

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE
HELD ON OCTOBER 9, 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 October 9, 2018, at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMITTEE MEMBERS PRESENT:

Kermit E. Hale, Chairman
Charles McConnell, Vice Chairman
Thomas A. Gibson, IV

COMMITTEE MEMBER ABSENT:

Clarissa McAdoo Cannon

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Paul M. Brennan, Chief Counsel
Tammy Neale, Chief of Staff
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 6:00 p.m. on October 9, 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 August 14, 2018 were approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Ms. Blankenship described plans for an Authority-wide compensation study for staff. The Committee will direct the consultant on the part of the study applicable to the Executive Director position.

Ms. Dewey presented proposed changes to the structure of the Board meetings. It was the consensus of the Committee to present the proposed changes to the full Board.

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

There being no further business, the meeting was adjourned at approximately 6:20 p.m.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE COMMITTEE OF THE WHOLE
AND THE REGULAR MEETING OF THE COMMISSIONERS
HELD ON OCTOBER 10, 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 October 10, 2018, at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMISSIONERS PRESENT:

Kermit E. Hale, Chairman
Charles McConnell, Vice Chairman
Barbara Blackston
Thomas A. Gibson, IV
Abigail Johnson
Erik Johnston
William C. Shelton

COMMISSIONERS ABSENT:

Clarissa McAdoo Cannon
Manju Ganeriwala
Shekar Narasimhan
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
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
Michael Urban, Director, Homeownership Loan Programs
Pamela Holmes, Director of Single Family Servicing
Janice Burgess, Assistant Director, Homeownership Loan Programs
Jeffrey Quann, Senior Counsel
David Henderson, Director of Accounting and Administration
Melody Barackman, Controller
Hope Coleman Rutter, Senior Tax Credit Allocation Officer

Sheila Stone, Senior Tax Credit Allocation Officer
Stephanie Flanders, Tax Credit Allocation Officer
Ross Strodel, Internal Audit Director
Sarah Jones-Anderson, Program Liaison
Courtney Insley, Executive Assistant
Janet Groessler, Senior Executive Assistant
Marco Howard, Senior Desktop Support Analyst
Najla Craddock, System Administrator
Kyla Goldsmith-Ray, Communications Manager
Everett Gardner, Associate Counsel
Demas Boudreaux, Legislative Liaison
Joy Harris, Grant Programs Manager
Bridgett Hackett, Senior Business Systems Analyst
Sudhir Chopra, Accounting Manager, Rental and Owned Properties
Brenna Perrey, HR Generalist
Ryne Johnson, Astoria LLC
Scott Kline, NHT – Enterprise
Kelly Eichhorn, APAH
John Welsh, AHC
Paul Browne, Wesley Housing
Robert Dale, Windy Hill Foundation
Kim Hurt, Good Works
Robert Margolis, TM Associates

Chairman Hale called the meeting of the Committee of the Whole to order at 9:00 a.m. on October 10, 2018. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting.

Chairman Hale welcomed Commissioner Johnson to the Board.

Ms. Dewey described the Authority's Leadership Development Program and introduced eight members of the current program class that would be observing the meeting of the Committee of the Whole and the regular meeting of the Commissioners.

Mr. Henderson reported on the Authority's monthly financials year ending August 31, 2018. In his report, Mr. Henderson noted the following: year-to-date total revenues are \$65.8 million, \$1.7 million under budget and \$3.3 million lower than last fiscal year; net interest margin for year-to-date totaled \$43.7 million, which is \$500,000 under the budget plan and \$2.0 million lower than last fiscal year; year-to-date programmatic expenses were \$5.0 million, which is \$4.8 million less than budget; year-to-date administrative expenses were \$12.4 million, \$2.4 million less than budget. Mr. Henderson also reported total assets were at \$7.3 billion, a decrease of \$114.9 million from last year due to securitizations of mortgage loans, however, the total portfolio continues to grow; total liabilities decreased by \$240.4 million from last year; the Authority's net position (total assets less total liabilities) was \$3.3 billion; and the Authority's net position combined with home ownership loans serviced totaled \$12 billion. Mr. Henderson advised the Commissioners 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.

Mr. Feasor presented a report on the Mortgage Credit Certificate (MCC) Program that included (i) a review of Virginia's private activity bond allocation and its utilization; (ii) the conversion of expiring private activity bond allocation to MCCs; (iii) an explanation of how MCCs work and how the credit is calculated; (iv) the amounts of the MCCs issued since the program's inception; (v) the income and costs of the program; and (vi) the benefit of the MCCs to homeowners.

Mr. Brennan presented proposed revisions to the rules and regulations for the Mortgage Credit Certificate Program necessitated by proposed revisions to the rules and regulations for Single Family Mortgage Loans to Persons and Families of Low and Moderate Income. The consensus of the Committee was for staff to proceed with soliciting public comment on the proposed revisions.

Mr. Brennan presented proposed revisions to the rules and regulations for Single Family Mortgage Loans to Persons and Families of Low and Moderate Income that update the rules and regulations to reflect changes made to the Authority's homeownership loan programs. The consensus of the Committee was for staff to proceed with soliciting public comment on the proposed revisions.

Mr. Bowen, Mr. Bondurant and Mr. Bryant reviewed the significant modifications to the proposed revisions to the Authority's Qualified Allocation Plan for federal low-income housing tax credits for calendar year 2019 in response to comments received at the public hearing. In addition to technical updates and corrections, staff recommended changes to proposed revisions in the following matters: (1) substituting the proposed innovation pool with a separate application process; (2) the threshold criteria for the leasing preference to special need populations; (3) a reduction in points for developments in opportunity zones; (4) the language for subsidized funding; (5) point category for small developments would remain; (6) adding an exception to the penalty for requesting a credit refresh; (7) allowing a transition period for retaining the existing per unit cost limits for 2019 applications before limiting the calculation of cost limits on a per square foot basis in 2020; and (8) modifying the developer fee limits to include a limit on the amount of the fee that could be included in tax credit basis.

Mr. Bondurant presented an update on the number of applications submitted to the Authority seeking tax credits from the Accessible Supportive Housing Pool. The Authority had received four applications, Alleghany Apartments, Ann Wingfield Commons, Carlton Views II, and The Estates at Bank Street, seeking a total of \$1.2 million of the \$1.3 million tax credits available in the Pool. Staff recommended funding all four applications submitted to the Accessible Supportive Housing Pool. The consensus of the Committee was to proceed with reservations of tax credits to all four developments with ratification of the reservations to be made at the next meeting of the Board in December.

Mr. Carey presented a report on a proposed Credit Facility Program for Investment in Opportunity Zones that would allow borrowers to obtain funds for land banking purposes. The \$50 million credit facility will be initially limited to land located in Opportunity Zones for proposed developments that (i) will have a housing component that comprises at least 50% of such development, and (ii) 20% of the housing component must be affordable to persons at or below 80% of the area median income. The consensus of the Committee was to proceed with the offering of the credit facility.

Ms. Anderson presented a report on progress made to update the Authority's website, which will now incorporate a rebranding effort as recommended by web design consultants from Virginia Commonwealth University. The Authority is in the process of selecting a consultant to assist in the rebranding effort as well as the website redesign.

There being no further business, the meeting of the Committee of the Whole was adjourned at approximately 11:37 a.m. on October 10, 2018.

Chairman Hale called the regular meeting of the Board of Commissioners to order at approximately 12:00 p.m. on October 10, 2018. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting.

Four members of the public requested an opportunity to make comments during the public comment period of the meeting. Ms. Eichhorn spoke in favor of increasing the amount of developer fee that could be included in basis to \$3,000,000. Mr. Welsh spoke against the creation of an innovation pool and a delay in the implementation of the proposed changes to (i) the threshold requirement regarding leasing preferences, (ii) the developer fee, (iii) the threshold requirement for energy efficiency, and (iv) the construction cost limits. Mr. Browne spoke (i) in favor of the innovation pool with an additional change to require the executive director appoint members to the innovation review panel from outside of the Authority, and (ii) against the removal of points for an emergency pull cord system in elderly developments. Mr. Dale, speaking on behalf of Windy Hill Foundation, a developer of Washburn Place, requested the Board not to impose point penalties on the developers for exceeding the construction cost limits in the construction of that development.

The Commissioners and staff discussed the request of Windy Hill Foundation and the Board directed staff to produce a decision brief with a recommendation that the Commissioners could consider at its next meeting in December.

Chairman Hale asked for a motion that the Board recommend approval of the staff's recommendation to amend the Authority's Qualified Allocation Plan. The motion was made and seconded and the Commissioners discussed the motion. During the discussion, the Commissioners considered three motions to amend the staff recommendation. A motion to amend, duly made and seconded, to increase the amount of developer fee that may be included in basis to \$3,000,000 was approved by a vote of the Commissioners. Commissioners Hale, McConnell, Blackston, Gibson, Johnson and Johnston voted in favor of motion to amend; Commissioner Shelton voted to oppose the motion to amend. A motion to amend, duly made and seconded, to require the executive director to appoint members to the innovation review panel from outside of the Authority was approved by the affirmative vote of each the Commissioners noted above as present at the meeting. A motion to amend, duly made and seconded, to extend the existing per unit cost limits for an additional year so that they may be used in the 2019 application round in addition to the new per square foot cost limitation was approved by the affirmative vote of each the Commissioners noted above as present at the meeting. Chairman Hale then asked for a motion to approve the "Resolution Amending and Restating the Plan of the Virginia Housing Development Authority for the Allocation of Low-Income Housing Tax Credits Including Rules and Regulations" dated October 10, 2018, as amended by the Board. On motion duly made and seconded, the resolution was approved by the affirmative vote of each the Commissioners noted above as present at the meeting. In addition, the Board directed the staff to convene a workgroup to further evaluate the public comments on

the energy efficiency items to avoid any unintended weakening of energy efficiency standards and, if changes are necessary, such changes would be considered and adopted in one year rather than the normal two year period.

The minutes of the Committee of the Whole and the regular meeting of the Commissioners held on August 14-15, 2018, 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 Clifford L. Millirons” dated October 10, 2018, was read by Ms. Neale, 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.

The resolution entitled “Resolution in Recognition and Appreciation of Thirty Years of Service by Laurie B. Hill” dated October 10, 2018, was read by Ms. Neale, 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.

Chairman Hale reported that the Executive Committee had discussed (i) plans for an Authority-wide compensation study and that the Executive Committee will direct the study applicable to the Executive Director position; (ii) proposed revisions to the format of the Board meetings, which will be introduced at the December meeting; and (iii) the agendas for the meetings of the Committees and the Board.

Commissioner Gibson, on behalf of the Audit Committee, reported that the Committee had received and discussed with representatives of KPMG their audit of the Authority’s financial statements for fiscal year 2018 and that KPMG (i) had issued its unqualified opinion that such financial statements present fairly, in all material respects, the financial position of the Authority and that KPMG did not identify any deficiencies in internal controls that KPMG considered to be material weaknesses; (ii) had issued its unqualified opinion indicating the Authority has complied, in all material respects, with the Single Audit Act requirements relating to federal expenditures; and (iii) did not identify any deficiencies that might be considered material weaknesses in internal controls. KPMG representatives also reported on the results of the audit of VHDA Retiree Health Care Plan’s basic financial statements for the calendar year ended December 31, 2017, and that KPMG issued an unqualified opinion asserting the financial statements present fairly, in all material respects, the financial position of VHDA’s Retiree Health Care Plan. Commissioner Gibson reported that the Committee (i) received a report on the Authority’s internal audit upcoming work plan schedule and (ii) internal audit provided its annual attestation affirming their objectivity and independence as required by their professional standards.

Commissioner Johnston reported on recent activities of the Department of Housing and Community Development, including the following: (i) the Governor’s announcement of \$4.5 million in Vibrant Community Initiative (VCI) funding for Southwood Redevelopment and Infrastructure Project in Albemarle County and Cook’s Corner in Middlesex County; (ii) the upcoming announcement of funding from the Affordable Special Needs Housing Program on October 31, 2018; (iii) the start of the application process for Virginia Housing Trust Fund Homeless Reduction Grant Program; and (iv) both the Governor and the Lieutenant Governor will be attending the Governor’s Housing Conference in Arlington.

Ms. Dewey presented her report on operations in which she advised the Commissioners of the following matters: (i) the NCSHA Executive Director, Stockton Williams, visited Richmond on Wednesday, September 19th, to speak at the Virginia Housing Alliance Tax Credit Conference to discuss the GAO LIHTC cost study and to spend time with staff members discussing a wide variety of housing issues; (ii) in response to the Housing Policy Advisory Committee report, the Authority is examining its programs and policies to ensure that it is supporting the development of affordable housing across the Commonwealth, including, in part, SIP II, a \$10 million rotating REACH allocation intended to address specific projects and initiatives related to housing and economic development; (iii) the Authority issued a statement of needs to public universities in the Commonwealth seeking to quantify and communicate the Authority's economic impact on the Commonwealth; (iv) on Wednesday, August 22nd, the Authority hosted a bus tour of seven affordable housing properties in Chesapeake and Portsmouth for Congressman Bobby Scott, several members of the General Assembly, and representatives from housing authorities and local governments to improve understanding of Authority's usage of federal programs to bring affordable housing to Virginia, and the Authority plans to conduct bus tours in Virginia's other congressional districts in the future; (v) staff's attendance at the annual Northern Virginia Affordable Housing Alliance Regional Housing Leaders Awards in Alexandria on Thursday, September 28th, which was also attended by Commissioners Gibson and Ramos; (vi) the Authority will continue to host the Annual Charity Golf Tournament in 2019 on May 23rd at Ford's Colony; (vii) the Virginia Mortgage Lenders Association presented the Authority with the 2018 President's Award at its annual convention on September 21, 2018; and (viii) upcoming meetings, including, the next meeting of the Board to be held on December 12, 2018 at headquarters, the meeting of the Board to be held on February 13, 2019, at the Virginia Housing Center, and the regional meeting of the Board to be held in Abingdon on April 7-9, 2018.

There being no further business, the meeting was adjourned at approximately 1:15 p.m. on October 10, 2018.

Kermit E. Hale, Chairman
Chairman

Paul M. Brennan
Assistant Secretary

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE
HELD ON OCTOBER 10, 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 October 10, 2018, at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMITTEE MEMBERS PRESENT:

Thomas A. Gibson, IV, Chairman

COMMITTEE MEMBERS ABSENT:

Manju Ganeriwala
Shekar Narasimhan
David E. Ramos

OTHER COMMISSIONER PRESENT:

Kermit E. Hale
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
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
Marquia Gunn, KPMG
Jim Dougherty, KPMG

The meeting of the Audit Committee was called to order by Chairman Gibson at approximately 8:00 a.m. on October 10, 2018. The member of the Committee listed above as being present at the meeting was present at that time and remained present throughout the meeting.

Chairman Gibson recognized Ms. Barackman as retiring soon and thanked her for her many years of service to the Authority.

The approval of the August Audit Committee minutes was deferred until the December meeting.

Ms. Gunn and Mr. Dougherty reported on the results of the audit of VHDA’s basic financial statements for the fiscal year ended June 30, 2018. On September 13, 2018, KPMG issued an

unqualified opinion asserting the financial statements present fairly, in all material respects, the financial position of VHDA. In their report on compliance with the Single Audit Act, Uniform Guidance and Audit Requirements for Federal Awards, KPMG issued another unqualified opinion indicating the Authority has complied, in all material respects, with the compliance requirements of the Code of Federal Regulations Part 200. Ms. Gunn and Mr. Dougherty also reported on the results of the audit of VHDA Retiree Health Care Plan's basic financial statements for the calendar year ended December 31, 2017. On September 13, 2018, KPMG issued an unqualified opinion asserting the financial statements present fairly, in all material respects, the financial position of VHDA's Retiree Health Care Plan. Lastly, KPMG did not identify any deficiencies in internal control that might be considered material weaknesses.

Mr. Strodel provided an overview of Internal Audit's activity plan. The areas selected were based primarily on VHDA's strategic focus on compliance activities, along with programs that have not been reviewed for an extended period of time and other significant operating areas experiencing turnover or key operational changes. Mr. Strodel reported that Internal Audit is continuing its ongoing periodic reviews of expense reports and accounts payable transactions along with VHDA's SWaM vendor compliance reporting processes. Mr. Strodel also reported that Internal Audit is circling back to groups they have audited during the past 6-12 months to review their progress in implementing the previously agreed upon corrective action plans that were discussed with them during their audit. Lastly, Mr. Strodel provided Internal Audit's annual attestation affirming their objectivity and independence as required by their professional standards.

There being no further business, the meeting was adjourned at 8:23 a.m. on October 10, 2018.