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 \$3,061,000 to be allocated between staff merit increases and bonuses as the Executive Director shall determine and a mid-year bonus pool equal to \$1,701,000. Commissioner Chapman then moved a motion to approve the combined pool for staff merit and bonuses as recommended by the Executive Committee and the motion was seconded. During Board discussion of the motion, Commissioner Ganeriwala moved a motion to amend the motion under discussion to limit the merit portion of the \$3,061,000 combined pool for staff merit and bonuses to \$1,530,500. The motion was seconded and, after discussion, approved by the affirmative vote of Commissioners Hale, Cannon, Gibson, McConnell, Ramos, Ganeriwala, and Johnston. Commissioner Chapman voted against the motion to amend. The motion to approve the combined pool for staff merit and bonuses in an amount equal to \$3,061,000 to be allocated between staff merit increases and bonuses, as amended so that the merit portion of the pool would not exceed \$1,530,500 and a mid-year bonus pool equal to \$1,701,000, 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 - Adoption of 2019 Fiscal Year Operating Budget" dated June 13, 2018, in the form attached hereto, as amended to include the portion of the pool representing the amount of merit increases not to exceed \$1,530,~~000~~500 and the mid-year bonus pool of \$1,701,000, was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

There being no further business, the meeting of the Committee of the Whole was adjourned at approximately 12:21 p.m. on June 13, 2018.

Chairman Hale called the regular meeting of the Board of Commissioners to order at approximately 12:30 p.m. on June 13, 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 regional and regular meeting of the Commissioners held on April 8 - 10, 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 Appointment of Assistant Secretary" dated June 13, 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, on behalf of the Executive Committee, reported that the Committee had discussed (i) the Executive Director's succession plan in the event of her disability; (ii) staff compensation; and (iii) reviewed the agendas for the committee meetings and the meeting of the Board of Commissioners. Commissioner Chapman also reported the Executive Committee, in its role as the nominating committee for the positions of Chairman and Vice Chairman of the Board, recommended that Commissioner Hale be nominated for Chairman and Commissioner McConnell be nominated for Vice Chairman at the next Board meeting in August.

Commissioner McConnell, on behalf of the 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 2018 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; and (ii) received updates on internal audit activities.

Commissioner Johnston reported on recent activities of the Department of Housing and Community Development, including the following: (i) the availability of additional funds in the state budget due to the approval of Medicaid expansion for several housing initiatives, including rapid rehousing for homeless veterans, permanent supportive housing for the ID/DD population, the Virginia Telecommunication Initiative to extend broadband service to unserved areas, (ii) the Board of Housing and Community Development's approval of the 2018 Consolidated Plan Action Plan and the decision to allocate an additional \$1,000,000 to the Vibrant Communities Initiative; and (iii) the Governor's reconvening of the Coordinated Council to End Homelessness to address youth homelessness.

Ms. Dewey presented her report on operations in which she advised the Commissioners of the following matters: (i) the Governor's appointment of Shekar Narasimhan and Barbara Blackston to the Board; (ii) Ms. Dewey and Commissioner Johnston will meet with the Secretary of Commerce and Trade to discuss potential follow-up to the Housing Policy Advisory Council report; (iii) the success of the Annual Don Ritenour Golf Classic, the Authority's charity golf tournament held on May 24, 2018, and the upcoming survey on the future of the tournament; (iv) the Authority's intention to rejoin the National Council of State Housing Agencies and to join the National Housing Conference; (v) the Virginia Housing Alliance's Award luncheon on June 14, 2018; (vi) the annual meeting of the Board of Commissioners to be held on August 15, 2018; (vii) the Governor's Housing Conference to be held in Crystal City on November 14-16, 2018; and (viii) Commissioner Gibson's recognition by the Alexandria Chamber of Commerce in its 40 under 40 Awards Program.

Chairman Hale acknowledged the expiration of Commissioner Chapman's term as a commissioner and expressed the Board's gratitude for Commissioner Chapman's service to the Authority for the last eight years.

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

Kermit E. Hale, Chairman

Paul M. Brennan, Assistant Secretary