

Final
VIRGINIA HOUSING DEVELOPMENT AUTHORITY
MINUTES OF THE MEETING OF THE COMMISSIONERS
HELD ON APRIL 24-26, 2022

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 April 24-26, 2022, at the Delta Hotel, 2800 Shore Dr., Virginia Beach, Virginia.

COMMISSIONERS PRESENT:

William C. Shelton, Chairman
Nathalia Artus
Manju Ganeriwala
Bryan Horn
Abigail Johnson
Carlos Larrazabal
Shekar Narasimhan
Lisa R. Porter
Michael J. Schewel

COMMISSIONERS ABSENT:

Thomas A. Gibson, IV, Vice Chairman
Barbara Blackston

OTHERS PRESENT:

Susan F. Dewey, Chief Executive Officer
Paul M. Brennan, Chief of Staff
Fred Bryant, Chief Counsel
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
David Henderson, Managing Director of Finance and Administration
Monique Johnson, Managing Director of Community Outreach
Steve Mintz, Deputy Chief Counsel
Toni Ostrowski, Managing Director of Homeownership
Hil Richardson, Managing Director of Capital Markets /Acting Chief Financial Officer
Lisa Watson, Managing Director of Human Resources
JD Bondurant, Director of Low Income Housing Tax Credit Programs
Sandy Edwards, Assistant to the Chief Executive Officer
Fabrizio Fasulo, Director of Policy and Planning
Janet Groessler, Senior Executive Assistant
Tara Jenkins, Associate Chief
Ken Lambert, Senior Asset Manager
Neal Rogers, Director of Compliance and Asset Management
Yilla Smith, Associate Chief

The Honorable Caren Merrick, Secretary of Commerce and Trade
Shernita Bethea, Hampton Roads PDC
Bill Curtis, DHCD
Ruth Hill, City of Virginia Beach
Ronald Jackson, Norfolk RHA
Steve Lawson, Lawson Companies
Stephanie Papps, JLARC
Ellie Rigsby, JLARC
Bruce Smith, Bruce Smith Enterprises
Tracey Smith, JLARC
Kyle Spencer, City of Norfolk

Chairman Shelton called the regular meeting of the Board of Commissioners to order at 2:09 PM on April 24, 2022. All of the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting on April 24, 2022, except Commissioners Artus and Schewel, who joined the meeting on April 24, 2022, as noted below, and Commissioner Johnson who was not present during the meeting on April 24, 2022.

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 the 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 noted that this portion of the CEO Report will not be included in future CEO Reports, and provided updates on (i) the activities of the Community Outreach, Rental and Homeownership Divisions, including the resumption of in-person homebuyer education classes and adherence to CDC guidelines by class facilitators; (ii) the number of rental mortgage loans and homeownership loans in forbearance and the number of homeownership loan deferments and partial claims; and (iii) the number of applications received and grants disbursed for the Mortgage Relief Program. On the topic of addressing state housing needs, Ms. Dewey discussed (i) the approved initiatives for the REACH *Virginia* grant to the Central Shenandoah Planning District Commission; (ii) an update on the \$46 million public housing revitalization grant opportunity available to twenty-five redevelopment and housing authorities; (iii) Community Outreach's Rental Housing Symposium scheduled for May 16-17, 2022; and (iv) the National Main Street Conference in Richmond on May 16-18, 2022. On the topic of addressing unmet rental needs, Ms. Dewey discussed the Authority's financing of (i) the Leggett Building in Radford; (ii) Block 19 and 20 in Norfolk; and (iii) Bermuda Estates in Chesterfield. On the topic of first-time homeownership, Ms. Dewey discussed (i) the Authority's partnership with Wells Fargo on the BIPOC Wealth Opportunities Restored through Homeownership (WORTH) grant; (ii) participation in the Executive Roundtable of the NAMMBA Connect Tour; (iii) the top producing Virginia Housing loan officer recognition; (iv) attendance at the Little Ten retirement celebration; and (v) Lee County Redevelopment and Housing Authority's transformation of rental homes to first-time homebuyer inventory. On the topic of delivering superior long-term financial and operational performance, Ms. Dewey discussed the Authority's SWaM statistics as of March 2022. On the topic of telling our story, Ms. Dewey discussed (i) the Authority's celebration of International Women's Month; (ii) Ms. Anderson's presentation on the Rent Relief Program at the

National Housing Conference; (iii) attendance at NCSHA's LegCon and an update on pending state legislation; and (iv) the General Assembly's Joint Resolution recognizing the Authority's 50th anniversary. The Board then viewed the Authority's 50th Anniversary video.

Commissioners Artus and Schewel joined the meeting during Ms. Dewey's presentation and remained present throughout the meeting on April 24, 2022.

Commissioner Horn provided updates regarding the Department of Housing and Community Development (DHCD), including that: (i) the Main Street Now Conference will be held in Richmond in May of 2022; (ii) as of March 31, 2022, the Virginia Rent Relief Program had distributed approximately \$713 million of rent relief to 105,000 unique households, and the application portal is closing for new applications on May 15, 2022; and (iii) the Reconvened Session of the General Assembly begins the following day and the hope is that the state budget will be completed before that session ends.

Mr. Fasulo presented the proposed metrics for the goals of the Authority's strategic plan - Opportunity 2025. A motion, duly made and seconded, was approved by the affirmative vote of each the Commissioners then present at the meeting to adopt the Strategic Metrics for Goals 1 through 4 as presented, for staff to begin reporting progress toward such metrics to the Board, and for staff to work with its two financial advisors to refine the Strategic Metrics for Goal 4.1 and report back to the Board at a future meeting.

Ms. Dewey provided history and background on the Mortgage Credit Certificate ("MCC") program, and the potential impact that the increase in demand for private activity bonds for rental housing, industrial development projects and the Governor's pool may have on the MCC program. Ms. Ostrowski conducted a question and answer session on the MCC program. This included discussion of (i) whether the Authority's borrowers are utilizing the MCCs and receiving a tax benefit; (ii) how homeowners are hearing about the MCC program; (iii) the applicability of recapture tax to the Authority's borrowers; (iv) that the receipt of an MCC does not affect the underwriting of the loan; (v) the percentage of the Authority's borrowers that request an MCC; and (vi) the reception by lenders to the prior reduction of the MCC program credit percentage from twenty to ten percent.

The meeting was recessed at 5:02 PM on April 24, 2022.

At the Board dinner, Mr. Spencer gave a presentation on the City of Norfolk's resiliency strategy.

Chairman Shelton reconvened the meeting at 9:00 AM on April 25, 2022 for a bus tour of Authority financed rental housing developments in the Virginia Beach area. All of the Commissioners listed above as present at the meeting were present at that time and remained present throughout the tour.

Upon conclusion of the tour, the meeting was recessed at 12:10 PM on April 25, 2022.

Chairman Shelton reconvened the meeting at 1:04 PM on April 25, 2022. All of the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting on April 25, 2022, except Commissioner Artus who left the meeting on April 25, 2022, as noted below.

Chairman Shelton introduced Secretary of Commerce and Trade Caren Merrick. Secretary Merrick briefly discussed her professional background and the priorities of the Youngkin administration with respect to job creation and workforce housing.

Mr. Fasulo presented an economic and housing market analysis of the Hampton Roads area. The presentation included a discussion of (i) the geographic regions comprising Hampton Roads; (ii) environmental barriers to development; (iii) the Hampton Roads economic base; (iv) the military's impact on Hampton Roads; (v) economic growth and housing demand; (vi) the affordable housing delivery network; (vii) the rental housing market; (viii) the homeownership market; and (ix) a Hampton Roads market summary.

Ms. Neale moderated a regional housing panel with Ms. Bethea, Ms. Hill, Mr. Jackson and Mr. Smith. The panel included representation from partners in local government, rental housing, public housing, and the local planning district commission. The moderated panel addressed regional efforts and the challenges faced in creating affordable housing opportunities. Panelists engaged in a series of questions that offered opportunities to expound upon affordable housing in Hampton Roads and the implications for Virginia Housing's existing and potential engagement.

Commissioner Artus left the meeting at the conclusion of the panel discussion and did not return on April 25, 2022.

Mr. Henderson presented a report on the process for the preparation of the Authority's fiscal year 2023 budget and the impact of the major driving factors that will influence the budget including: (i) strong loan production in Rental but reduced Homeownership production; (ii) strong revenues and net interest margin; (iii) increasing REACH *Virginia* grant disbursement; (iv) increased operating expenses; and (v) economic conditions such as inflation and global uncertainty.

On a motion duly made and seconded and approved by the affirmative vote of each the Commissioners noted above as then present at the meeting, the Board of Commissioners convened in closed session to consult with the Authority's legal counsel and to receive briefings by staff members related to legal enforcement of a low-income housing tax credit extended use agreement requiring the provision of legal advice by such counsel in accordance with Section 2.2-3711.A.7 of the Code of Virginia and further Ms. Dewey, Mr. Bowen, Mr. Brennan, Mr. Bryant and Ms. Neale were deemed necessary to be present or to reasonably aid the Board of Commissioners in its consideration of the aforesaid topic during the closed session.

At the conclusion of the closed session, the Board of Commissioners reconvened in an open meeting. Each Commissioner noted above as then present certified, by roll call vote, that to the best of his or her knowledge, only public business matters lawfully exempted from open meeting requirements under the Freedom of Information Act and only such public business matters

as were identified in the motion by which the closed meeting was convened were heard, discussed or considered in the closed meeting by the Commissioners.

On a motion duly made and seconded and approved by the affirmative vote of each the Commissioners noted above as then present at the meeting, the Board authorized staff to proceed to engage outside legal counsel to pursue legal action to enforce the low-income housing tax credit extended use agreement recorded in the land records of Henrico County, Virginia with respect to Glenwood Farms apartments, and to consult with counsel on any foreclosure and bankruptcy issues. Staff will update the Board as appropriate as such legal proceedings progress.

The meeting was recessed at 4:34 PM on April 25, 2022.

Chairman Shelton reconvened the regular meeting of the Board of Commissioners at 9:07 AM on April 26, 2022. All of the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting on April 26, 2022, except Commissioner Narasimhan who did not attend the meeting on April 26, 2022 and Commissioner Horn who joined the meeting as noted below.

Mr. Bowen and Mr. Bondurant presented an update on applications received in the 2022 9% federal low-income housing tax credit (“LIHTC” or “credit”) application cycle. Mr. Bowen and Mr. Bondurant discussed several issues impacting the amount of available credits in such application cycle, in particular: (i) the expiration of a federal provision that had temporarily added an additional 12.5% of credits; (ii) the failure of Congress to enact the proposed Build Back Better legislation that contained a substantial increase in credits; (iii) the pre-allocation in 2021 of 2022 credits to fully fund additional developments in the 2021 9% application cycle; (iv) the additional credits allocated in 2021 to developments experiencing equity funding gaps due to increased construction labor and material costs; (v) allocation of additional federal credits in connection with 2021 awards of the state housing opportunity credits (“HOTC”); and (vi) additional developments currently experiencing equity funding gaps for the reasons stated above. Mr. Bowen and Mr. Bondurant also further discussed (i) a construction cost study prepared by the Authority’s consultant, and (ii) the pending state HOTC legislation and the possibility of revised regulations for such program. Mr. Bowen and Mr. Bondurant will provide additional updates on these items at the June meeting.

Commissioner Horn joined the meeting during this presentation and remained present for the remainder of the meeting on April 25, 2022.

Mr. Brennan and Mr. Richardson then updated the Board on the Authority’s progress on responses to the recommendations in the report on affordable housing in Virginia prepared by the Joint Legislative Audit and Review Commission (JLARC) dated December 13, 2021. Mr. Brennan and Mr. Richardson reported that staff will continue to review the recommendations, including working with the two financial advisors that have been engaged by the Authority.

During this presentation, Ms. Smith stated that JLARC’s intent in its report was to recommend that the Authority annually review the amount of its REACH *Virginia* contribution.

Pursuant to one of the recommendations in the JLARC report, at the end of the discussion, a motion was made and seconded as follows, “Each year the Authority will increase its REACH *Virginia* program an amount equal to 60% of the Authority’s average adjusted excess revenues from the last three completed fiscal years. Excess revenues will be adjusted by removing the effect of GASB fair-value adjustments and adding back amounts expensed for grants. Further, the Authority will dedicate a minimum of 16.67% of such contribution to programs assisting public housing developments.” The Commissioners discussed the motion, and during the discussion the Commissioners considered a motion to amend the motion by replacing “Each year” with “For Fiscal Year 2023.” A motion to amend, duly made and seconded, was approved by the affirmative vote of each the Commissioners then present at the meeting as follows, “For Fiscal Year 2023, the Authority will increase its REACH *Virginia* program an amount equal to 60% of the Authority’s average adjusted excess revenues from the last three completed fiscal years. Excess revenues will be adjusted by removing the effect of GASB fair-value adjustments and adding back amounts expensed for grants. Further, the Authority will dedicate a minimum of 16.67% of such contribution to programs assisting public housing developments.”

Ms. Neale presented a report on REACH *Virginia* for the fiscal year-to-date ending February 28, 2022, detailing approximately \$59 million in reservations and commitments under the programs that utilize REACH *Virginia* funds.

Mr. Henderson reported on the Authority’s fiscal year 2022 financial statements as of February 2022: (i) net interest margin of \$143 million, which is \$1.1 million greater than budget mostly due to lower interest expense than budget; (ii) programmatic expenses are \$10.8 million lower than budget mostly due to a reduction in the loan loss allowance; (iii) administrative expenses are \$11.8 million lower than budget mostly due to lower than budget staffing costs; (iv) excess revenues over expense (before GASB adjustment) of \$82.1 million, which is \$63 million greater than budget and \$31.9 million greater than last year; (v) total assets of \$9.7 billion, an increase of \$776.6 million above last year; (vi) total liabilities of \$5.9 billion, an increase of \$664.5 million above last year; (vii) a net position of \$3.8 billion, an increase of \$112.1 million; (viii) a total mortgage portfolio of \$13 billion (including loans serviced for the GSEs), a \$597 million increase; and (ix) total assets and GSE servicing of \$16.2 billion, a \$1.3 billion increase.

Mr. Richardson presented a salient features memorandum for the Rental Housing Bonds, 2022 Series E-Taxable and Series F-Non-AMT (tax exempt).

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 April 26, 2022 on a motion to approve the items in the consent agenda: (i) the minutes of the regular meeting of the Commissioners held on February 22-23, 2022; (ii) the resolution entitled “Bond Limitations Resolution” dated April 26, 2022 for the Commonwealth Mortgage Bonds; (iii) the resolution entitled “Bond Limitations Resolution” dated April 26, 2022 for the Rental Housing Bonds; (iv) the resolution entitled “Resolution in Recognition and Appreciation of Thirty Years of Service by Michael Baskerville” dated April 26, 2022; (v) the resolution entitled “Resolution Authorizing Changes to the Administrative Plan for the Virginia Housing Development Authority Housing Choice Voucher Program” dated April 26, 2022, and (vi) the resolution entitled “Resolution

Approving the PHA Annual Plan for Virginia Housing for the Housing Choice Voucher Program” dated April 26, 2022.

Commissioner Ganeriwala expressed her gratitude to the Board and staff for their support and friendship during her many years of service as a Commissioner.

Chairman Shelton thanked the Commissioners for their participation in the regional meeting of the Board and thanked staff for their efforts in coordinating the meeting.

There being no further business, the meeting was adjourned at approximately 11:45 AM on April 26, 2022.

William C. Shelton, Chairman

Fred Bryant, Assistant Secretary