

Final
VIRGINIA HOUSING DEVELOPMENT AUTHORITY
MINUTES OF THE MEETING OF THE COMMISSIONERS
HELD ON JUNE 21-22, 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 June 21-22, 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
Bryan Horn
Shekar Narasimhan
David L. Richardson
Michael J. Schewel

COMMISSIONERS ABSENT:

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 Wiglesworth, Chief of Operations
Llewellyn C. Anderson, Managing Director of Federal Programs
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
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
Kelly Gill-Gordon, Director of Grant Programs & Initiatives
Janet Groessler, Senior Executive Assistant
Cindy Hii, Internal Audit Director
Tara Jenkins, Associate Chief
Tommy Le, Senior Desktop Support Analyst
Maria Pruner, Associate Chief
Yilla Smith, Associate Chief

Matthew Steele, Organizational Development Consultant
Chris Thompson, Director of Strategic Housing
Adrienne Whitaker, Director of Diversity, Equity and Inclusion
Lee Alford, Better Housing Corporation
Samantha Brown, Community Housing Partners
Kimberly Byrd, South River Development Corporation
Eric Chapman, Community Housing Partners
Greta Harris, Better Housing Corporation
Ryne Johnson, Astoria
Mandy Merchant, CliftonLarsonAllen LLP
Steve Morales, Norfolk RHA
Austin Pittman, Lawson Companies
Lysandra Shaw, Newport News RHA
Keith Viers, Cumberland Plateau Regional Housing Authority

Chairman Shelton called the regular meeting of the Board of Commissioners to order at 3:15 PM on June 21, 2022. All of the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting on June 21, 2022.

Commissioners Porter and Larrazabal could not attend the Board meeting, but, per the Authority's Policy Governing Electronic Participation in Board Meetings (the "Policy"), listened to the meeting by telephone. However, Commissioners Porter and Larrazabal only monitored the meeting. Specifically, Commissioner Larrazabal monitored the meeting on Tuesday, June 21, 2022 in its entirety, and Commissioner Porter monitored the meeting on Wednesday, June 22, 2022 from the initial call to order through the end of the public comment period. Per the Policy, Commissioners Porter and Larrazabal are not counted as present at the meeting, and could not make motions, vote, or otherwise participate in the meeting.

Chairman Shelton introduced Commissioner Richardson as the new Treasurer of Virginia and Board member. Chairman Shelton also recognized Ms. Dewey's 23rd anniversary at Virginia Housing.

Mr. Bondurant and Mr. Bowen provided a review of the federal low-income housing tax credit ("LIHTC" or "credit") process. The presentation addressed the requirements of Section 42 of the Internal Revenue Code ("Section 42"), including the requirement to adopt a qualified allocation plan ("QAP"); the Board's role in adopting the QAP; the selection criteria in the QAP; the Virginia Housing rules of ranking and credit pools; the Board's role in credit allocation; the credit allocation process; summary information on 2022 9% LIHTC applications received; and information on past and recommended pre-allocation of future years' credit allocation.

Ms. Neale, Ms. Johnson, Mr. Bowen, Ms. Ostrowski, Ms. Wigglesworth and Mr. Brennan presented a summary of fiscal year 2022 accomplishments, focusing on how the accomplishments advanced the Strategic Plan and additional key accomplishments.

Ms. Johnson, Ms. Gill-Gordon and Mr. Thompson provided training on Virginia Housing grants management, including the grants funding opportunity program matrix; grant funding

volume for fiscal years 2019 through 2022; grant programs strategy; strategic approach to grant program design; capacity building grants to strengthen the housing delivery network; community impact grants to mitigate hurdles to affordable development; housing counseling grants to empower future homeowners and renters; and accessibility grants to support stability for individuals with disabilities.

The meeting was recessed at 5:48 PM on June 21, 2022.

Chairman Shelton reconvened the meeting at 9:20 AM on June 22, 2022. All of the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting on June 22, 2022, except Commissioner Narasimhan who left the meeting and returned, as noted below, and Commissioner Richardson who left the meeting, as noted below.

Mr. Bryant stated that Commissioner Artus had advised him, as Chief Counsel, that she has a personal interest in a transaction, as defined under the Virginia Conflict of Interest Act, with respect to the 2022 9% LIHTC rankings due to her being a Board member of certain non-profit organizations. Accordingly, Commissioner Artus would not participate in discussion or vote on the 2022 9% LIHTC rankings.

Mr. Bowen and Mr. Bondurant presented the final rankings for reservations of credits in the 2022 9% LIHTC round. Mr. Bowen and Mr. Bondurant recommended reservations of credits to (i) the developments noted as having scores high enough to receive credits in each of the pools; (ii) all the developments in the Tier One At-Large Pool; (iii) the next five developments in the Local Housing Authority Pool (“LHA Pool”); and (iv) all developments in the Accessible Supportive Housing Pool (“ASH Pool”).

Chairman Shelton opened the discussion for public comment. Six members of the public chose to make oral comments during the public comment period of the meeting. Ms. Shaw spoke in favor of reserving credits to Orcutt Townhomes 1 in the LHA Pool. Ms. Byrd spoke in favor of reserving credits to Fairfax Hall in the LHA Pool. Mr. Viers spoke in favor of reserving credits to Main Street Villas in the LHA Pool. Mr. Morales spoke in favor of reserving credits to Block 9 A1 Apartments in the LHA Pool. Mr. Pittman spoke in favor of reserving credits to Smith Ridge Commons in the Tier Two At-Large Pool. Ms. Harris spoke in favor of reserving credits to Lafayette Gardens in the Tier Two At-Large Pool. In light of the timing of the Lafayette Gardens transaction, Ms. Harris stressed the importance of funding that development at this time.

Commissioner Narasimhan left the meeting at the close of the public comment period and returned later in the meeting, as noted below.

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) 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) grant support to the Cumberland Plateau Regional Housing Authority; (ii) grant support for the Arlandria-Chirilagua Small Area

Plan; (iii) Ms. Johnson's presentation at the Northern Virginia Affordable Housing Alliance's Regional Housing Leaders Awards Ceremony; (iv) an update on the Community Outreach's successful Rental Housing Symposium held on May 16-17; and (v) the Virginia Mortgage Relief Program. On the topic of addressing unmet rental needs, Ms. Dewey discussed (i) the status of rental housing loans in forbearance; (ii) the Princedale development in Prince William County; (iii) Tuscarora Crossing (two 9/4 combination deals) in Leesburg; and (iv) the Dewitt-Wharton building in Lynchburg. On the topic of first-time homeownership, Ms. Dewey discussed (i) the status of homeownership loans in the forbearance, deferment and loan modification processes; (ii) activities in June related to National Homeownership Month; (iii) the new community lending boot camp; (iv) the ribbon cutting in the Five Points area of Martinsville; and (v) staff's attendance at a number of homeownership conferences. On the topic of delivering superior long-term financial and operational performance, Ms. Dewey discussed (i) the Capital Markets Department's recent meetings with S&P and Moody's rating agencies; (ii) staff's return to the office in June; and (iii) the annual Catch a Short Breeze event for associates. On the topic of telling our story, Ms. Dewey discussed (i) the National Main Street Conference in Richmond on May 16-18; (ii) HousingForward Virginia's HousingX conference; (iii) the SWVA Economic Forum in May; (iv) updates on the Authority's advisory councils; (v) the six recipients of grants at the Authority's Charity Golf Classic; and (vi) the Authority's 50th Anniversary celebration. Ms. Dewey also updated the Board on a study the Authority is finalizing by June 30, 2022, regarding a Virginia Good Neighbor Next Door Program, as required by HB 2072 (2021).

Commissioner Horn provided updates regarding the Department of Housing and Community Development (DHCD), including that: (i) the Virginia Rent Relief Program application portal closed on May 15 and the program is now in the process of winding down; (ii) the National Main Street Conference held in May had a great turnout; (iii) the Virginia Housing Trust Fund ("VHTF") received a budget appropriation of \$150 million over the biennium, representing a significant \$40 million increase over that period; (iv) DCHD has been mandated in the budget to (a) develop a model lease form for manufactured housing communities, (b) perform a study on the feasibility of using VHTF resources to acquire, stabilize and improve manufactured home parks, and (c) develop model guidelines for the creation a state rental voucher program; and (v) DHCD continues its efforts with respect to broadband, including funding from the Broadband Equity, Access, and Deployment (BEAD) Program. Commissioner Horn also briefly referenced a budget provision regarding potential future reduction in VHTF related to the Virginia housing opportunity tax credit program ("HOTC"), but deferred additional discussion of HOTC to a later agenda item on HOTC.

Chairman Shelton and Ms. Dewey provided a brief update on the status of the second part of the Joint Legislative Audit and Review Commission (JLARC) study of the Authority. Staff and Commissioner Shelton met with JLARC staff in-person on June 1 to discuss the exposure draft of JLARC's PowerPoint presentation, the Authority provided written technical corrections and response letters to JLARC, and Ms. Dewey and Chairman Shelton provided testimony at the JLARC meeting on June 13th. Additional discussion will be on the agenda for the August Board meeting.

Commissioner Narasimhan rejoined the meeting and remained present for the remainder of the meeting.

The Board discussed the staff recommendation with respect to the 2022 9% LIHTC round. This discussion included consideration of the current and anticipated economic conditions facing real estate developments; the advantages and disadvantages of pre-allocating 2023 credits; the likelihood that the current and anticipated economic conditions suggested that pre-allocating 2023 credits would enable projects to proceed now that would not be viable if they had to wait for 2023 allocations; Virginia Housing's Strategic Plan, including its focus on public housing revitalization; consideration of the likelihood and capacity of developers to place awarded developments in service, in particular those developers that may receive multiple awards; and the public comments. In response to an inquiry from Chairman Shelton, Mr. Bryant advised the Board that, per the QAP, the Board had authority to waive or modify any provision in the QAP related to rules of ranking where deemed appropriate by the Board for good cause to promote the goals and interests of the Commonwealth in the federal low-income housing tax credit program, to the extent not inconsistent with Section 42.

A motion was duly made, seconded, and approved by the affirmative vote of each of the Commissioners noted above as present at the meeting (other than Commissioner Artus who abstained as noted above) authorizing staff to pre-allocate up to 75% of 2023 credits, and, specifically, to proceed with the reservations of credits to (i) the developments noted as having scores high enough to receive credits in each of the pools; (ii) all the developments in the Tier One At-Large Pool; (iii) all of the developments in the LHA Pool; (iv) all developments in the ASH Pool; and (v) Lafayette Gardens, Lightfoot Apartments, and Smith Ridge Commons in the Tier Two At-Large Pool. Further, the motion provided that such awards of credits were authorized to be in an amount not to exceed the credit request noted in the final rankings and that staff was directed to use its best efforts to work to reduce such credit requests by utilizing HOTC, starting with the developments awarded credits in addition to staff's recommended awards - namely the bottom three deals in the LHA Pool (Main Street Villas, Fairfax Hall and Seeland Valley Apartments) and the three funded Tier Two At-Large Pool developments (Lafayette Gardens, Lightfoot Apartments, and Smith Ridge Commons).

Mr. Bowen and Mr. Bondurant provided an update on the HOTC legislation amendments. Staff has been actively providing technical assistance to Department of Taxation staff, appropriations staff and conference committee members. Amendments to the HOTC authorizing statute had just been finalized, including changing from a 1-year to a 10-year credit period; increasing the aggregate annual award cycle amount from \$15 million in 2021 to \$60 million for 2022-2025 (\$255 million total program); and establishing a set aside for rural developments (defined as localities with populations no greater than 35,000) for 2022-2025 in connection with both 9% and 4% LIHTC developments. Staff will bring revised HOTC regulations to the August meeting of the Board to address the statutory amendments and any other recommended changes.

Mr. Henderson and Ms. Watson made a presentation on the Authority's proposed annual budget for fiscal year 2023, including staffing and compensation recommendations. During this presentation, the Commissioners and the staff discussed the following matters: (i) budget development; (ii) economic indicators; (iii) a breakdown of income sources; (iv) loan production trends in the dollar amount of loans and the number of units of production in the Authority's homeownership and rental programs; (v) total mortgage loan balances and average portfolio interest rates; (vi) gross revenues and interest expense; (vii) debt balance and interest expense

trends; (viii) a comparison of total revenues for fiscal years 2021, 2022 and 2023; (ix) a breakdown of the programmatic (including REACH Virginia) and operating costs of the Authority; (x) REACH Virginia grant actual expense disbursement amounts; (xi) the trends in loan loss allowance and loan loss provision; (xii) staffing trends and compensation recommendations; (xiii) total outflows; (xiv) trends in excess revenues; (xv) the proposed budget for fiscal year 2023, and (xvi) REACH Virginia future allocation projections. Ms. Watson reported that the fiscal year 2023 budget as set forth in the Board materials included merit and bonus increases consistent with the prior year as well as a 2% market adjustment and would be amended to increase staffing cost to reflect an additional 1% in the merit pool as recommended by the Executive Committee. Commissioner Richardson left the meeting during this presentation and did not return. On motion duly made and seconded, the resolution entitled “Resolution - Adoption of 2023 Fiscal Year Operating Budget” dated June 22, 2022, in the form attached hereto and incorporating the change noted above by Ms. Watson to staffing costs, was approved by the affirmative vote of each of the Commissioners then present at the meeting.

The meeting was recessed at 12:20 PM for lunch.

Chairman Shelton reconvened the meeting at 12:55 PM. All of the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting on June 22, 2022, except Commissioner Richardson who had previously left the meeting, as noted above.

Ms. Neale presented a report on REACH *Virginia* for the fiscal year-to-date as of April 2022, detailing approximately \$71 million in reservations and commitments under the programs that utilize REACH *Virginia* funds. Ms. Neale also reported on the REACH *Virginia* funding allocation for fiscal year 2023, totaling approximately \$99.8 million, with graphics showing such allocation segregated by program area and strategic goal.

Chairman Shelton requested that Commissioner Narasimhan, on behalf of the Executive Committee, report out regarding nominations for Chairman and Vice Chairman of the Board. Commissioner Narasimhan reported that the Executive Committee, in its role as the nominating committee for the positions of Chairman and Vice Chairman of the Board, recommended that Chairman Shelton be nominated for Chairman and Commissioner Gibson be nominated for Vice Chairman at the next Board meeting in August. Chairman Shelton reported that (i) the Committee reviewed Ms. Dewey’s performance review process with Ms. Miriam Michaels from Korn Ferry, (ii) staff presented a high level review of the proposed fiscal year 2023 budget and the proposed staff compensation pool, which the Executive Committee authorized to be increased by 1% merit, as noted above, (iii) the Committee and staff reviewed and discussed the agenda for the Board Meeting, and (iv) the Committee discussed resuming work on the addition to the Headquarters Building so that staff can gather the information needed to make a presentation on the scope and cost of an addition to the building that was paused during the pandemic. Commissioner Shelton also reminded the Commissioners of the Board’s August meeting schedule and to expect an on-line survey from Ms. Michaels in July.

Commissioner Schewel, on behalf of the Audit Committee, reported that the Committee had received a presentation from Ms. Merchant on behalf of the Authority’s new external auditors,

CliftonLarsonAllen LLP (“CLA”), as they begin the audit cycle. Ms. Merchant’s presentation addressed introducing CLA and key team members, the planned scope of the audits, audit timeline, responsibilities of parties involved, and audit focus areas/significant risks. Commissioner Schewel also reported that Ms. Hii had given a presentation on her transition into the role of the Internal Audit Director, her work on rebuilding the Internal Audit team, her risk-based audit plan, and internal audits in progress.

Mr. Henderson reported on the Authority’s fiscal year 2022 financial statements as of April 2022: (i) excess revenues over expense (before GASB adjustment) of \$113.5 million, which is \$89.7 million greater than budget and \$34.2 million greater than last year, (ii) net interest margin of \$181.7 million, which is \$4.3 million greater than budget and \$9.2 million above last year; (iii) programmatic expenses are \$19.5 million lower than budget mostly due to a reduction in the loan loss allowance; (iv) administrative expenses are \$11.8 million lower than budget mostly due to lower than budget staffing costs; (v) total assets of \$9.6 billion, an increase of \$713 million above last year; (vi) total liabilities of \$5.9 billion, an increase of \$659 million above last year; (vii) annualized interest return of 1.36%, which is 0.14% above budget and 0.23% higher than last year; (viii) total market value of investments (excluding cash) was \$2.7 billion, including a \$39.2 million decrease in GASB 31 market value adjustments, with 60.8% of investments held in money market instruments and 39% held in MBS securities; (ix) a net position of \$3.7 billion, an increase of \$53.3 million over last year; (x) a total mortgage portfolio of \$13.1 billion (including loans serviced for the GSEs), a \$706 million increase; and (xi) total assets and GSE servicing of \$16.2 billion, a \$1.0 billion increase over last year.

Ms. Dewey announced that Mr. Richardson, who had been serving as Acting Chief Financial Officer for the past six months, had accepted her offer to be Chief Financial Officer. Mr. Richardson presented salient features memoranda for the Rental Housing Bonds, 2022 Series F-Taxable and Series G-Non-AMT (tax exempt) and the Commonwealth Mortgage Bonds, Residential Mortgage Backed Security, 2022 Series B.

Mr. Richardson updated the Board on the Authority’s progress on responses to the recommendations in the report on affordable housing in Virginia prepared by JLARC dated December 13, 2021. Mr. Richardson reviewed plans for an enterprise-wide economic model prepared by the Authority’s financial advisor, CSG Advisors. Mr. Richardson reported that staff will continue to review the JLARC recommendations, including working with the two financial advisors that have been engaged by the Authority and provide further updates at the August meeting.

The following items, in the forms attached hereto, were approved by the affirmative vote of the Commissioners then present on a motion to approve the items in the consent agenda: (i) the minutes of the regular meeting of the Commissioners held on April 24-26, 2022; (ii) the resolution entitled “Resolution Establishing Meeting Dates of the Board of Commissioners for Meetings from January 1, 2023, through December 31, 2023” dated June 22, 2022; and (iii) the resolution entitled

“Amendment to Resolution Approving and Ratifying Reservations of Federal Low-Income Housing Tax Credits and Virginia Housing Opportunity Tax Credits” dated June 22, 2022.

Chairman Shelton thanked Commissioners Blackston and Narasimhan for their service as Board members and noted that they would again be recognized at the August meeting.

There being no further business, the meeting was adjourned at approximately 1:47 PM on June 22, 2022.

William C. Shelton, Chairman

Fred Bryant, Assistant Secretary