

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE
HELD ON JUNE 18, 2019

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 18, 2019, at the Authority's offices at the Virginia Housing Center, 4224 Cox Road, Glen Allen, Virginia.

COMMITTEE MEMBERS PRESENT:

Kermit E. Hale, Chairman
Charles McConnell, Vice Chairman

COMMITTEE MEMBERS ABSENT:

Clarissa McAdoo Cannon
Thomas A. Gibson, IV

OTHER COMMISSIONERS PRESENT:

Manju Ganeriwala
Erik Johnston

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
Lisa Watson, Managing Director of Human Resources
Barbara Blankenship, Enterprise Operations Consultant

Chairman Hale called the meeting of the Committee to order at approximately 4:04 p.m. on June 18, 2019. 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 7, 2019 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 Hale made a motion to recommend the nominations of Commissioner Narasimhan for Chairman of the Board of Commissioners and Commissioner McConnell 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. Watson 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 \$3,243,000 to be allocated between staff merit increases and bonuses and a mid-

year bonus pool equal to \$1,801,000 was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Mr. Brennan and Ms. Blankenship provided an update on the plans to build an addition over the parking deck of the headquarters building. A massing a study has been completed and indicates that the planned addition should provide enough space that VHDA will be able to stay at the headquarters location for another thirty years. VHDA is currently working with the consultant on pricing estimates for the addition and the RFP for a contractor should be ready to go out in July. Ms. Dewey also reminded the Committee of VHDA's plans to find office space to rent in Northern Virginia beginning next fiscal year.

The Commissioners and staff reviewed and discussed the agendas for the meetings of the Audit Committee and the Board of Commissioners.

There being no further business, the meeting was adjourned at approximately 4:49 p.m.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE REGULAR MEETING OF THE COMMISSIONERS
HELD ON JUNE 18 - 19, 2019

Pursuant to the call of the Chairman and notice duly given, the regular meeting of the Commissioners of the Virginia Housing Development Authority (the “Authority”) was held on June 18 - 19, 2019, at the Authority’s offices at the Virginia Housing Center, 4224 Cox Road, Glen Allen, Virginia.

COMMISSIONERS PRESENT:

Kermit E. Hale, Chairman
Charles McConnell, Vice Chairman
Barbara Blackston
Clarissa McAdoo Cannon
Manju Ganeriwala
Erik Johnston
Shekar Narasimhan
William C. Shelton

COMMISSIONERS ABSENT:

Thomas A. Gibson, IV
Abigail Johnson
David E. Ramos

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
Hil Richardson, Managing Director of Capital Markets
Llewellyn C. Anderson, Managing Director of Administration
Lisa Watson, Managing Director of Human Resources
Barbara Blankenship, Enterprise Operations Consultant
Julie Camus, Managing Director of Risk
J. Kyle Howard, Managing Director of Information Technology
Herman Aparicio, Managing Director of Information Technology
Fred Bryant, Deputy Chief Counsel
J.D. Bondurant, Director of Low Income Housing Tax Credit Programs
Stephanie Flanders, Tax Credit Allocation Officer
Sandy Edwards, Assistant to the Executive Director
Courtney Insley, Senior Executive Assistant
Sudhir Chopra, Accounting Manager R & O Properties
Hope Coleman Rutter, Senior Tax Credit Allocation Officer
Elizabeth Conwell, IT Infrastructure Manager

Erica Etterling, Regional Compliance Support Manager
Everett Gardner, Associate Counsel
Kyla Goldsmith-Ray, Communications Manager
Bridget Hackett, Senior Business Systems Analyst
Mindy Hall-Sexton, Loan Programs Manager
Joy Harris, Grant Programs Manager
Alena Henderson, Rental Business Analyst
Stephanie Johnson, Senior Staff Auditor
Daniel Kern, Business Development and Training Manager
David Layman, Rental Owned Property Portfolio Manager
Jennifer McCarthy, Senior Counsel
Brenna Perry, Senior Human Resources Generalist
Deanna Pomeroy, Loan Program Underwriter
Chris Thompson, Director of Strategic Housing
Jason Thompson, Director of Risk and Organizational Reporting
James Wells, Business and Reporting Analyst
Sheila Stone, Senior Tax Credit Allocation Officer
Janet Little, Director of Rental Housing Finance
Sunshine Mathon, Executive Director, Piedmont Housing Alliance
Beth Kennan, Piedmont Housing Alliance
Taylor Franklin, The Franklin Johnston Group
James Noel, The Franklin Johnston Group
Rhonda Mixer, The Franklin Johnston Group
Richard Counselman, S.L. Nusbaum
Miles Leon, S.L. Nusbaum
Tom Johnson, S.L. Nusbaum
Ryne Johnson, Astoria
David Koogler, President, Mark-Dana Corporation
Deborah Forehand, President, River Forrest Shores/Wayside Manor/Easton Place Civic League
Kathy O'Hara, River Forrest Shores/Wayside Manor/Easton Place Civic League
Johnathan Farmer, River Forrest Shores/Wayside Manor/Easton Place Civic League
George Gragg, River Forrest Shores/Wayside Manor/Easton Place Civic League
Alicia Gragg, River Forrest Shores/Wayside Manor/Easton Place Civic League
Chris Sterling, Virginia Community Development Corporation
Hollis Fitch, Fitch Irick Properties
Becca Garman, APAH
Chelsea Arlantino, Woda Cooper Companies
Craig Patterson, Woda Cooper Companies
Bruce Watts, Woda Cooper Companies
Jen Surber, Surber Development
J.T. Engelhardt, NHT
Robert Margolis, TM Associates
Roberto Arista, Dakota Partners
Steven Kominski, Dakota Partners

Chairman Hale called the regular meeting of the Board of Commissioners to order at 5:15 p.m. on June 18, 2018. All of the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting, except Commissioner McAdoo Cannon who was not present at the meeting on June 18, 2019.

Mr. Bowen and Mr. Bondurant gave an overview of the applications requesting low-income housing tax credits in the 2019 competitive round; reviewed the rules of ranking for such applications; presented the final rankings for reservations of the low-income housing tax credits in 2019; and reported on the amount of tax credits that would need to be pre-allocated from the 2020 tax credit program to reserve tax credits for applications ranking high enough to receive a reservation of credits.

Chairman Hale recessed the meeting for dinner at 6:08 p.m. and re-convened the meeting at 7:06 p.m.

Ms. Dewey presented a report on the Authority's key enterprise-wide, financial, strategic programmatic and operational accomplishments during fiscal year 2019; including assisting in attracting Amazon HQ2 to Virginia with its investment in housing in northern Virginia and its pledge of additional REACH *Virginia* funds; increasing REACH *Virginia* resources to 60% of excess revenues; loans to revitalize public housing developments; underwriting rental housing loans that will produce 5,500 units, approximately 70% above the forecast; and adding over 6,500 single family loans, of which over 75% received mortgage credit certificates and over 2,800 received down payment assistance. Ms. Dewey also discussed the growth of the Authority over the twenty years she has been Executive Director, including the creation of REACH *Virginia* at 15% of excess revenues and its growth to 60% of excess revenues, and its increased role in economic development in Virginia and the exciting possibilities of what can be accomplished in the future. Ms. Dewey also acknowledged the great work of VHDA staff and her appreciation of the Board's support.

Chairman Hale commented upon the success of the Authority and how its culture of success starts at the top and congratulated Ms. Dewey on her twentieth anniversary at the Authority.

Ms. Watson presented a report on compensation of the Authority staff. This report included a recommendation for the combined pool for staff merit and bonuses consistent with the practice of the last few years in an amount equal to \$3,243,000 to be allocated between staff merit increases and bonuses at fiscal year-end, provided that the merit portion of the pool would not exceed \$1,621,500, and a mid-year bonus pool equal to \$1,801,000. Per the previous request of the Board, the recommendation was reflected in the proposed 2020 budget for consideration the next day so that the proposed 2020 budget could be compared to the projected 2019 budget and any amendment to the recommendation could be made at the time of the adoption of the budget.

Upon conclusion of this report, the meeting was recessed at 8:00 p.m. on June 18, 2019.

Chairman Hale reconvened the regular meeting of the Board of Commissioners at 9:10 a.m. on June 19, 2019. 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 and introduced the graduating class of the 2019 Leadership Development Program.

Mr. Bowen and Mr. Bondurant presented a report on the final rankings for reservations of the low income housing tax credits in 2019 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.

Chairman Hale opened the discussion for public comment.

Two members of the public submitted written comments and five members of the public chose to make oral comments during the public comment period of the meeting. Ms. Forehand and Ms. O'Hara submitted written comments opposing Riverside Station Apartments. Mr. Mathon spoke in favor of reserving low-income housing tax credits to Friendship Court Apartments from the Tier One At-Large Pool and submitted written comments as well. Mr. Franklin spoke in favor of awarding more points to the Riverside Station Apartments application. Mr. Koogler spoke in favor of awarding additional low-income housing tax credits to King William Manor from the Tier Two At-Large Pool and submitted written comments as well. Ms. Surber spoke in favor of awarding additional low-income housing tax credits to Bickerstaff Crossing and Mountain Laurel Manor from the Tier Two At-Large Pool. Mr. Margolis spoke to the Board about the low-income tax credit program in general, commenting that the program favored new construction over rehabilitation and family developments over elderly developments.

Upon conclusion of the public comment, the Board discussed the public comments with Mr. Bondurant. 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.

Ms. Dewey presented a report on the activities and operations of the Authority that focused on four subjects: innovation, economic development, community impact, and telling our story. On the topic of innovation, Ms. Dewey discussed (i) the HousingX Conference, which featured a shipping container home manufactured by indieDwell and the plans for the home to be donated to the non-profit, Project Homes, which will place the house in Richmond; and (ii) the upcoming schedule for processing the low-income housing tax credit applications in the Innovation Pool. On the topic of economic development, Ms. Dewey discussed (i) the Authority's work with the Northern Virginia Task Force on plans for deploying the REACH *Virginia* funds pledged by the Authority to help attract Amazon HQ2, which includes the first year of funding going to developments identified as priorities of Alexandria, Arlington and Fairfax that will serve tenants with incomes below 60% AMI; and (ii) the development Twenty Seven Atlantic, a mixed-use mixed income development in Virginia Beach that will bring 53 units of workforce housing to the beachfront. On the topic of community impact, Ms. Dewey discussed: (i) the successful preservation of affordable housing at Ivy Walk apartments through the qualified contract process in the low-income housing tax credit program; (ii) the opening of Seaside Harbor Apartments in Virginia Beach that created 19 units serving incomes below 40% AMI and set-aside 11 units for developmentally disabled tenants; (iii) the Authority's role in the transformation of the Southwood Mobile Home Park and Friendship Court communities; (iv) the

recipients of funds raised by the Don Ritenour Charity Golf Classic held on May 23, 2019. On the topic of telling our story, Ms. Dewey discussed (i) the 1st District Affordable Housing Bus Tour attended by Congressman Rob Wittman and other state and local officials; (ii) a recap of the Homeownership advertising campaign to drive awareness of the Authority's first-time buyer homeownership programs; and (iii) an update on the Authority's re-branding efforts that included a video produced by the Authority's re-branding consultant. Ms. Dewey also reminded Commissioners to expect a yearly call from Ms. Neale to solicit Board feedback.

The following items were approved by the affirmative vote of each of the Commissioners noted above as present at the meeting on a motion to approve the consent agenda: (i) the minutes of the regular meeting of the Commissioners held on April 7-9, 2019; (ii) the minutes of the regular meeting of the Commissioners held on May 21, 2019; and (iii) the resolution for developments to be secured by a leasehold estate entitled "Resolution Authorizing Multi-Family Mortgage Loans to Finance the Residences at North Hill Bond 94, the Residences at North Hill 2, the Residences at North Hill Bond 47, and the Senior Residences at North Hill" dated June 19, 2019, in the form attached hereto.

On motion duly made and seconded, the resolution entitled "Resolution in Recognition and Appreciation of Kermit E. "Kit" Hale" dated June 19, 2019, was approved in the form attached hereto 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 Janet W. Little" dated June 19, 2019, 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 noted above as present at the meeting.

Mr. Brennan presented a report on a Policy Governing Electronic Participation in Board Meetings that would allow Commissioners to participate in a meeting through electronic means in the event of a disability or other medical condition, a personal matter that prevents attendance; or if a state of emergency is declared by the Governor. After discussion by the Commissioners, on motion duly made and seconded, the resolution entitled "Resolution Adopting Policy Governing Electronic Participation in Board Meetings" dated June 19, 2019, was approved in the form attached hereto by the affirmative vote of each of the Commissioners noted above as present at the meeting, with the following changes to the Policy; (i) a Commissioner participating remotely cannot chair a meeting, and (ii) participation in a meeting through electronic means in the event of a personal matter is limited to once per calendar year.

Ms. Wiglesworth and Ms. Anderson made a presentation on the Authority's proposed annual budget for fiscal year 2020. During this presentation, the Commissioners and the staff discussed the following matters: (1) budget process and how the budget supports the Authority's strategic initiatives; (2) a comparison of the major components of the fiscal year 2018 actuals, the fiscal year 2019 projected and the proposed budget for fiscal year 2020; (3) key budget markers, including the impact of REACH *Virginia* grants on excess revenues; (4) the dollar amount of loans and the number of units of production in the Authority's single family and multi-family loan programs since 2015; (5) the revenue mix since 2015; (6) the net interest margin trend since 2015; (7) the programmatic expenses included in the proposed budget in comparison to fiscal year 2018 and the fiscal year 2019 projected expenses, including the impact of REACH *Virginia*; (8) the administrative expenses included in the proposed budget in

comparison to the fiscal year 2019 projected expenses and the trends in those expenses since 2015, including staff trends since 2010; and (9) the excess revenue over expenses included in the proposed budget in comparison to the fiscal year 2019 projected excess revenue over expenses and the excess revenue trend since fiscal year 2015. On motion duly made and seconded, the resolution entitled “Resolution - Adoption of 2020 Fiscal Year Operating Budget” dated June 19, 2019, was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting; that adopted a budget which includes the aforementioned compensation increase and an allocation of 60% of net revenues to REACH *Virginia* estimated to be \$93.5 million in fiscal year 2020.

Chairman Hale, thanked the Commissioners for rearranging their schedules and attending the May meeting to devote some time to an important issue and, with the help of Korn Ferry, the Board came to consensus for going forward. Chairman Hale, on behalf of the Executive Committee, reported that the Committee had discussed (i) in its role as the nominating committee for the positions of Chairman and Vice Chairman of the Board, recommended that Commissioner Narasimhan be nominated for Chairman and Commissioner McConnell be nominated for Vice Chairman at the next Board meeting in August; (ii) staff compensation; (iii) an update on the plans to build an addition over the parking deck of the headquarters building; (iv) plans to find office space to rent in Northern Virginia beginning next fiscal year; and (v) reviewed the agendas for the Audit Committee meeting and the meeting of the Board of Commissioners. Chairman Hale closed his remarks with a reflection on the growth of the Authority during his 11 years on the Board, including the huge increase in the REACH *Virginia* program; his hope the Board will continue to support excellent relations with stakeholders and the breadth of its programs for both homeownership and rental; and his strong support of Authority staff.

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 2019 financial statements; (ii) staff presented a recommendation to forego any revisions to the Audit Committee and Internal Audit Department Charters based upon a review of current documents for compliance with relevant professional standards; and (iii) received updates on internal audit activities.

Mr. Richardson advised the Board on the salient features of the Authority’s proposed Rental Housing Bonds, 2019 Series C-Non-AMT and Series D-Taxable with a maximum issue size of \$125 million that will finance mortgage loans for approximately eight multi-family developments. Mr. Richardson also advised the Board on the salient features of the Authority’s proposed Rental Housing Bonds, 2019 Series E-Non-AMT and Series F-Taxable with a maximum issue size of \$160 million that will finance mortgage loans for approximately ten multi-family developments.

Ms. Anderson reported on the Authority’s financial results for the fiscal year-to-date ending April 30, 2018. In her report, Mr. Anderson noted the following: year-to-date excess revenues are \$131.2 million (prior to GASB adjustments), \$28.3 million higher than budget and \$4.7 million lower than last fiscal year; and the Authority’s total net position (total assets less total liabilities) was \$3.424 billion, \$154.3 million greater than last fiscal year, an annualized increase of 4.7%.

Commissioner Johnston reported on recent activities of the Department of Housing and Community Development, including the following: (i) the ability to fund six additional Affordable and Special Needs Housing developments with funding from the increased Virginia Housing Trust Fund, including American Legion Uniting to Serve, which will rehabilitate an American Legion Post and provide a housing preference for veterans; (ii) upcoming application rounds for the Virginia Housing Trust Fund Homeless Reduction Grant program and the Affordable and Special Needs Housing program; (iii) the upcoming pre-application deadline for the Vibrant Community Initiative (VCI) program; (iv) 2019 homeless data showed a 3% reduction in homelessness, adding to an overall reduction in homelessness of 36.3% since 2010; (v) the start of the Virginia Opportunity Zone Marketplace with funding from the Authority, which will match investors to projects, is scheduled to launch on-line in September; (vi) the hiring of a new staff member to take the lead on eviction issues; and (vii) plans to finalize contract negotiations with service providers to launch the Fostering Futures pilot program within the next few months.

Ms. Blankenship presented a Korn Ferry report to the Board on the process for developing an Executive Director performance review. Chairman Hale and Commissioner Narasimhan would work together on creating a subcommittee of Commissioners to work on next steps.

There being no further business, the meeting was adjourned at approximately 1:35 p.m.

_____, Chairman

Paul M. Brennan, Assistant Secretary

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE
HELD ON JUNE 19, 2019

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 19, 2019 at the Virginia Housing Center, 4224 Cox Road, Glen Allen, Virginia.

COMMITTEE MEMBERS PRESENT:

Charles McConnell, Vice Chairman
Manju Ganeriwala
Shekar Narasimhan

COMMITTEE MEMBERS ABSENT:

Thomas A. Gibson, IV, Chairman
David E. Ramos

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
Hil Richardson, Managing Director of Capital Markets
Ross Strodel, Internal Audit Director
David Henderson, Director of Accounting and Administration
Jim Dougherty, KPMG (by telephone)

The meeting of the Audit Committee was called to order by Vice Chairman McConnell at approximately 8:20 a.m. on June 19, 2019. 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 meetings of the Audit Committee held on February 13, 2019, were approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Mr. Dougherty from KPMG discussed the plan for the upcoming audit encompassing both of the VHDA FY 2019 financial statements and the Retiree Health Care Plan financial statements. The presentation identified members of the audit team, audit approach and methodology, areas of greater audit risk, points of emphasis, and timeline for completion.

Mr. Strodel presented his recommendation to forego any revisions to the Audit Committee and Audit Department Charters based upon results of staff review of current documents for compliance with relevant professional standards.

Mr. Strodel provided an update on the recently completed Investment Department audit. Internal Audit staff identified an issue related to the sharing of a user name and password for the

primary investment trading system which created a situation that unauthorized investment transactions could be generated without an ability to assign accountability for the transaction. A second issue identified was that Investment Department had not established an effective process to ensure changes to Investment Department staffing and trading authorizations were provided to VHDA investment trading partners or brokers in a timely manner. Mr. Strodel and Mr. Richardson reported that the foregoing issues identified as part of the Investment Department audit have been addressed by management.

Mr. Strodel further provided an update on the active GNMA program audit, which is performed in conjunction with the KPMG annual financial statement audit.

As suggested by Commissioner Narasimhan, at a future meeting, staff will present a report on accounting of mortgage backed security (MBS) servicing rights, loan loss revenues, and retained MBS risk.

There being no further business, the meeting was adjourned at approximately 9:07 a.m. on June 19, 2019.