

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

**MINUTES OF THE REGULAR MEETING OF THE COMMISSIONERS
HELD ON OCTOBER 18-19, 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 October 18-19, 2022, at the offices of Virginia Housing, 601 South Belvidere Street, Richmond, Virginia.

COMMISSIONERS PRESENT:

William C. Shelton, Chairman
Thomas A. Gibson, IV, Vice Chairman
Bryan Horn
Abigail Johnson
Carlos Larrazabal
Lisa R. Porter
David L. Richardson
Michael J. Schewel
Donald E. Scoggins

COMMISSIONERS ABSENT:

Nathalia Artus
Dominique Hicks-Whitaker

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
Steve Mintz, Deputy Chief Counsel
Toni Ostrowski, Managing Director of Homeownership
Hil Richardson, Managing Director of Capital Markets/Chief Financial Officer
Lisa Watson, Managing Director of Human Resources
Jamie Baker, Controller
JD Bondurant, Director of Low-Income Housing Tax Credit Programs
Abby Boyd, Director of Housing Opportunities
Andrew Burguiere, Senior Finance Manager
Clifton Dickens, Senior Information Security 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
Sergio Gambale, Design and Construction Group Manager

Kyla Goldsmith-Ray, Communications Director
Jazlyn Green, Senior Talent Development Specialist
Janet Groessler, Senior Executive Assistant
Jacinda Hardy, Internal Staff Auditor
Cindy Hii, Internal Audit Director
Hwan Hill, Internal Staff Auditor
Peter Imajo, Business Application Administration Manager
Tara Jenkins, Associate Chief
Salathia Johnson, Associate Chief
Marshall Jones, Senior Counsel Manager
Tommy Le, Senior Desktop Support Analyst
Jennifer Nigro, Accounting Manager, Rental Housing Development
Michelle Prosser, Director of Talent Development
Maria Pruner, Associate Chief
Anton Shaw, Housing Choice Voucher Program Director
Yilla Smith, Associate Chief
Ethan Snead, Senior Security Engineer
Tobi Thomas, Development Officer
Mike Urban, Director of Homeownership Lending
Dorothy Webb, Underwriting Manager
Adrienne Whitaker, Director of Diversity, Equity and Inclusion
Ryne Johnson, Astoria
Stephanie Papps, JLARC
Ellie Rigsby, JLARC

Chairman Shelton called the regular meeting of the Board of Commissioners to order at 3:30 PM on October 18, 2022. All the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting, except Commissioner Richardson, who was not present on October 18th.

Ms. Dewey introduced the members of the Leadership Team Extended, known internally as “LTX.” LTX includes: Mr. Fasulo, Ms. Goldsmith-Ray, Ms. Hii, Ms. Jenkins, Ms. Johnson, Ms. Pruner, Ms. Smith, and Ms. Whittaker, who were present at the meeting.

Mr. Bondurant gave a presentation regarding the federal low-income housing tax credit (“LIHTC”) program entitled “Anatomy of a Deal.” This included a description of: (i) the mandatory LIHTC application items; (ii) the application scoring structure and methodology; and (iii) examples of the funding sources, unit mix, tenant profile, budgets, design characteristics and amenities of two LIHTC developments.

Mr. Bryant presented a resolution to amend and restate the committee structure of the Board. This resolution was based upon a recommendation of the Joint Legislative Audit and Review Commission (“JLARC”) for a standalone Finance Committee. The resolution also contained revisions to the membership and duties of the existing Audit Committee and Executive Committee and abolished the Committee of the Whole. 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 adopted the resolution entitled “Amended and Restated Resolution – Committees of the Board of Commissioners” in the form attached hereto.

Ms. Dewey presented a report on Virginia Housing’s activities and operations in which she advised the Commissioners on efforts in (i) the Fall conferences and events schedule; (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 addressing state housing needs, Ms. Dewey discussed (i) a Southwest Virginia partner tour; (ii) a Spanish language Chatting it Up Live event in Northern Virginia “Charlando En Vivo;” (iii) a workforce housing summit sponsored by the Community Foundation for Loudoun and Northern Fauquier Counties; and (iv) an update on the Virginia Mortgage Relief Program. On the topic of addressing unmet rental needs, Ms. Dewey discussed (i) the Arna and Marbella properties in Arlington County; (ii) the Aspire development in Norfolk; and (iii) the Foundry development in Richmond. On the topic of first-time homeownership, Ms. Dewey discussed (i) a partnership with Radio One’s on-air host Clovia Lawrence; (ii) staff’s participation in the Virginia Mortgage Bankers Association conference, including awards presented to two staff members; (iii) staff’s participation at the Virginia REALTORS annual convention; and (iv) recognition by Virginia Housing of mortgage professionals during National Mortgage Professional Month. On the topic of delivering superior long-term financial and operational performance, Ms. Dewey discussed (i) the clean audit opinion received by Virginia Housing on its June 30, 2022 financial statements; (ii) a recap of the September 22nd tax-exempt bond issuance financing three rental housing developments also utilizing 4% LIHTC; (iii) staff’s celebration of National Hispanic Heritage Month and National Disability Employment Awareness Month; and (iv) the 2022 Leadership Development Program participants. On the topic of telling our story, Ms. Dewey discussed (i) staff’s attendance at several grand openings of rental housing properties; (ii) the launch of Virginia Housing’s Spanish language web page; (iii) Ms. Dewey’s participation in The Public Housing Authority’s first podcast; (iv) receipt by Virginia Housing of PRSA’s Best in Show Award of Excellence for the publicity surrounding Virginia’s first 3D printed home; and (v) updates on the Virginia Housing 50th Anniversary celebration.

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 discuss and consider the award of a public contract involving the expenditure of public funds, including interviews of bidders or offerors, and discussion of the terms or scope of such contract, where discussion in an open session would adversely affect Virginia Housing’s bargaining position or negotiating strategy in accordance with Section 2.2-3711.A.29 of the Code of Virginia and such motion provided further that Ms. Dewey, Mr. Brennan, Mr. Bryant, Ms. Neale and Ms. Wiglesworth 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.

The meeting was recessed at approximately 5:20 PM on October 18, 2022.

Chairman Shelton reconvened the meeting at 9:45 AM on October 19, 2022. All the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting.

Commissioner Horn provided updates regarding DHCD, including: (i) the Governor's Housing Conference, which is set for November 16-18, 2022, in Arlington; (ii) DHCD's efforts with respect to broadband expansion; (iii) that the Virginia Rent Relief Program has wound down and no longer has funding available; (iv) DHCD's funding for flood relief; and (v) the Virginia Eviction Reduction Pilot.

Ms. Dewey introduced the members of Virginia Housing's Leadership Development Program ("LDP"). LDP provides formal, advanced development opportunities for selected participants to build their professional knowledge, skills and abilities. LDP is intended to create a pool of associates with enhanced learning in leadership, management, business acumen and technology. LDP is run by Virginia Housing's Talent Development & Learning department.

Ms. Watson gave a presentation on succession management at Virginia Housing. Ms. Watson addressed: (i) the goal of succession management to ensure Virginia Housing has the talent needed for a successful and sustainable future, and (ii) efforts to increase diversity, ensure organizational stability, promote readiness for new business challenges, and mitigate or reduce the loss of institutional knowledge.

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.

Mr. Bryant presented revision to the regulations for the Virginia housing opportunity tax credit ("HOTC") program. These amendments: (i) incorporated changes to §58.1-439.30 that became effective July 1, 2022, and (ii) permit the HOTC to be used in conjunction with the 4% LIHTC program. The final regulations presented were identical to the proposed regulations presented to the Board at its meeting on August 3, 2022. On a motion duly made and seconded and approved by the affirmative vote of each of the Commissioners present at the meeting, the Board adopted the resolution entitled "Resolution Amending and Restating the Rules and Regulations for the Allocation of Virginia Housing Opportunity Tax Credits" in the form attached hereto.

Ms. Flanders presented staff's recommendations for the calendar year 2022 awards of HOTC to five developments. The presentation included a summary of the process for making such awards, the deal characteristics of the five developments, and the number of units the recommended awards will produce. Ms. Flanders also reported that such awards will fully award the pool of available HOTC for the calendar year and result in a reduction of the pre-allocation of 2023 9% LIHTCs made at the Board's June 2022 meeting from approximately seventy-five percent to approximately fifty-three percent. On a motion duly made and seconded and approved

by the affirmative vote of each of the Commissioners present at the meeting, the Board authorized staff to proceed to issue documents making the awards as recommended.

Mr. Mintz presented amendments to Virginia Housing’s remote participation policy, which permits Commissioners to participate remotely in Board and Committee meetings via electronic means. The proposed amendments adopted changes to the Freedom of Information Act (“FOIA”), specifically §2.2-3708.3, that became effective September 1, 2022, and published guidance from the Virginia FOIA Advisory Council. The amendments also made other clarifying and administrative changes. On a motion duly made and seconded and approved by the affirmative vote of each of the Commissioners present at the meeting, the Board adopted the revised policy entitled “Policy Governing Electronic Participation in Board Meetings” in the form attached hereto.

Mr. Mintz presented a proposed policy regarding “all-virtual meetings,” to permit the Board and Committees to meet virtually (rather than being assembled in one physical location) up to two times per calendar year. The proposed policy adopted new provisions in the Freedom of Information Act (“FOIA”), specifically §2.2-3708.3, that became effective September 1, 2022, and published guidance from the Virginia FOIA Advisory Council. On a motion duly made and seconded and approved by the affirmative vote of each of the Commissioners present at the meeting, the Board adopted the policy entitled “Policy Governing All-Virtual Public Board Meetings” in the form attached hereto.

Ms. Dewey moderated a strategy session for the Board, during which she updated the Board on the following topics on which staff plans to make presentations in the next six months: (i) the record demand for allocations of private activity bond cap; (ii) homeownership program production in a high interest rate environment; (iii) tenant and borrower characteristics; and (iv) housing and economic development. Additional topics raised by Commissioners included: (i) inventory issues for both rental housing and homeownership units; (ii) how to incorporate clean energy technologies and related federal money into rental housing developments; (iii) a financial model for smaller developments and developers, including infill lots in rural areas and accessory dwelling units; (iv) the possibility of a common LIHTC application for use in multiple states; and (v) the risk of a foreclosure crisis given inflation and rising interest rates.

Chairman Shelton, on behalf of the Executive Committee, reported the following with respect to its meeting on October 18, 2022: (i) the Committee reviewed policies related to remote participation in meetings by Commissioners and “all-virtual” Board meetings, made revisions to such policies, and the consensus of the Committee was to recommend adoption of the policies by the full Board; (ii) the Committee reviewed a resolution to revise the Board committee structure in response to the recommendation of JLARC to create a standalone Finance Committee and also to make revisions to the membership and roles of the Executive Committee and Audit Committee and to abolish the Committee of the Whole, and the consensus of the Committee was to recommend adoption of the resolution by the full Board; (iii) the Committee and staff reviewed and discussed the Agenda for the Board meeting; (iv) the Committee received an update on the procurement of a human resources consultant to assist the Board with the CEO’s performance evaluation and other human resources matters, and the Chairman and Vice Chairman of the Board, Ms. Dewey, Ms. Watson and Mr. Bryant will serve on the selection panel; and (v) the Committee

convened in closed session to discuss and consider Ms. Dewey's performance goals for fiscal year 2023, the Committee made several revisions to the draft goals, and approved the goals, as revised.

Commissioner Schewel, on behalf of the Audit Committee, reported the following with respect to its meeting on October 19, 2022: (i) Virginia Housing's new external auditor, CliftonLarsonAllen LLP ("CLA"), presented Financial Audit Results with both the audit opinion and the internal controls reports being clean (the only uncorrected misstatement was Virginia Housing's procedural decision to report custodial funds for the GSEs on the first of the month rather than the audit's target of June 30, 2022), and CLA reported that this first audit went well; (ii) the Committee adopted a revised Audit Committee Charter; (iii) Ms. Hii introduced two new Internal Audit staff, and explained a third is starting next month, which means her team is now complete; and (iv) Ms. Hii reported on access controls reviews for Capital Markets, Treasury, and REACH grants and noted that Virginia Housing's Risk and Information Security Office teams cooperated in those reviews.

Chairman Shelton, on behalf of the Finance Committee, reported the following with respect to its meeting on October 19, 2022: (i) the Committee met for its organizational meeting, with Chairman Shelton leading the meeting because Commissioner Artus was participating remotely in the Committee meeting due to a business conflict; (ii) the Committee discussed its purpose and that it is created in response to a JLARC recommendation; and (iii) the Committee adopted a Finance Committee Charter.

Mr. Henderson reported on the Authority's fiscal year 2023 financial statements as of August: (i) excess revenues over expense (before GASB adjustment) of \$6.5 million for the month, which is \$1.3 million greater than budget and \$3.5 million above last year, (ii) year to date, Virginia Housing achieved \$18.2 million in excess revenue over expenses (before GASB Adjustments), which is \$7.8 million greater than budget and \$9.3 million lower than last year; (iii) year to date net interest margin of \$41.1 million, which is \$1.8 million less than budget and \$3.8 million above last year; (iv) year to date programmatic expenses were \$4.0 million lower than budget due to lower than budgeted financing costs (\$1.3 million), lower than budgeted mortgage servicing rights ("MSR") amortization, loan acquisition and pooling (\$0.9 million), and lower than budgeted programs and partners expenses (\$1.2 million); (v) year to date administrative expenses are \$4.3 million lower than budget mostly due to lower than budget staffing costs (\$3.5 million) and below budget services, insurance and other (\$0.4 million); (vi) total assets of \$9.6 billion, an increase of \$483.1 million above last year; (vii) total liabilities of \$5.9 billion, an increase of \$455.8 million above last year, with the average cost of debt at 2.93% versus 2.71% last year; (viii) annualized interest return of 2.48%, which is 0.41% below budget but 1.2% higher than last year; (ix) total market value of investments (excluding cash) was \$2.72 billion, including a \$57.7 million decrease in GASB 31 market value adjustments, with 58.4% of investments held in money market instruments and 41.4% held in mortgage backed securities ("MBS"); (x) a net position of \$3.75 billion, an increase of \$27.3 million over last year; (xi) a total mortgage portfolio of \$13.3 billion (including loans serviced for the government sponsored entities ("GSEs")), a \$600.8 million increase over last year; and (xii) total assets and GSE servicing of \$16.3 billion, a \$1.1 billion increase over last year. Mr. Henderson also advised the Board that certain investments will be sold at a loss due to the rising interest rate environment and the resulting losses will be reflected in his next report. Mr. Henderson also noted that, while there would not be a separate REACH *Virginia*

report presented to the Board, the Board materials contained a report showing reservations and commitments as of August 2022.

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 December meeting.

On a motion duly made and seconded to approve the item on the consent agenda, the minutes of the annual meeting of the Commissioners held on August 23-24, 2022, in the form attached hereto, was approved by the affirmative vote of the Commissioners present.

There was a brief discussion of an idea for Virginia Housing to potentially create a financing vehicle to fund small affordable housing developments.

Chairman Shelton recognized that October 19, 2022, was Ms. Groessler's last day at Virginia Housing and wished her well in the future and congratulated Vice Chairman Gibson on his recent wedding.

Ms. Dewey reported that the Internal Revenue Service had just issued a notice extending certain LIHTC deadlines and a Revenue Procedure regarding the calculation of private activity bond cap and LIHTC available for Virginia in calendar year 2023, which increased both such amounts.

There being no further business, the meeting was adjourned at approximately 11:58 AM.

William C. Shelton, Chairman

Fred Bryant, Assistant Secretary