

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE REGULAR MEETING OF THE COMMISSIONERS
HELD ON DECEMBER 15, 2022

Pursuant to the call of the Chairman and notice duly given, the regular meeting of the Commissioners of the Virginia Housing Development Authority (“Virginia Housing”) was held on December 15, 2022, at the offices of Virginia Housing, 601 South Belvidere Street, Richmond, Virginia.

COMMISSIONERS PRESENT:

William C. Shelton, Chairman
Bryan Horn
David L. Richardson
Michael J. Schewel
Donald E. Scoggins
Dominique Hicks-Whitaker

COMMISSIONERS ABSENT:

Thomas A. Gibson, IV, Vice Chairman
Nathalia Artus
Abigail Johnson
Carlos Larrazabal
Lisa R. Porter

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
Arthur N. Bowen, Managing Director of Rental Housing
David Henderson, Managing Director of Finance and Administration
Monique Johnson, Managing Director of Community Outreach
Toni Ostrowski, Managing Director of Homeownership
Hil Richardson, Managing Director of Capital Markets/Chief Financial Officer
DJ Benway, Policy Analyst
David Cohn, Virginia Management Fellow
Suzie Bird, Creative Team Leader
Ron Brown, Senior Desktop Support Analyst
Sandy Edwards, Assistant to the Chief Executive Officer
Fabrizio Fasulo, Director of Policy and Planning
Cindy Hii, Internal Audit Director
Tara Jenkins, Associate Chief
Salathia Johnson, Associate Chief
Michelle Prosser, Director of Talent Development
Maria Pruner, Associate Chief

Chris Thompson, Director of Strategic Housing
David Jones, CSG Advisors

Chairman Shelton called the regular meeting of the Board of Commissioners to order at approximately 10:05 AM on December 15, 2022. All the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting, except Commissioner Hicks-Whitaker who left the meeting as noted below, Commissioner Horn who joined and left the meeting as noted below, and Commissioner Richardson who joined the meeting as noted below.

Chairman Shelton then opened the floor for a public comment period. No members of the public wished to comment, and the floor was then closed.

Ms. Dewey presented a report on Virginia Housing's activities and operations in which she advised the Commissioners on efforts in: (i) addressing state housing needs; (ii) addressing unmet rental needs; (iii) strengthening first-time homeownership; (iv) delivering superior long-term financial and operational performance, and (v) telling our story. On the topic of addressing state housing needs, Ms. Dewey discussed (i) Community Outreach staff's participation in recent events; (ii) a groundbreaking in Charles City County to build four new homes aided by a Virginia Housing Planning District Commission Grant; (iii) a groundbreaking in Chesterfield County for a development where Maggie Walker Community Land Trust will build ten homes aided by a Virginia Housing Community Impact Grant; and (iv) an update on the Virginia Mortgage Relief Program. On the topic of addressing unmet rental needs, Ms. Dewey discussed (i) the Aqua Vista Apartments in Newport News; (ii) the North 20th Street development in Richmond; and (iii) the White Mill development in Danville. On the topic of first-time homeownership, Ms. Dewey discussed (i) Homeownership staff's participation in recent events; (ii) the Ettrick Landing subdivision groundbreaking; and (iii) staff's participation at the Urban League of Hampton Roads' housing workshop. On the topic of delivering superior long-term financial and operational performance, Ms. Dewey discussed (i) a recent successful Rental Housing Bond pricing and issuance; (ii) staff's celebration of Veterans Day and Native American Heritage Month; and (iii) the ongoing work on DEI Business Plans. On the topic of telling our story, Ms. Dewey discussed (i) a recent press release by Governor Youngkin announcing Virginia Housing's award of 2022 state housing opportunity tax credits; (ii) updates on Virginia Housing's Advisory Council meeting schedules; (iii) staff and Commissioners' participation at the Virginia Governor's Housing Conference; (iv) Virginia Housing's recently released FY22 annual report; (v) the winners of the Virginia Housing 50th Anniversary art contest; and (vi) the five Habitat for Humanity chapters receiving the Virginia House Grants as part of the 50th Anniversary celebration. Ms. Dewey also discussed the following events: (i) an art exhibit at the Virginia War Memorial by former Commissioner Charlie McConnell; (ii) the Golden Hammer Awards, including winning submissions by Virginia Housing partners for The Current and the 3-D printed home, both in Richmond; and (iii) Virginia Housing's receipt of four awards at the NCSHA Annual Conference. Ms. Dewey also mentioned Commissioner Porter's participation in the Public Housing Information Authority's Podcast. Regarding the NCSHA awards, Mr. Thompson described the winning submission in the Rental Housing category entitled "Reimagining Virginia's Mobile and Manufactured Home Parks" and Homeownership category entitled "Innovative Demonstration Program, Zoning Acceptance of Factory Built Housing." Ms. Bird described the winning

submission in the Communications category for the FY22 Annual Report. Ms. Prosser described the winning submission in the Management Innovation category entitled “Train Your Brain: Innovation for Learning in a Remote Environment.”

Mr. Fasulo presented a brief entitled “Private Activity Bonds’ Role in Financing Affordable Rental Housing.” Mr. Fasulo discussed: (i) the history of private activity bonds (“PABs”); (ii) Virginia’s PAB allocation and pools; (iii) PABs’ role in national housing policy; (iv) recent increased competition for PAB cap; (v) the pairing of PABs and the 4% low-income housing tax credit (“LIHTC”) program; (vi) examples of recent PAB and 4% LIHTC developments; and (vii) future considerations with respect to PABs.

Commissioner Horn joined the meeting during Mr. Fasulo’s presentation and remained present until noted below.

Mr. Jones presented an enterprise-wide economic model (the “Model”) for Virginia Housing. The objectives of the Model are to forecast Virginia Housing’s financial resources over a 5-year period, evaluate the relationship between financial position and the REACH *Virginia* (“REACH”) allocation over that period, and to be a tool to evaluate any future programmatic changes and their effect on future available resources. The Model evaluates metrics of profitability, balance sheet measurements, funds available for REACH allocations, and risk-adjusted net position. Among other things, Mr. Jones stated that the Model considers projected increased investment income, lower gains on sales of mortgage-backed securities (“MBS”) due to an increasing interest rate environment, the effect of increased grant expenses, and administrative cost projections. Mr. Jones also discussed forecasted REACH allocations, including a recommendation from the Joint Legislative Review and Audit Commission (“JLARC”) to increase the REACH percentage to 75% in FY25.

Commissioner Richardson joined the meeting during Mr. Jones’ presentation and remained present throughout the remainder of the meeting.

The meeting was recessed at approximately 12:35 PM for lunch.

Chairman Shelton reconvened the meeting at approximately 1:40 PM. All the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting, except Commissioner Hicks-Whitaker who left the meeting during the lunch recess and Commissioner Horn who left the meeting as noted below.

Mr. Brennan updated the Board on Virginia Housing’s progress on responses to the recommendations in the reports on affordable housing in Virginia and the operations of Virginia Housing prepared by JLARC. Mr. Brennan reported that staff will continue to review the JLARC recommendations, including working with CSG Advisors and Caine Mitter, and provide further updates at the February meeting.

On a motion duly made and seconded and approved by the affirmative vote of each of the Commissioners then present at the meeting, the Board resolved as follows, “For Fiscal Year 2024, the Authority will make an allocation to its REACH *Virginia* program in an amount equal to 60% of the Authority’s average adjusted excess revenues from the last three completed fiscal years. For Fiscal Years 2025 and thereafter, the Authority will make an allocation to its REACH *Virginia*

program in an amount equal to 75% of the Authority’s average adjusted excess revenues from the last three completed fiscal years. For all such allocations, 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.”

On a motion duly made and seconded and approved by the affirmative vote of each of the Commissioners then present at the meeting, the Board resolved as follows, “The Board hereby directs staff to submit a report on its Resources Enabling Affordable Community Housing (REACH) funds to the chairs of the Senate Finance and Appropriations Committee, House Appropriations Committee, and Virginia Housing Commission annually as recommended by the December 2021 JLARC Affordable Housing Study.”

On a motion duly made and seconded and approved by the affirmative vote of each of the Commissioners then present at the meeting, the Board convened in closed session to consider the acquisition of real property for a public purpose in accordance with Section 2.2-3711.A.3 of the Code of Virginia and such motion provided further that Ms. Dewey, Ms. Neale, Ms. Wiglesworth Mr. Brennan, and Mr. Bryant, who were deemed necessary to be present or to reasonably aid the Board in its consideration of the aforesaid topic, be present during the closed session. At the conclusion of the closed session, the Board reconvened in an open meeting. Each Commissioner 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 business matters as were identified in the motion by which the closed session was convened were heard, discussed, or considered in the closed session by the Commissioners.

On a motion duly made and seconded and approved by the affirmative vote of each of the Commissioners then present at the meeting, the Board resolved to delegate to the Executive Committee the authority to authorize Ms. Dewey, as CEO, to negotiate and enter into a contract to purchase real property.

Commissioner Horn provided updates regarding DHCD, including: (i) that the Governor had presented his budget that morning; (ii) DHCD’s efforts with respect to providing aid to the victims of flooding in Hurley; and (iii) DHCD’s efforts with respect to broadband expansion, including the recently released Commonwealth Connection – Virginia Broadband Map and the Broadband Equity, Access, and Deployment (“BEAD”) program.

On a motion duly made and seconded to approve the items on the consent agenda, the (i) minutes of the regular meeting of the Commissioners held on October 18-19, 2022; (ii) a resolution entitled “Amended Resolution Establishing Meeting Dates of the Board of Commissioners for Meetings from January 1, 2023, through December 31, 2023;” and (iii) a resolution entitled “Resolution Approving and Ratifying Reservations of Virginia Housing Opportunity Tax Credits,” all in the form attached hereto, were approved by the affirmative vote of the Commissioners then present.

Chairman Shelton, on behalf of the Executive Committee, reported the following with respect to its meeting on December 9, 2022: (i) the Committee and staff reviewed and discussed

the Agenda for the Board meeting; (ii) the Committee discussed REACH allocations for future fiscal years, with the consensus of the Committee being to recommend to the full Board that the same REACH formula and percentage (60%) that is utilized for FY23 be used in FY24, and the Board increase the percentage to 75% in FY25, with these recommendations being subject to annual re-evaluation; (iii) Ms. Dewey updated the Committee on potential legislation that may be introduced in the upcoming General Assembly session, including legislation to impose rent restrictions on Virginia Housing's mixed use, mixed income ("MUMI") developments (as recommended by JLARC); (iv) the Committee discussed the status of the procurement of a human resources consultant to assist the Board with the CEO's performance evaluation and other human resources matters; and (v) the Committee discussed that a closed session would be added to the December Board agenda regarding acquisition of real property for a public purpose.

Commissioner Horn left the meeting at the conclusion of Chairman Shelton's Executive Committee report and did not return.

Mr. Henderson reported on the Authority's fiscal year 2023 financial statements as of October: (i) excess revenues over expenses (before GASB adjustment) of \$15.8 million for the month, which is \$10.6 million greater than budget and \$4.7 million above last year, (ii) year to date, Virginia Housing experienced \$3.1 million in excess expenses over revenue (before GASB Adjustments), which is \$23.9 million less than budget and \$33.6 million lower than last year; (iii) year to date net interest margin of \$42.8 million, which is \$43.0 million less than budget and \$29.3 million below last year; (iv) year to date programmatic expenses were \$9.4 million lower than budget due to lower than budgeted loan loss provision and expenses (\$5.6 million), lower financing costs (\$2.0 million), and lower than budgeted programs and partners expenses (\$1.8 million); (v) year to date administrative expenses are \$7.9 million lower than budget mostly due to lower than budget staffing costs (\$6.1 million) and below budget services, insurance and other (\$1.0 million); (vi) total assets of \$9.3 billion, an increase of \$112.6 million above last year; (vii) total liabilities of \$5.6 billion, an increase of \$141.5 million above last year, with the average cost of debt at 3.00% versus 2.74% last year; (viii) annualized interest return of -2.11%, which is 5.01% below budget and 3.43% less than last year; (ix) total market value of investments (excluding cash) was \$2.28 billion, including a \$75.2 million decrease in GASB 31 market value adjustments, with 61.5% of investments held in money market instruments and 38.3% held in mortgage backed securities ("MBS"); (x) a net position of \$3.71 billion, a decrease of \$28.9 million over last year; (xi) a total mortgage portfolio of \$13.4 billion (including loans serviced for the government sponsored entities ("GSEs")), a \$648.5 million increase over last year; and (xii) total assets and GSE servicing of \$16.0 billion, a \$653.4 million increase over last year.

Mr. Henderson further explained that the excess expenses over revenues were largely due to the sale of certain mortgage-backed securities, the proceeds of which were used to pay down variable rate debt, which resulted in realized losses being reflected in the financial reports. However, Mr. Henderson projected that Virginia Housing would achieve approximately \$50

million in excess revenues over expenses for the fiscal year, and that his estimate was consistent with the estimate made by CSG Advisors.

Mr. Richardson presented salient features memoranda for the Commonwealth Mortgage Bonds, Residential Mortgage-Backed Security, 2023 Series A and the Rental Housing Bonds, 2023 Series A-Taxable and Series B-Non-AMT (tax-exempt).

Chairman Shelton reminded the Commissioners that, while there would not be a formal presentation of a REACH report at the meeting, the report was in the meeting materials.

There being no further business, the meeting was adjourned at approximately 3:00 PM.

William C. Shelton, Chairman

Fred Bryant, Assistant Secretary