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VIRGINIA HOUSING DEVELOPMENT AUTHORITY

**MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE
HELD ON FEBRUARY 22, 2022**

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 February 22, 2022, 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
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
Stephanie Papps, JLARC
Ellie Rigsby, JLARC

The meeting of the Executive Committee was called to order by Chairman Shelton at 2:05 PM on February 22, 2022. 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 Narasimhan who joined the meeting as noted below. Due to business conflicts, Commissioner Johnson participated in the meeting electronically from Williamsburg, per the Authority’s electronic participation policy.

The minutes of the meeting of the Committee held on October 26, 2021, were approved the affirmative vote of each member of the Committee then present at the meeting.

The Committee reviewed and discussed the agenda for the Board Meeting. Commissioner Narasimhan joined the meeting during this discussion and remained present for the remainder of the meeting.

The Committee reviewed the CEO Goals for FY22, including a brief presentation from Ms. Michaels and Ms. Watson. The Committee discussed an amendment to the CEO Goals to add the following sentence on page 6 under the heading Execute the Strategy: “The assessment of the CEO’s performance for this goal will be undertaken (among other things) in relation to the KPIs

contained in the strategic plan.” On a motion duly made and seconded, a motion to approve the CEO Goals for FY22, as amended in the preceding sentence, was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

The Committee also discussed a desire for the Key Performance Indicators (KPIs) in the Strategic Plan to contain assumptions with respect to the economic environment, such as inflation, interest rates, cost of building materials and labor.

The Committee discussed the schedule for setting the CEO’s goals for FY23, and a goal of establishing the goals earlier next fiscal year.

There being no further business, the meeting was adjourned at approximately 3:10 PM.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
MINUTES OF THE MEETING OF THE COMMISSIONERS
HELD ON FEBRUARY 22-23, 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 February 22-23, 2022, 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
Barbara Blackston
Manju Ganeriwala
Bryan Horn
Abigail Johnson
Carlos Larrazabal
Shekar Narasimhan
Lisa R. Porter
Michael J. Schewel

COMMISSIONERS ABSENT:

None

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
DJ Benway, Policy Analyst
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
Stephanie Flanders, Assistant Director of Tax Credits
Janet Groessler, Senior Executive Assistant
Cindy Hii, Internal Audit Director
Tara Jenkins, Associate Chief
Salathia Johnson, Associate Chief
Tommy Le, Senior Desktop Support Analyst
Maria Pruner, Associate Chief
Yilla Smith, Associate Chief
Frances Stanley, Research and Policy Analyst
Matthew Steele, Organizational Development Consultant
Pamela Swartzenberg-Freeth, Tax Credit Allocation Analyst
Nina Lapres, Contractor
Barry Merchant, Contractor
Richard Counselman, SL Nusbaum
Donna Fossum
Stephanie Papps, JLARC
Ellie Rigsby, JLARC
Tracey Smith, JLARC
Richard Ward

Chairman Shelton called the regular meeting of the Board of Commissioners to order at 3:35 PM on February 22, 2022. All of the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting, except Commissioner Johnson who joined the meeting as noted below. Due to business conflicts, Commissioner Johnson participated in the meeting electronically on February 22, 2022, from Williamsburg, per the Authority's electronic participation policy.

Chairman Shelton opened the floor for public comment. Ms. Fossum expressed several concerns regarding the redevelopment of the ParcView development in Alexandria, Virginia. Virginia Housing has made a mortgage loan financing the property and has a recorded Deed of Trust. Mr. Ward indicated agreement with Ms. Fossum's remarks and thanked the Commissioners for the opportunity to appear and speak at the meeting.

Chairman Shelton introduced and welcomed newly appointed Commissioner Horn.

Commissioner Horn reported on recent activities of the Department of Housing and Community Development (DHCD), including (i) awards under the Affordable and Special Needs

Housing program; (ii) \$798 million of funds available under the Virginia Telecommunication Initiative (VATI) for broadband; (iii) additional funds available for weatherization efforts; (iv) the Rent Relief Program and the new Gov2GO platform; and (v) the building code revision cycle.

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; and (v) 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 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; (iii) the number of tenants served through the landlord portal of the Rent Relief Program and that the Authority has officially rolled off the landlord portal; and (iv) 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) Community Outreach's work with the Upper Mattaponi Tribe; (ii) an update on the \$46 million public housing revitalization grant opportunity available to twenty-five redevelopment and housing authorities; and (iii) initiatives that the Authority has undertaken on the Eastern Shore. On the topic of addressing unmet rental needs, Ms. Dewey discussed the \$75 million Amazon REACH *Virginia* initiative, including the funds distribution by year, the localities served and development highlights. On the topic of first-time homeownership, Ms. Dewey discussed (i) the Authority's partnership with the Richmond Realtist Chapter of NAREB; (ii) attendance at the Virginia Realtors annual awards banquet; and (iii) recent trainings. On the topic of telling our story, Ms. Dewey discussed (i) the January 27, 2022, Minority Business Advisory Council meeting; (ii) staff's participation in the One University groundbreaking in Fairfax County and the Friendship Court groundbreaking in Charlottesville; (iii) the Martin Luther King, Jr. Community Leader Award in Housing that Ms. Dewey received from the Urban League; (iv) results of the annual brand survey; and (v) the launch of the Authority's new website.

Commissioner Johnson joined the meeting during Ms. Dewey's presentation and remained present for the remainder of the meeting.

Mr. Richardson presented an overview of the Authority's Capital Markets functions. This included discussion of (i) the organizational structure of the Capital Markets division; (ii) program funding; (iii) treasury and investment functions; (iv) balance sheet management; (v) mortgage backed securities; and (vi) bond issuance, in particular bond investors, regulatory and legal considerations, bond structuring, and bond ratings. Mr. Richardson also announced that the Authority has contracted with two financial advisors, CSG Advisors and Caine Mitter, to provide consulting services including, but not limited to, financial modeling, analysis of lending program parameters and pricing, and the methodology for calculating the annual REACH *Virginia* contribution.

The meeting was recessed at 5:37 PM on February 22, 2022.

Chairman Shelton reconvened the meeting at 9:03 AM on February 23, 2022. All of the Commissioners were present at that time and remained present for the remainder of the meeting.

Mr. Fasulo presented an update on the Authority's strategic plan Opportunity 2025, including (i) continuing dialogue with Board liaisons on each strategic goal, (ii) the purpose and expectations of the strategic plan; (iii) the reporting timeline; (iv) background on setting key performance indicators and goals for each strategy in the strategic plan; (v) the key assumptions made in setting the metrics; and (vi) a review of a draft of the strategic metrics. The Commissioners made multiple recommendations with respect to the content and structure of the plan and on specific draft strategic metrics. Mr. Fasulo will present an updated version of the strategic plan at the April meeting of the Board.

Staff presented a report on the Authority's organizational performance for the first half of fiscal year 2022 that, among other things, discussed (i) grants, including the Planning District Commission and the Public Housing Revitalization: Capital Improvement initiatives; (ii) the Rent Relief Program and the Virginia Mortgage Relief programs; (iii) the HB854 (2020) study; (iv) committing \$534 million in rental housing loans for 3,605 units; (v) a rental housing portfolio of \$4.3 billion comprised of 909 loans; (vi) the trends in the performance of the rental housing loan portfolio; (vii) serving 4,705 household for \$1.1 billion in production in the homeownership program; (viii) servicing 79,200 homeownership loans with an aggregate principal balance of \$8.7 billion; (ix) issuing 3,909 MCCs for a total of \$91.6 million; (x) excess revenues before GASB adjustments of \$59 million, \$78 million with GASB adjustments; (xi) a net interest margin of \$108 million; (xii) a net position totaling \$3.8 billion; and (xiii) a record \$15.7 billion of net assets and loans serviced for Ginnie Mae and Fannie Mae.

The meeting was recessed at 11:05 AM for a short break.

Chairman Shelton reconvened the meeting at 11:15 AM. All of the Commissioners were present at that time and remained present for the remainder of the meeting.

Mr. Fasulo presented a report on the recently issued HB854 (2020) Statewide Housing Study, including (i) the process through which the report was created; (ii) the report's research and findings; (iii) the analysis of existing programs, and (iv) policy recommendations.

Mr. Brennan then updated the Board on (i) the Authority's response to the report on affordable housing in Virginia prepared by the Joint Legislative Audit and Review Commission (JLARC) dated December 13, 2021, and (ii) the ongoing part two of JLARC's study focused on the Authority's operations. Mr. Brennan reported that staff will continue to review the recommendations, including working with the financial advisors mentioned in Mr. Richardson's Capital Markets report, and will report back to the Board at its meeting in April.

The meeting was recessed at 12:10 PM.

Chairman Shelton reconvened the regular meeting of the Board of Commissioners at 12:32 PM. All of the Commissioners were present at that time and remained present throughout the meeting.

Ms. Neale presented a report on REACH *Virginia* for the fiscal year-to-date ending December 31, 2021, detailing approximately \$43 million in reservations and commitments under the programs that utilize REACH *Virginia* funds.

Mr. Bowen and Mr. Bondurant presented on several issues impacting the federal low-income housing tax credit (“LIHTC” or “credit”) program, in particular the upcoming 2022 9% application cycle. Several factors are expected to impact 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 will provide additional updates on these items at the April meeting.

Chairman Shelton, on behalf of the Executive Committee, reported that the Committee (i) reviewed the agenda for the meeting of the Board; (ii) reviewed, discussed and approved the CEOs Goals for FY22, as amended by the Committee, (iii) discussed a desire for the Key Performance Indicators (KPIs) in the Strategic Plan to contain assumptions with respect to the economic environment, such as inflation, interest rates, cost of building materials and labor; and (iv) discussed the schedule for setting the CEO’s goals for FY23, and a goal of establishing the goals earlier next fiscal year.

Commissioner Schewel, on behalf of the Audit Committee, reported the results of the request for proposals for external audit services, specifically that (i) the Authority’s current external auditor, KPMG, elected not to submit a proposal, and (ii) the contract was awarded to Clifton Larson Allen LLP (“CLA”) earlier this month. CLA will begin their work this summer to audit the Authority’s FY22 financials. Commissioner Schewel also introduced Ms. Hii, the Authority’s new Internal Audit Director, who is replacing the current Director, Mr. Ross Strodel, scheduled to retire at the end of March 2022.

Mr. Henderson reported on the Authority’s fiscal year 2022 financial statements as of December: (i) net interest margin of \$108.3 million, which is \$1.9 million greater than budget mostly due to lower interest expense than budget; (ii) programmatic expenses are \$6.5 million greater than budget mostly due to a reduction in the loan loss allowance; (iii) administrative expenses are \$13.5 million lower than budget mostly due to lower than budget staffing costs; (iv) excess revenues over expense (before GASB adjustment) of \$59.4 million, which is \$45.1 million greater than budget and \$18.6 million greater than last year; (v) total assets of \$9.5 billion, an increase of \$556 million (mostly in mortgage loans (\$357 million)); (vi) total liabilities of \$5.7 billion, an increase of \$433 million attributed to additional bond issuances; (vii) a net position of \$3.8 billion, an increase of \$123 million; (viii) a total mortgage portfolio of \$12.9 billion (including loans serviced for the GSEs), a \$577 million increase; and (ix) total assets and GSE servicing of \$15.7 billion, a \$776 million increase.

Mr. Richardson presented a salient features memorandum for the Rental Housing Bonds, 2022 Series C-Taxable and Series D-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 a motion to approve the items in the consent agenda: (i) the minutes of the regular meeting of the Commissioners held on December 16, 2021; and (ii) the resolution entitled “Mortgage Credit Certificate Program Resolution” dated February 23, 2022.

Mr. Bowen then addressed the public comments made by Ms. Fossum and Mr. Ward regarding ParcView. Mr. Bowen confirmed that the Authority has a first mortgage lien on the property and has also made an LIHTC allocation to the development. However, the Authority has not received a loan application or an LIHTC application for any additional units, but will review the issues if and when any loan or LIHTC application is received.

Ms. Dewey provided an update on several bills currently under consideration in the 2022 General Assembly session. Ms. Dewey stated that Senate Bill 47 amends the HOTC program and, in the bill’s current form, would significantly increase the size of the program. However, Ms. Dewey noted that it is likely that the bill will ultimately be revised and negotiated in conference committee, assuming passage in the House. Ms. Dewey stated that the Authority is supportive of additional resources for affordable housing, but staff was working to ensure that (i) the size of the proposed HOTC program was transparent to the General Assembly members, and (ii) the resulting HOTC program is one that the Authority can administer efficiently. Ms. Dewey also reported that staff is monitoring the proposed state budget, in particular with respect to any items impacting the Authority and the size of the Virginia Housing Trust Fund. Last, Ms. Dewey mentioned proposed legislation that could permit the Authority to conduct 25% or two Board meetings (whichever is greater) per year in a virtual format.

Commissioner Johnson described the Integrated Building Adaptation and Mitigation Assessment (IBAMA) framework. Commissioner Johnson suggested that IBAMA could be a topic of discussion at a future meeting.

Chairman Shelton requested that Commissioner Horn provide the Board any affordable housing policy guidance from the administration at the April meeting.

There being no further business, the meeting was adjourned at approximately 1:30 PM.

William C. Shelton, Chairman

Fred Bryant, Assistant Secretary