

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE
HELD ON OCTOBER 8, 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 October 8, 2019, at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMITTEE MEMBERS PRESENT:

Shekar Narasimhan, Chairman
William C. Shelton, Vice Chairman
Abigail Johnson
Clarissa McAdoo Cannon

COMMITTEE MEMBER ABSENT:

Thomas A. Gibson, IV

OTHER COMMISSIONERS PRESENT:

Erik Johnston

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Paul M. Brennan, Chief Counsel
Patrick J. Carey, Chief of Program Strategy
Janet Wiglesworth, Chief of Operations
Tammy Neale, Chief of Staff
Lisa Watson, Managing Director of Human Resources
Barbara Blankenship, Enterprise Operations Consultant
Myriam Michaels, Korn Ferry

Chairman Narasimhan called the meeting of the Committee to order at approximately 3:38 p.m. on October 8, 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 Committee meetings held on June 18, 2019, September 23, 2019, and September 30, 2019, were approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

The Committee and Ms. Michaels discussed the draft plan for evaluating the performance of the Executive Director; the process for implementing the plan and how the plan would be presented to the full Board.

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 4:45 p.m.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE
HELD ON OCTOBER 9, 2019

Pursuant to the call of the Acting 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 9, 2019 at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMITTEE MEMBERS PRESENT:

Abigail Johnson, Acting Chairman
David E. Ramos

COMMITTEE MEMBERS ABSENT:

Thomas A. Gibson, IV, Chairman
Manju Ganeriwala

OTHER COMMISSIONERS PRESENT:

William C. Shelton, Vice Chairman

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
Arthur N. Bowen, Managing Director of Rental Housing
Toni Ostrowski, Managing Director of Homeownership
Ross Strodel, Internal Audit Director
David Henderson, Director of Accounting and Administration
Neal Rogers, Director of Compliance and Asset Management
Melissa Burke, Financial Reporting Accountant
Jim Dougherty, KPMG
Marquia Gunn, KPMG

The meeting of the Audit Committee was called to order by Acting Chairman Johnson at approximately 8:15 a.m. on October 9, 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 June 19, 2019, were approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Mr. Dougherty and Ms. Gunn from KPMG reported on the results of the audit of the Authority’s basic financial statements for the fiscal year ended June 30, 2019. KPMG has issued an unqualified opinion asserting the financial statements present fairly, in all material respects, the financial position of the Authority.

Mr. Dougherty and Ms. Gunn also reported on the results of the audit of the Authority's Retiree Health Care Plan's basic financial statements for the calendar year ended December 31, 2018. KPMG has issued an unqualified opinion asserting the financial statements present fairly, in all material respects, the financial position of the Authority's Retiree Health Care Plan.

Lastly, KPMG did not identify any deficiencies in internal control that might be considered material weaknesses. However, KPMG will provide a management letter to the Audit Committee highlighting three issues discovered during the compliance audit concerning issues the Authority had with its document custodian.

Mr. Strodel reported the results of Internal Audit's recent audit of the Rental Housing Compliance and Asset Management Department, which included recommendations for improving its monitoring processes and its fee collection process.

Mr. Strodel also noted that he will provide an audit plan for Internal Audit at the Committee's December meeting.

There being no further business, the meeting was adjourned at approximately 8:47 a.m. on October 9, 2019.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE REGULAR MEETING OF THE COMMISSIONERS
HELD ON OCTOBER 8-9, 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 October 8-9, 2019, at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMISSIONERS PRESENT:

Shekar Narasimhan, Chairman
William C. Shelton, Vice Chairman
Barbara Blackston
Abigail Johnson
Erik Johnston
Clarissa McAdoo Cannon
Lisa R. Porter
David E. Ramos

COMMISSIONERS ABSENT:

Manju Ganeriwala
Thomas A. Gibson, IV
Michael J. Schewel

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
Fred Bryant, Deputy Chief Counsel
J.D. Bondurant, Director of Low Income Housing Tax Credit Programs
Stephanie Flanders, Senior Tax Credit Allocation Officer
Sandy Edwards, Assistant to the Executive Director
Courtney Insley, Senior Executive Assistant
Pamela Holmes, Director of Servicing
Michael Urban, Director, Homeownership Lending
Ross Strodel, Internal Audit Director
Barry Merchant, Senior Policy Analyst
Francis Stanley, Research and Policy Analyst
Charles McConnell

Ryne Johnson, Astoria
Nina Janopaul, APAH
Brian Coggin, APAH
Ashley Brown, Administrative Assistant
Monica Mack, Community Outreach Compliance Officer
Tina Moschetti, Application Support Specialist
Jeb Hoge, Talent Development Specialist
Trey Newell, Program Support Analyst
Pamela Swartzenburg-Freeth, Tax Credit Allocation Analyst
Kathy Hassell, Quality Assurance Analyst
Myriam Michaels, Korn Ferry

Chairman Narasimhan called the regular meeting of the Board of Commissioners to order at 5:00 p.m. on October 8, 2019. All of the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting.

Chairman Narasimhan provided a report on items considered by the Executive Committee since the last Board meeting, including (i) two work sessions with Korn Ferry that started the framework for the evaluation process for the performance of the Executive Director; (ii) plans for visiting the indieDwell home installed in Richmond; (iii) the recommendations of the low-income housing tax credit innovation committee; (iv) the large funding requests of the redevelopment and housing authorities from Newport News and Norfolk needed to leverage their HUD Choice Neighborhood Initiative grants; (v) change the use of “Virginia Housing Development Authority” to “Virginia Housing” as part of its branding initiative; and (vi) changing the title of the Executive Director to Chief Executive Officer. It was the consensus of the Board to proceed with the “Virginia Housing” as part of the branding initiative and that the title of the Executive Director be changed to Chief Executive Officer.

Ms. Michaels presented a report on the plan for evaluating the performance of the Executive Director and the process for implementing the plan, that included (i) key competencies for the Executive Director; (ii) an Executive Director success profile; (iii) goals connected to the development of a new strategic plan, public housing transformation, addressing the minority homeownership gap, and financial performance; (iv) Executive Director feedback; (v) Board effectiveness; and (vi) the process for implementing the plan. It was the consensus of the Board that the Executive Committee continue with the development of the goals it created for the plan to include work on the current strategic plan, which will be presented at the December Board meeting.

Upon conclusion of the report, the meeting was recessed at 6:56 p.m. on October 8, 2019.

Chairman Narasimhan reconvened the regular meeting of the Board of Commissioners at 9:00 a.m. on October 9, 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 introduced seven members of the Authority’s Emerging Leaders Program that would be observing the regular meeting of the Board of Commissioners.

Mr. Bowen and Mr. Bondurant presented a report on the applications submitted to the low-income housing tax credit innovation pool and the recommendation of the low-income

housing tax credit innovation committee to award tax credits to two developments, Gateway Seniors and The Coile. On motion duly made and seconded, the innovation committee's recommendation to reserve tax credits to Gateway Seniors and The Coile was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Ms. Janopal requested an opportunity to make comments during the public comment period of the meeting and spoke in favor of Ballston Station, one of the developments considered for tax credits in the innovation pool.

The following items, in the forms attached hereto, 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 annual meeting of the Commissioners held on August 14, 2019; (ii) the resolution entitled "Resolution in Recognition and Appreciation of Charles C. McConnell" dated October 9, 2019; (iii) and the resolution entitled "Resolution of Board of Directors and Certificate of Authorized Signatures for Ginnie Mae" dated October 9, 2019; and (iv) the resolution entitled "Resolution Establishing Meeting Dates of the Board of Commissioners from December 1, 2019 through December 31, 2020" dated October 9, 2019.

Mr. Carey reported on the Authority's intention to include Freddie Mac as an option for securitizing single-family loans. On motion duly made and seconded, the resolution entitled "Resolution of the Board of Commissioners of the Virginia Housing Development Authority" dated October 9, 2019, was approved in the form attached hereto by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Mr. Bowen presented a report on the Board's policy on making loans involving unsubordinated ground leases and the recommendation to revise the policy to allow such loans subject to statutory requirements and underwriting specific to the development. On motion duly made and seconded, the resolution entitled "Resolution Adopting Policy on the Financing of Leasehold Estates" dated October 9, 2019, was approved in the form attached hereto 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 Danville Initiative and the City of Danville's decision to change its zoning ordinance to allow a manufactured housing development; and (ii) the ability of the Authority to offer mixed-use mixed income to enable the financing of affordable housing and temporary housing in the Town of Blackstone to support the housing needs created by the construction of a federal training center on Fort Pickett. On the topic of community impact, Ms. Dewey discussed training opportunities with Authority partners, including (i) partner training on the fundamentals of affordable housing development conducted by the Authority that focused on small to midsize developers; (ii) training for real estate agents on the Authority's loan programs in partnership with the REALTORS® and USDA; and (iii) the Authority's annual meeting and training with the Virginia Habitat for Humanity chapters. On the topic of economic development, Ms. Dewey discussed (i) Huntington Village, new construction that supports revitalization in Newport News; (ii) Artisan Hill, a mixed-use mixed income development that supports the revitalization of the Fulton area of Richmond; and (iii) Carlton Views Phase II, an elderly development in Charlottesville that provides the tenants access to the services of the Blue Ridge PACE. On the topic of telling our story, Ms. Dewey discussed (i) progress on the Authority's economic impact study; (ii) the work of the Northern

Virginia Affordable Housing Task Force and the proposals for funding in Alexandria, Arlington, and Fairfax; (iii) the 8th District Affordable Housing Bus tour that included Congressman Beyer; and (iv) a series of community recognitions and events attended by Authority staff. Ms. Dewey also discussed: (i) the timeline for the Authority's re-branding efforts; and (ii) that the survey of the Commissioners is complete and the results will be discussed with the Board in December.

Chairman Narasimhan, on behalf of the Executive Committee, recapped the decisions that the Board (i) will need to make regarding the next strategic plan, the goals for the evaluation process for the performance of the Executive Director, and the large low-income housing tax credit funding requests connected to the HUD Choice Neighborhood Initiative grants; and (ii) had made regarding the use of "Virginia Housing" in the branding initiative and changing the title of the Executive Director to Chief Executive Officer.

Commissioner Johnson, 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 2019 and that KPMG 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. KPMG will provide a management letter regarding issues discovered during the compliance audit concerning the Authority's document custodian. 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, 2018, 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 and that KPMG did not identify any deficiencies in internal controls that KPMG considered to be material weaknesses. Commissioner Johnson reported that the Committee received a report from Internal Audit on the results of its recent audit of the Rental Housing Compliance and Asset Management Department, which included recommendations for improving its monitoring processes and its fee collection process.

Mr. Richardson advised the Board on the salient features of the Authority's proposed Rental Mortgage Bonds, 2019 Series E-Non-AMT (tax-exempt) and Series F-Taxable with a maximum issue size of \$155 million that will permanently finance up to ten rental mortgage loans.

Ms. Anderson reported on the Authority's financial results for the fiscal year-to-date ending August 31, 2019. In her report, Ms. Anderson noted the following: (i) the Authority's net interest margin was \$50.1 million, \$1.9 million above plan; (ii) both programmatic and administrative expenses were below plan; (iii) the Authority's excess revenue was \$16.3 million, \$6.2 million above plan; and (iv) total net position (total assets less total liabilities) was \$3.5 billion, \$192.6 million greater than last fiscal year.

Mr. Carey presented a report on the usage of REACH *Virginia* funds in fiscal year-to-date ending August 31, 2019.

Ms. Ostrowski and Mr. Merchant presented a report on the Homeownership program borrower profile, including comparisons between (i) household characteristics to U.S. first-time homebuyers; (ii) incomes served to regional incomes; (iii) race and ethnicity to the Virginia

population; (iv) the credit profile to U.S. mortgages; and (v) home characteristics to those of U.S. first-time homebuyers.

Mr. Bowen and Mr. Bondurant presented a report on the current status of HUD's Rental Assistance Demonstration program and the near term large funding requests for low-income housing tax credits created by the HUD Choice Neighborhood Initiative grants to the Newport News Redevelopment and Housing Authority and the Norfolk Redevelopment and Housing Authority.

Commissioner Johnston reported on recent activities of the Department of Housing and Community Development, including the following: (i) the award of a \$5.6 million grant from HUD for lead-based paint abatement; and (ii) the progress of work on updating the building code that includes a focus on energy efficiency, resiliency and building technology.

There being no further business, the meeting was adjourned at approximately 1:50 p.m.

Shekar Narasimhan, Chairman

Paul M. Brennan, Assistant Secretary