

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE
HELD ON OCTOBER 26, 2021

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 26, 2021, at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMITTEE MEMBERS PRESENT:

William C. Shelton, Chairman
Thomas A. Gibson, IV, Vice Chairman
Abigail Johnson
Shekar Narasimhan (via WebEx)
Michael J. Schewel

OTHERS PRESENT:

Susan F. Dewey, Chief Executive Officer
Paul M. Brennan, Chief of Staff
Fred W. Bryant, Chief Counsel
Tammy Neale, Chief of Staff
Janet Wigglesworth, Chief of Operations
Lisa Watson, Managing Director of Human Resources
Myriam Michaels, Korn Ferry

The meeting of the Executive Committee was called to order by Chairman Shelton at 2:00 p.m. on October 26, 2021. The members of the Committee listed above as being present at the meeting were present at that time and remained present throughout the meeting. Due to a business conflict, Commissioner Narasimhan participated in the meeting electronically from McLean per the Authority’s electronic participation policy. Commissioner Schewel participated in the meeting electronically from Chesterfield County per the Authority’s electronic participation policy and later joined the meeting in person as noted below.

The Committee reviewed the CEO Goals for FY22, including a brief presentation from Ms. Michaels and Ms. Watson. Commissioner Schewel joined the meeting in person during this discussion.

On a motion duly made and seconded, a motion to approve the CEO Goals for FY22 as a general framework and policy direction for the CEO’s performance and to re-examine the goals in February 2022, including consideration of performance metrics and additional language regarding specific performance objectives in furtherance of the goals, was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting

The Committee reviewed and discussed the agenda for the Board Meeting.

There being no further business, the meeting was adjourned at approximately 2:50 p.m.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
MINUTES OF THE MEETING OF THE COMMISSIONERS
HELD ON OCTOBER 26-27, 2021

Pursuant to the call of the Chairman and notice duly given, the meeting of the Commissioners of the Virginia Housing Development Authority (the “Authority”) was held on October 26-27, 2021, at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMISSIONERS PRESENT:

William C. Shelton, Chairman
Thomas A. Gibson, IV, Vice Chairman
Nathalia Artus
Manju Ganeriwala
Abigail Johnson
Erik Johnston
Carlos Larrazabal
Shekar Narasimhan
Lisa R. Porter
Michael J. Schewel

COMMISSIONERS ABSENT:

Barbara Blackston

OTHERS PRESENT:

Susan F. Dewey, Chief Executive Officer
Paul M. Brennan, Chief of Staff
Fred Bryant, Chief Counsel
Patrick J. Carey, Special Advisor to the Chief Executive Officer
Tammy Neale, Chief of Programs
Janet Wigglesworth, Chief of Operations
Llewellyn C. Anderson, Managing Director of Federal Programs
Herman Aparicio, Managing Director of Information Technology
Arthur N. Bowen, Managing Director of Rental Housing
J. Michael Hawkins, Managing Director of Community Outreach
David Henderson, Managing Director of Finance and Administration
Steven C. Mintz, Deputy Chief Counsel
Toni Ostrowski, Managing Director of Homeownership
Hil Richardson, Managing Director of Capital Markets
Lisa Watson, Managing Director of Human Resources
DJ Benway, Policy Analyst
JD Bondurant, Director of Low Income Housing Tax Credit Programs
Ron Brown, Desktop Support Analyst
Sandy Edwards, Assistant to the Chief Executive Officer
Fabrizio Fasulo, Director of Policy and Planning
Stephanie Flanders, Assistant Director of Low Income Housing Tax Credit Programs
Everett Gardner, Senior Counsel

Janet Groessler, Senior Executive Assistant
Neal Rogers, Director of Compliance and Asset Management
Hope Coleman Rutter, Director of Rental Servicing
Sheila Stone, Senior Allocation Officer
Barry Merchant, Contractor
Monique Johnson
Ryne Johnson, Astoria
Steve Lawson, Lawson Companies
Sam Lesemann, JLARC
Scott Napier
Austin Pittman, Lawson Companies
Elizabeth Rafferty, Hunton Andrews Kurth
Ellie Rigsby, JLARC
Monty Salyer, Wise County Housing Authority
Jen Surber, Surber Development
Three unidentified members of the public via WebEx

Chairman Shelton called the annual meeting of the Board of Commissioners to order at 3:17 PM on October 26, 2021. All of the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting on October 26, 2021. Due to a business conflict, Commissioner Narasimhan participated in the meeting electronically from McLean per the Authority's electronic participation policy.

Ms. Neale introduced Ms. Johnson, who will join the Authority as Managing Director of Community Outreach on November 1, 2021.

Ms. Dewey presented a report on the activities and operations of the Authority in which she advised the Commissioners on the Authority's efforts in (i) responding to the impact of COVID pandemic; (ii) addressing state housing needs; (iii) addressing unmet rental needs; (iv) strengthening first-time homeownership; (v) delivering superior long-term financial and operational performance; and (vi) telling our story. On the topic of responding to the impact of the COVID pandemic, Ms. Dewey provided updates on (i) the activities of the Community Outreach, Rental and Homeownership Divisions, including the resumption of in-person homebuyer education classes; (ii) the number of rental mortgage loans and homeownership loans in forbearance; (iii) the number of tenants served through the landlord portal of the Rent Relief Program; (iv) the number of applications received for the Mortgage Relief Program; and (v) the status of the approval by U.S. Treasury (Treasury) of the Authority's Homeowner Assistance Fund plan. On the topic of addressing state housing needs, Ms. Dewey discussed (i) staff's participation in the 3rd Annual Eastern Shore Housing Summit and the NHP Foundation's 2021 symposium; (ii) an Innovations Demonstration Grant made by the Authority that is assisting in adding modular housing stock in the Five Points neighborhood in Martinsville; (iii) a predevelopment loan to Community Lodgings for a proposed new development in Arlington; (iv) the status of the House Bill 854 study; and (v) the Urban Land Institute's Larson Award recognizing Alexandria's South Patrick Street Housing Affordability Strategy, which benefited from the Authority's Community Impact Grant program. On the topic of addressing unmet rental needs, Ms. Dewey discussed (i) Friendship Court Phase I in Charlottesville; (ii) the redevelopment of the Southwood mobile home park in Charlottesville; and (iii) the Winchester Forest development in Chesterfield. On the topic

of first-time homeownership, Ms. Dewey discussed (i) staff's participation in the National Association of Minority Mortgage Bankers of America (NAMMBA) Connect 2021 conference; (ii) the Authority's involvement in a successful grant application to Well Fargo's BIPOC Wealth Opportunities Restored through Homeownership (WORTH) grant program for housing in Richmond; (iii) the Authority's 2021 top producing mortgage loan officers; and (iv) three sessions of Chatting it up Live - Español conducted during National Hispanic Heritage Month. On the topic of delivering superior, long-term financial and operational performance, Ms. Dewey discussed (i) the clean financial audit performed by KPMG and (ii) the first meeting of the Authority's internal IDEA Council (Inclusion, Diversity, Equity and Access). On the topic of telling our story, Ms. Dewey discussed (i) the October 14, 2021, meeting of the Minority Business Advisory Council; (ii) staff's participation in a Radio One Virtual Event on credit and a CBS podcast on the Virginia Residential Landlord Tenant Act; (iii) the Authority's social media posts celebrating Mortgage Professionals Month; (iv) an award from the Virginia Housing Alliance to the Authority and the Department of Housing and Community Development for the Rent Relief Program; (v) awards from the National Council of State Housing Agencies (NCSHA) in the Communications category for the Integrated Brand Campaign and in the Special Achievements category for the indieDwell initiative; and (vi) that the Authority will be honored with the Outstanding Organizational Partner award from the Association of Fundraising Professionals Central Virginia Chapter on November 18, 2021.

Commissioner Johnston reported on recent activities of the Department of Housing and Community Development (DHCD), including (i) the Rent Relief Program, specifically that (a) Virginia is the only state to obligate 65% of the federal Emergency Rental Assistance part 1 (ERA 1) funds prior to September 30, 2021, (b) Treasury's reallocation process for ERA 1 funds not obligated by other grantees is ongoing and could lead to Virginia receiving additional federal ERA1 funds, and (c) DHCD is moving to an integrated application model where the landlord and tenant portals are both operated by a single vendor, Virginia Interactive; (ii) the Virginia Housing Trust Fund has \$55 million available this year, including funds for homelessness reduction, affordable and special needs housing, and an eviction reduction pilot; (iii) DHCD's efforts with respect to state budget requests are underway; (iv) the Appalachian Regional Commission has grant funds available and is seeking proposals; (v) regarding broadband, the Governor has announced \$700 million for last mile broadband expansion funds and \$943 million of applications have been received; (vi) DHCD is working with Afghan refugee resettlement agencies, particularly in Northern Virginia; (vii) the Governor recently announced more than \$2,000,000 in Virginia Main Street grants to support projects aimed at revitalizing historic commercial districts, expanding small businesses, and growing local economies; and (viii) regarding homelessness programs, there is a need for additional permanent supportive housing units in Virginia.

Ms. Ostrowski delivered a presentation on FY21 homeownership borrower characteristics, including: (i) regional distribution of borrowers; (ii) median sales prices; (iii) the share of borrowers with dependents; (iv) the share of loans not reporting race or ethnic origin; (v) borrower race and ethnicity; (vi) credit standing of borrowers; (vii) home types financed; (viii) COVID-19 effects; and (ix) potential impact of rising interest rates. Ms. Ostrowski also mentioned discussion at a recent Mortgage Bankers Association conference that some large institutional lenders were hesitant to participate in the FHA loan program and the negative impact that could have on closing the minority homeownership gap. Ms. Dewey reported that the Authority purchases or originates

approximately 20% of first-time homebuyer loans and 27% of all FHA loans in the Commonwealth.

Chairman Shelton and Ms. Dewey expressed appreciation to Dr. Michael Hawkins for his strong dedication to the Authority's mission and congratulated him on his retirement. Commissioner Porter and Mr. Salyer then made remarks thanking Dr. Hawkins for his many years of service at the Authority and wishing him well in his retirement. Dr. Hawkins then addressed the Board thanking them for the opportunity to work at Virginia Housing and the Board's commitment to affordable housing.

The meeting was recessed at 4:54 p.m. on October 26, 2021.

Chairman Shelton reconvened the meeting at 9:20 a.m. on October 27, 2021. All of the Commissioners listed above as present at the meeting were present at that time, except Commissioner Narasimhan who joined the meeting as indicated below, and remained present throughout the meeting on October 27, 2021. Due to a business conflict, Commissioner Narasimhan participated in the meeting electronically from Rochester, NY per the Authority's electronic participation policy.

Chairman Shelton opened the floor for public comment. No members of the public indicated a desire to speak at that time and the public comment period was therefore closed.

Mr. Bondurant then reviewed staff's recommendations with respect to the proposed changes to the Qualified Allocation Plan (QAP) for the federal low-income housing tax credits (LIHTC), that were initially presented at the June 2021 meeting of the Board, in response to comments received by staff during the public comment period for the QAP. Such recommendations were divided into five categories for the proposed changes: (i) not move forward; (ii) move forward as proposed, but defer the effective date until January 1, 2023; (iii) move forward with revisions, but defer the effective date until January 1, 2023; (iv) move forward with revisions, effective January 1, 2022; and (v) move forward as proposed, effective January 1, 2022. Mr. Bryant indicated that, due to an internal staff miscommunication, an insert into the materials presented to the Board was necessary to add points for licensed on-site childcare or an equivalent subsidy for tenants, as proposed in June as a standalone point category, as an additional option within the proposed 15 point category for resident services, to conform to the staff recommendations as presented by Mr. Bondurant. Commissioner Narasimhan joined the meeting during Mr. Bondurant's presentation and remained present for the remainder of the meeting.

Chairman Shelton asked for a motion that the Board adopt 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 27, 2021, with the clarification referenced above by Mr. Bryant. The motion was made and seconded and the Commissioners discussed the motion. During the discussion, the Commissioners considered a motion to amend the motion. A motion to amend, duly made and seconded, to also authorize staff to revise the proposed solar electric system point category to instead refer to a renewable energy electric system, to clarify that the electrical load refers to the development's on-site electrical load, and to clarify that the provision of the electric load by the renewable energy electric system must be for the benefit of the tenants was approved by a vote of the Commissioners by the affirmative

vote of each the Commissioners then present at the meeting. Chairman Shelton 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 27, 2021, as so 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.

Commissioner Narasimhan then requested that the minutes reflect the Board’s strong support of the Authority’s commitment to the long-term affordability of developments for the benefit of tenants, full compliance by developers with the provisions of the Internal Revenue Code and program requirements, and the right of first refusal by a qualified non-profit organization.

Mr. Bondurant then reviewed staff’s recommendations with respect to the rules and regulations for the Virginia housing opportunity tax credits (HOTC). Mr. Bondurant reported that the HOTC is \$15 million per year in state tax credits, with a one-year credit period, a five-year program duration, and an aggregate \$75 million program. Staff recommended adopting the regulations as proposed at the June 2021 meeting, with one revision to clarify that the recapture period is the one-year HOTC credit period.

Mr. Bondurant reviewed staff’s recommendation to use the total available \$15 million 2021 HOTC authorization to partially fund the credit request of the top two deals in Tier II of the 2021 9% competitive round that are not moving forward without HOTC, Saratoga Place and Old Hundred Trace. Mr. Bondurant noted that, while The Ridges was the top scoring unfunded deal in Tier II at the time final rankings were published, staff did not recommend the development for HOTC because the developer has since obtained different funding sources and the project has started construction. The total HOTC recommended to be reserved to each deal is \$7,500,000 (\$15 million total). Mr. Bondurant then detailed staff’s recommendation to use a preallocation of 2022 9% credits to fund the balance of the credit request for those two deals. After the foregoing recommendation for HOTC, the federal LIHTC required for Saratoga Place is \$429,648 and the federal LIHTC required for Old Hundred Trace is \$110,736 (\$540,384 total federal LIHTC).

Chairman Shelton then asked for a motion to approve the “Resolution Adopting the Rules and Regulations for the Allocation of Virginia Housing Opportunity Tax Credits” dated October 27, 2021. 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.

On motion duly made and seconded, a motion that the staff proceed with the reservations of HOTC and LIHTC to Saratoga Place and Old Hundred Trace in the amounts set forth above was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Chairman Shelton, on behalf of the Executive Committee, reported that the Executive Committee had (i) reviewed the CEO Goals for FY22, including a brief presentation from Ms. Michaels and Ms. Watson; (ii) passed a motion to approve the CEO Goals for FY22 as a general framework and policy direction for the CEO’s performance and to re-examine the goals in February 2022, including consideration of performance metrics and additional language regarding

specific performance objectives in furtherance of the goals; and (iii) reviewed and discussed the agenda for the Board Meeting.

Commissioner Schewel, on behalf of the Audit Committee, reported that the Audit Committee had received a report from representatives of KPMG on the results of the audit of VHDA's basic financial statements for the fiscal year ended June 30, 2021. KPMG has issued an unqualified opinion asserting the financial statements present fairly, in all material respects, the financial position of VHDA. KPMG also issued a clean opinion for the Authority's retiree health care plan and reported the actuarial determinations were reasonable. KPMG has not yet issued its single audit report, regarding COVID relief federal funds, because it is waiting for the issuance of the Compliance Supplement Addendum from the Office of Management and Budget prior to completing its review.

Mr. Henderson reported on the Authority's fiscal year 2022 financial statements as of August: (i) net interest margin of \$37.4 million, which is \$1.9 million greater than budget mostly due to lower interest expense than budget; (ii) programmatic expenses are \$2.8 million greater than budget mostly due to service release premiums expensed for pass-through bond issuance (versus selling the homeownership loans to the GSE's); (iii) administrative expenses are \$4.0 million lower than budget mostly due to lower than budget staffing costs; (iv) excess revenues over expense (before GASB adjustment) of \$8.9, which is \$4.1 million greater than budget but \$8.9 million lower than last year; (v) total assets of \$9.2 billion, an increase of \$600 million (mostly in mortgage loans (\$493 million)); (vi) total liabilities of \$5.4 billion, an increase of \$482 million attributed to additional bond issuances; (vii) a net position of \$3.7 billion, an increase of \$119 million; (viii) a total mortgage portfolio of \$12.7 billion (including loans serviced for the GSEs), a \$496 million increase; and (ix) total assets and GSE servicing of \$15.2 billion, a \$603 million increase.

The following items, in the forms attached hereto, were approved by the affirmative vote of the Commissioners listed above as present at the meeting on a motion to approve the items in the consent agenda: (i) the minutes of the annual meeting of the Commissioners held on August 30-31, 2021; (ii) the resolution entitled "Bond Limitations Resolution" for the Authority's Rental Housing Bonds dated October 27, 2021; (iii) the resolution entitled "Resolution – Authorized Officers Responsible for Financial Transactions with Fannie Mae" dated October 27, 2021; (iv) the resolution entitled "Resolution of The Board of Commissioners of the Virginia Housing Development Authority" for Freddie Mac dated October 27, 2021; and (v) the resolution entitled "Resolution Approving and Ratifying Reservations of Federal Low-Income Housing Tax Credits" dated October 27, 2021.

There being no further business, the meeting was adjourned at approximately 11:40 a.m.

William C. Shelton, Chairman

Fred Bryant, Assistant Secretary

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE
HELD ON OCTOBER 27, 2021

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 27, 2021.

COMMITTEE MEMBERS PRESENT:

Michael J. Schewel, Chairman
Nathalia Artus
Thomas A. Gibson, IV
Manju Ganeriwala
Lisa R. Porter

COMMITTEE MEMBERS ABSENT:

None

OTHERS PRESENT:

Susan F. Dewey, Chief Executive Officer
Patrick J. Carey, Chief Financial Officer
Paul Brennan, Chief of Staff
Janet Wiglesworth, Chief Operations Officer
Tammy Neale, Chief of Programs
Fred Bryant, Chief Counsel
David Henderson, Managing Director of Finance and Administration
Steven C. Mintz, Deputy Chief Counsel
Ross Strodel, Internal Audit Director
Donna Craver, KPMG
Marquia Gunn, KPMG
Brandon White, KPMG
Vatell Martin, KPMG
Sam Lesemann, JLARC

The meeting of the Audit Committee was called to order by Chairman Schewel at approximately 8:15 a.m. on October 27, 2021. The members of the Committee listed above as being present at the meeting were present at that time and remained present throughout the meeting except Commissioner Ganeriwala, who joined the meeting in progress as noted below and thereafter remained present during the meeting.

On motion duly made and seconded, the minutes of the meeting of the Audit Committee held on June 16, 2021, were approved by the affirmative vote of each of the Commissioners noted above as then present at the meeting.

Commissioner Ganeriwala joined the meeting shortly after the vote on the minutes and remained present for the remainder of the meeting

Chairman Schewel requested the Authority, going forward, put in the Audit Committee Board package materials all documents expected to be discussed, and all materials related to issues expected to be discussed, in the Audit Committee meeting.

Ms. Craver 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, 2021. KPMG has issued an unqualified opinion asserting the financial statements present fairly, in all material respects, the financial position of the Authority. Ms. Craver and Ms. Gunn reported that KPMG has not issued its single audit report yet, because they are awaiting the issuance of the Compliance Supplement Addendum from the Office of Management and Budget. Mr. White and Mr. Martin from KPMG were present and available via WebEx but they did not speak.

Ms. Craver and Ms. Gunn from KPMG reported on the results of the audit of the Authority's Retiree Health Care Plan, referred to as Other Post-Employment Benefits ("OPEB"). KPMG has issued an unqualified opinion asserting the financial statements of the OPEB present fairly, in all material respects, the financial position of the OPEB and that the actuarial determinations used are reasonable. Mr. White and Mr. Martin from KPMG were present and available via WebEx but they did not speak.

The Committee discussed that nature and process of the OPEB.

The Committee discussed the next independent review of the Authority's internal audit function and the Authority's plans to replace its internal auditor due to the retirement of Mr. Strodel. The Committee confirmed KPMG did not note any concerns regarding the Authority's internal audit activity other than KPMG recommends the Authority have an internal audit staff.

The Committee discussed the public nature of the Audit Committee meeting and KPMG confirmed there were no concerns they would express that they were not expressing because this meeting is open.

There being no further business, the meeting was adjourned at approximately 9:00 a.m. on October 27, 2021.