

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE REGULAR MEETING OF THE COMMISSIONERS
HELD ON FEBRUARY 21-22, 2023

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 February 21-22, 2023, at the offices of Virginia Housing, 601 South Belvidere Street, Richmond, Virginia.

COMMISSIONERS PRESENT:

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

COMMISSIONERS ABSENT:

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 Wigglesworth, Chief of Operations
Llewellyn C. Anderson, Managing Director of Federal Programs
Herman Aparicio, Managing Director of Information Technology
JD Bondurant, Managing Director of Rental Housing
Arthur N. Bowen, Managing Director of Rental Housing
David Henderson, Managing Director of Finance and Administration
Monique Johnson, Managing Director of Community Outreach
Janet Little, Acting Managing Director of Capital Markets
Steve Mintz, Deputy Chief Counsel
Toni Ostrowski, Managing Director of Homeownership
Hil Richardson, Chief Financial Officer
Lisa Watson, Managing Director of Human Resources
Marissa Arnold, Administrative Assistant
Jamie Baker, Controller
Andrew Burguiere, Senior Finance Manager
Shannon Cribbs, Enterprise Portfolio Management Director
Ron Brown, Senior Desktop Support Analyst

David Cohn, Virginia Management Fellow
Clifton Dickens, Senior Information Security Analyst
Sandy Edwards, Assistant to the Chief Executive Officer
Fabrizio Fasulo, Director of Policy and Planning
Joe Feasor, Director of Homeownership Finance
Stephanie Flanders, Assistant Director of Tax Credits
Sergio Gambale, Design and Construction Group Manager
Jacinda Hardy, Internal Staff Auditor
Cindy Hii, Internal Audit Director
Michelle Jackson, Senior Executive Assistant
Tara Jenkins, Associate Chief
Salathia Johnson, Associate Chief
David Kohan, Director of Information Security
Tommy Le, Senior Desktop Support Analyst
Tina McDowney, Business Technology Partner
Michelle Prosser, Director of Talent Development
Maria Pruner, Associate Chief
Christine Rayl, Marketing Manager
Neal Rogers, Director of Compliance and Asset Management
Mindy Sanders, Senior Staff Auditor
Anton Shaw, Housing Choice Voucher Program Director
Yilla Smith, Associate Chief
Ethan Snead, Senior Security Engineer
Mike Urban, Director of Homeownership Lending
Dorothy Webb, Underwriting Manager
Frank Webster, Business Development Officer
Adrienne Whitaker, Director of Diversity, Equity and Inclusion
Dale Wittie, Director of Rental Housing Programs
Ansel Caine, Caine Mitter
Patricia Ho, Caine Mitter
Ryne Johnson, Astoria
Beth Keenan, The Community Builders
David Koogler, Mark-Dana Corporation

Chairman Shelton called the regular meeting of the Board of Commissioners to order at approximately 10:25 AM on February 21, 2023. Commissioners Shelton, Gibson, Artus, Johnson, Porter, Schewel and Scoggins were present at that time and participated with staff in a bus tour of Virginia Housing financed rental housing developments in the Richmond area.

The meeting was adjourned from approximately 11:55 AM to 12:50 PM for lunch.

Chairman Shelton reconvened the meeting at approximately 12:50 PM. All the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting on February 21st, except Commissioner Johnson who joined the meeting as noted below, Commissioners Gibson and Richardson who left the meeting as noted below, and Commissioner Horn who was not present on February 21st.

Chairman Shelton opened the floor for a public comment period. Mr. Koogler commented on potential uses of the Housing Opportunity Tax Credit (“HOTC”) in 2023, requesting that HOTC be used to fill equity gaps in developments having received prior awards of low-income housing tax credits (“LIHTC”). There being no further individuals wishing to speak, Chairman Shelton closed the public comment period.

Mr. Bondurant and Ms. Flanders presented the procedures and priorities for the 2023 HOTC awards. The 2023 HOTC awards will be a single, competitive process applicable to only 4% LIHTC applications. To focus on the creation of new housing inventory, only new construction or adaptive reuse projects will be eligible, rehabilitations will not be eligible. Developments with an existing 4% award or 9% allocation will not be eligible to compete for HOTCs. The maximum award will be \$1.5 million of HOTC per development. Developments located in areas with populations less than 35,000 will have priority up to the full \$6 million in available annual HOTC. If any HOTCs remain after all priority developments are funded, the remaining applications will be scored and ranked and allocated credits accordingly. HOTC applications will be due after the 2023 9% LIHTC awards are announced, and applicants not receiving 9% awards can rework their applications as 4% applications. Additionally, applications for 4% developments that were not previously submitted as 9% applications are eligible.

Ms. Neale, Ms. Johnson, Ms. Anderson, Mr. Bowen, Ms. Ostrowski and Mr. Richardson presented a report on Virginia Housing’s organizational performance for the first half of FY23 that, among other things, discussed that Virginia Housing has (i) committed over \$6.8 million in grant funds to support its partners and the community, which represents two-thirds of the total amount from FY22; (ii) Homeownership originated 1,970 home loans totaling \$462.4 million to homebuyers, which is 58% of the mid-year FY22 loan count and reflects the challenges of the current market; (iii) disbursed \$50.3 million from the Virginia Mortgage Relief Program to 4,967 households, bringing the total disbursed since the launch of VMRP in September 2021 to \$68.4 million to 5,182 households; (iv) provided \$255.6 million in multifamily financing for 1,504 units; (v) maintained approximately \$16.2 billion in combined Virginia Housing assets and mortgage-backed securities – an increase of \$25 million from June 2022, which growth helped maintain a net position of \$3.7 billion by mid-year; (vi) closed two rental housing bond transactions, raising just over \$154 million of tax-exempt bond proceeds, bringing the financing total to roughly \$800 million, or just over a third of overall financing activity in FY22; and (vii) made plans to largely phase out the mortgage credit certificate (“MCC”) program and resume issuing mortgage revenue bonds to fund homeownership loans.

Commissioner Johnson joined the meeting during the preceding presentation and remained present during the remainder of the meeting on February 21st.

Ms. Neale presented a report on REACH *Virginia* (“REACH”) showing that, as of December 2022, FY23 REACH reservations and commitments total \$53.2 million. Ms. Neale also stated that staff’s projections show that, as of the end of FY23, REACH utilization is expected to total \$91.7 million, which will represent a \$2.2 million pre-allocation of FY24 REACH.

Mr. Fasulo presented a Board Brief entitled “The Outlook for Home Purchase Lending.” Mr. Fasulo discussed current market conditions in Virginia, the impact of market changes on home

purchase lending, Virginia Housing's actions to address market challenges, and the outlook for CY23.

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 Virginia Housing's work with several small developers and developments, including (i) 7 and M Development on a rental housing development in Tappahannock; (ii) Aggregate Capital on several developments in Pulaski, Buchanan, Roanoke and Tazewell; and (iii) Capital Impact Partners on their Equitable Development Initiative supporting Black, Indigenous and people of color ("BIPOC") developers. Also, with respect to addressing state housing needs, Ms. Dewey discussed (i) a landlord outreach event providing Housing Choice Voucher program education; (ii) an update on the Virginia Mortgage Relief Program; and (iii) an update on bills of interest in the General Assembly. On the topic of addressing unmet rental needs, Ms. Dewey discussed (i) the Arden in the Mount Vernon District of Fairfax County; (ii) Cameo Street in the Jackson Ward neighborhood of Richmond; (iii) Grayson Manor in the town of Independence in Grayson County; and (iv) Park Shirlington in Arlington County. On the topic of first-time homeownership, Ms. Dewey discussed (i) innovation such as Virginia Housing's use of eVault and eNotes; (ii) the Charlottesville Area Association of Realtors' Raised/Razed event; (iii) the Harrisonburg Housing Summit where staff discussed resources for first-time homebuyers; and (iv) the Jewish Community Federation of Richmond's Real Estate Speaker Series, at which Commissioner Schewel was a panelist. 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 commemoration of Black History Month; and (iii) Virginia Housing's Fellows program. On the topic of telling our story, Ms. Dewey discussed (i) a series of focus groups conducted by a Virginia Housing contractor with over two hundred stakeholders; (ii) the Dan River Falls groundbreaking; (iii) Ms. Dewey's presentation to the Rural Housing Caucus in January; (iv) the Spirit of Virginia Award hosted at Virginia Housing's Headquarters and attended by Governor Youngkin and the First Lady of Virginia; (v) Commissioner Johnson's receipt of the Women in Smart Energy award; and (vi) Virginia Housing's receipt of the 21st Annual Martin Luther King Drum Major Award.

Ms. Ostrowski made a presentation on borrower characteristics, including discussion of (i) regional distribution of borrowers; (ii) borrower race and ethnicity; (iii) home prices; (iv) credit standing of borrowers; (v) down payment and closing cost assistance usage; and (vi) home types financed.

Commissioners Gibson and Richardson left the meeting during this presentation and did not return on February 21st.

Mr. Bowen made a presentation on rental tenant data, including discussion of (i) the percentage (28%) of multi-family rental units in Virginia monitored by Virginia Housing; (ii)

location of developments; (iii) tenant race and income; (iv) tenant housing costs; (v) units by income restrictions; and (vi) tenants per household.

Chairman Shelton, on behalf of the Executive Committee, reported the following with respect to its meeting on January 25, 2023: (i) the Committee and staff reviewed and discussed the Agenda for the Board meeting; (ii) Ms. Dewey updated the Committee on pending legislation in the General Assembly that could impact Virginia Housing; (iii) the Committee met in closed session to discuss and consider the acquisition of real property, specifically, whether to bid on a site in Manchester, and the consensus of the Committee was to not submit a bid; (iv) at this time, any Headquarters addition remains on hold and staff is exercising the first of two one-year extensions of the lease on VHC2 in Innsbrook; and (v) the Human Resources consultant selection team, which included Chairman and Vice Chairman of the Board, has selected Mercer to replace Korn Ferry as the Human Resources consultant for CEO goals and performance reviews, as well as any other matters the Board may assign.

Chairman Shelton also discussed an Amended and Restated Policy Governing Electronic Participation in Board Meetings. The amended and restated policy permits the Chairman to determine when the Board will hold in-person only meetings. This addresses situations, such as the upcoming April regional Board meeting, where remote participation will not be available. Staff has received confirmation from the Virginia Freedom of Information Act (“FOIA”) Advisory Council that such a policy is permitted under FOIA. 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 Amended and Restated Policy Governing Electronic Participation in Board Meetings as presented.

Commissioner Artus, on behalf of the Finance Committee, reported the following with respect to its meeting on January 25, 2023: (i) Mr. David Jones of CSG Advisors presented an enterprise-wide economic model for Virginia Housing, which was first made to the full Board at its December 2022 meeting and the presentation was repeated for the benefit of Commissioners unable to attend the December meeting; and (ii) Mr. Ansel Caine of Caine Mitter presented an educational session entitled “Capital Markets Update - HFA Single Family Strategies and TBA 101.”

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.

The meeting was recessed at approximately 4:55 PM.

Chairman Shelton reconvened the meeting at approximately 9:30 AM on February 22, 2023. All the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting.

Ms. Dewey recognized the members of Virginia Housing’s Leadership Development Program (“LDP”) in attendance.

Mr. Caine presented a report entitled “A Capital Markets Approach to Responding to JLARC Recommendations 13, 14, 15 and 16.” This report addressed Virginia Housing’s

homeownership lending program, specifically: (i) an overview of Caine Mitter's engagement by Virginia Housing; (ii) background on Housing Finance Agency strategies for financing their programs; (iii) Virginia Housing's competitive edge; (iv) mortgage rate comparison; (v) other metrics of effectiveness; (vi) program economics; and (vii) using findings to respond to JLARC. In its summary, Caine Mitter found that the current Virginia Housing homeownership lending program is very successful, Virginia Housing's interest rates are competitive and there is little room to lower rates.

Commissioner Schewel, on behalf of the Audit Committee, reported that the Committee received a report at its February 22, 2023 meeting from Ms. Hii that the Internal Audit department is fully staffed, the internal audits of Active Directory and Grants Management went well with only a few recommendations and the Fannie Mae Mortgage Origination Risk Assessment ("MORA") is complete and Internal Audit will follow up with the Homeownership Division at least annually going forward.

Mr. Henderson reported on the Authority's FY23 financial statements as of December: (i) excess revenues over expenses (before GASB adjustment) of \$2.4 million for the month, which is \$2.8 million below budget and \$13.4 million below last year, (ii) year to date, Virginia Housing experienced \$5.5 million in excess expenses over revenue (before GASB Adjustments), which is \$25.7 million less than budget and \$53.9 million lower than last year; (iii) year to date net interest margin of \$85.4 million, which is \$43.2 million less than budget and \$22.9 million below last year; (iv) year to date programmatic expenses were \$20.4 million lower than budget due to lower than budgeted loan loss provision and expenses (\$13.2 million), lower financing costs (\$2.7 million), lower than budgeted mortgage servicing rights amortization, loan acquisition and pooling (\$2.1 million) and lower than budgeted programs and partners expenses (\$2.6 million); (v) year to date administrative expenses are \$12.6 million lower than budget mostly due to lower than budget staffing costs (\$9.3 million) and below budget plan projects and technology (\$1.9 million); (vi) total assets of \$9.3 billion, a decrease of \$139.0 million below last year; (vii) total liabilities of \$5.6 billion, a decrease of \$99.2 million below last year, with the average cost of debt at 3.06% versus 2.73% last year; (viii) annualized interest return of -0.29%, which is 3.14% below budget and 1.60% less than last year; (ix) total market value of investments (excluding cash) was \$2.36 billion, including a \$70.0 million decrease in GASB 31 market value adjustments, with 63.1% of investments held in money market instruments and 36.7% held in mortgage backed securities ("MBS"); (x) a net position of \$3.73 billion, a decrease of \$39.8 million over last year; (xi) a total mortgage portfolio of \$13.5 billion (including loans serviced for the government sponsored entities ("GSEs")), a \$605.5 million increase over last year; and (xii) total assets and GSE servicing of \$16.2 billion, a \$463.0 million increase over last year.

Mr. Richardson presented salient features memoranda for the Rental Housing Bonds, 2023 Series C-Taxable and Series D-Non-AMT (tax-exempt).

Commissioner Horn provided updates regarding DHCD, including: (i) DHCD staff's monitoring of bills of interest and the budget in the General Assembly; (ii) status of the Virginia

Telecommunication Initiative (VATI); and (iii) DHCD’s efforts with respect to 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 December 15, 2022; and (ii) a resolution entitled “Resolution in Recognition and Appreciation of Thirty Years of Service by Michele Edmonds,” all in the form attached hereto, were approved by the affirmative vote of the Commissioners then present.

Chairman Shelton recognized Mr. Bowen, who is retiring March 31, 2023.

Ms. Dewey reminded Commissioners of the Board’s regional meeting in Wytheville on April 23-25, 2023, and the Virginia Housing Charity Golf Tournament in Williamsburg on May 25, 2023.

There being no further business, the meeting was adjourned at approximately 11:35 AM.

William C. Shelton, Chairman

Fred Bryant, Assistant Secretary