

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE  
HELD ON AUGUST 25, 2020

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 August 25, 2020, at the Authority's offices at the Virginia Housing Center, 4224 Cox Road, Glen Allen, Virginia.

COMMITTEE MEMBERS PRESENT:

Shekar Narasimhan, Chairman  
William C. Shelton, Vice Chairman  
Thomas A. Gibson, IV  
Clarissa McAdoo Cannon

OTHER COMMISSIONERS PRESENT:

Manju Ganeriwala  
Erik Johnston

OTHERS PRESENT:

Susan F. Dewey, Chief Executive Officer  
Patrick J. Carey, Chief of Programs  
Tammy Neale, Chief of Staff  
Lisa Watson, Managing Director of Human Resources  
Myriam Michaels, Korn Ferry

Chairman Narasimhan called the meeting of the Committee to order at approximately 10:02 a.m. on August 25, 2020. All of the members of the Committee listed above as present at the meeting were present at that time and remained present throughout the meeting.

On motion duly made and seconded, a resolution that the Committee convene in closed session to discuss and consider the performance and compensation of Ms. Dewey in accordance with Section 2.2-3711.A.1 of the Code of Virginia and further that Ms. Michaels and Mr. Brennan, who are deemed necessary to be present or will reasonably aid the Committee in its consideration of the aforesaid topics, be present during the closed session was approved by the affirmative vote of the Commissioners noted above as present at the meeting. At the conclusion of the closed meeting, the Commissioners reconvened in an open meeting. Each Commissioner 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 public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or considered in the closed meeting by the Commissioners. The members of the Committee discussed Ms. Dewey's performance and decided on the compensation that the Committee would recommend to the Board of Commissioners.

There being no further business, the meeting was adjourned at approximately 11:00 a.m.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE ANNUAL MEETING OF THE COMMISSIONERS  
HELD ON AUGUST 24 - 25, 2020

Pursuant to the call of the Chairman and notice duly given, the annual meeting of the Commissioners of the Virginia Housing Development Authority (the “Authority”) was held on August 24, 2020, via Webex and on August 25, 2020, at the Authority’s offices at the Virginia Housing Center, 4224 Cox Road, Glen Allen, Virginia.

COMMISSIONERS PRESENT:

Shekar Narasimhan, Chairman  
William C. Shelton, Vice Chairman  
Barbara Blackston  
Abigail Johnson  
Erik Johnston  
Manju Ganeriwala  
Thomas A. Gibson, IV  
Clarissa McAdoo Cannon  
Lisa R. Porter  
David E. Ramos  
Michael J. Schewel

COMMISSIONERS ABSENT:

None

OTHERS PRESENT:

Susan F. Dewey, Chief Executive Officer  
Paul M. Brennan, Chief Counsel  
Patrick J. Carey, Chief of Program Strategy  
Tammy Neale, Chief of Staff  
J. Michael Hawkins, Managing Director of Community Outreach  
Arthur N. Bowen, Managing Director of Rental Housing  
Toni Ostrowski, Managing Director of Homeownership  
Hil Richardson, Managing Director of Capital Markets  
Llewellyn C. Anderson, Deputy Chief of Programs  
Lisa Watson, Managing Director of Human Resources  
Fred Bryant, Deputy Chief Counsel  
Herman Aparicio, Managing Director of Information Technology  
David Henderson, Controller  
Fabrizio Fasulo, Director of Policy and Planning  
DJ Benway, Policy Analyst  
Frances Stanley, Research & Policy Analyst  
Barry Merchant, Contractor  
Sandy Edwards, Assistant to the Chief Executive Officer  
Courtney Insley, Senior Executive Assistant  
Myriam Michaels, Korn Ferry  
Ryne Johnson, Astoria

Chairman Narasimhan called the annual meeting of the Board of Commissioners to order via WebEx at 3:04 p.m. on August 24, 2020. The Board of Commissioners met by electronic communication means (WebEx) without a quorum physically assembled at one location as permitted by the Governor's declared state of emergency due to novel coronavirus (COVID-19). All of the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting on August 24, 2020, except Commissioners Shelton, Porter and Ramos who joined the meeting in progress as noted below and thereafter remained present during the meeting.

The agenda did not provide for public comment at this meeting.

Ms. Neale introduced to the Commissioners two recent additions to the Policy and Planning Team, Fabrizio Fasulo, Director of Policy and Planning and DJ Benway, Policy Analyst.

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 COVID pandemic; (ii) addressing state housing needs; (iii) addressing unmet rental needs; (iv) strengthening first-time homeownership; (v) financial performance; (vi) internal and operational initiatives; and (vii) telling our story. On the topic of responding to the impact of the COVID pandemic, Ms. Dewey provided updates on (i) the number of grants provided to the housing delivery network and the number of rental mortgage loans and homeownership loans in forbearance; and (ii) enhancements to the StayHomeVirginia.com website. On the topic of addressing state housing needs, Ms. Dewey discussed (i) the Community Outreach virtual road show that highlights products available from Virginia Housing; (ii) the development of two videos to provide education on changes to Virginia's fair housing laws; (iii) participation in Virginia's Tribal Affordable Housing Summit; and (iv) the status of two housing studies requested by the General Assembly. On the topic of addressing unmet rental needs, Ms. Dewey discussed (i), South First Street, Phase I, a public housing transformation effort in Charlottesville; (ii) North Hill, which will create 216 affordable family units and 62 affordable senior units in Fairfax; (iii) Daffodil Gardens, which will create 40 affordable senior units in Gloucester. On the topic of first-time homeownership, Ms. Dewey discussed (i) improvements to homeownership education; (ii) the Authority's efforts in serving rural and underserved areas in Virginia; (iii) marketing strategies designed to support the increase in minority homeownership; and (iv) the anticipated launch date for securitizing loans with Freddie Mac; and (v) the expansion of the Community Heroes grant program to health care workers and public school employees. On the topic of financial performance, Ms. Dewey discussed activity by the Authority to expand its diversity and inclusion efforts. On the topic of internal and operational initiatives, Ms. Dewey discussed (i) the graduation of the latest Emerging Leaders program; (ii) the 30 years of service appreciation resolutions for five associates; and (iii) the 25th anniversary of Pathways of Virginia. On the topic of telling our story, Ms. Dewey discussed (i) references to the Authority's efforts in increasing minority homeownership in an article appearing in Virginia mercury.com; (ii) an innovation grant to Virginia Tech to explore 3-D printed homes; (iii) a recap of the Authority's promotion of June as Homeownership Month; (iv) efforts by the Authority to improve the neighborhood near its headquarters building, and (v) an update on the new Virginia Housing brand. Commissioners Shelton, Porter and Ramos joined the meeting during Ms. Dewey's presentation.

Mr. Carey, Mr. Hawkins, Mr. Bowen, Ms. Ostrowski and Mr. Aparicio presented a report on Virginia Housing's organizational performance for fiscal year 2020. In this report, Mr. Carey reported on performance of key financial indicators such as net interest margin, net assets, loan portfolio size, capital market activity, mortgage credit certificate issuance and REACH *Virginia* utilization. The Board asked Mr. Carey to prepare a report on the Authority's investment policy for the Commissioners to review and discuss at a subsequent meeting. Mr. Hawkins presented the results of grants to assist non-profits impacted by COVID-19, a summary of the housing counseling accomplishments, the completion of the survey of public housing authorities, participation in the Homeownership Education Program, the utilization of the HAP subsidy for the Housing Choice Voucher Program, a pilot program in Danville to permit manufactured housing units within city limits, the efforts with indieDwell shipping container homes and videos prepared by Community Outreach regarding recent source of income legislation passed by the General Assembly impacting the Housing Choice Voucher Program. Mr. Bowen presented the number of rental units produced in the strategic metrics for the unmet rental needs of low-income and critical needs populations and trends in both rental housing loan production and the performance of the rental housing loan portfolio. Ms. Ostrowski presented Virginia Housing's performance in creating homeownership opportunities in underserved markets, efforts to date for the implementation of a post-purchase homeownership education class and trends in both homeownership loan production and the performance of the homeownership loan portfolio. Mr. Aparicio presented updates on the following major initiatives involving the internal operations of Virginia Housing: enterprise governance, the rebranding efforts, the Virginia Housing website, human capital – outreach to minorities and veterans and the Emerging Leaders Program.

On motion duly made and seconded, a resolution that the Board convene in closed session to discuss and consider the performance and compensation of Ms. Dewey in accordance with Section 2.2-3711.A.1 of the Code of Virginia and further that Ms. Dewey, Ms. Michaels and Mr. Brennan, who are deemed necessary to be present or will reasonably aid the Board of Commissioners in its consideration of the aforesaid topics, be present during the closed session was approved by the affirmative vote of the Commissioners noted above as present at the meeting. At the conclusion of the closed meeting, the Commissioners reconvened in an open meeting. Each Commissioner 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 public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or considered in the closed meeting by the Commissioners.

Upon conclusion of the closed meeting, the meeting was recessed at 5:55 p.m. on August 24, 2020.

Chairman Narasimhan reconvened the annual meeting of the Board of Commissioners to order at 11:08 a.m. on August 25, 2020. All of the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting, except Commissioner Blackston, who was not present at the meeting on August 25, 2020. Commissioners Johnson, Johnston, Ramos and Schewel participated in the meeting via electronically for medical reasons from separate locations in Williamsburg, Richmond, Fairfax and Franklin County, respectively, as per the Authority's electronic participation policy.

Chairman Narasimhan relinquished the chair to Ms. Dewey for the purpose of electing the Chairman of the Board. Ms. Dewey reported that the Executive Committee, at the June Board meeting, had recommended the nomination of Commissioner Narasimhan for Chairman. Ms. Dewey declared the floor open for nominations for Chairman. Commissioner Gibson nominated Commissioner Narasimhan and Commissioner Ganeriwala seconded the nomination. There being no further nominations, the floor was closed. Commissioner Narasimhan was elected Chairman by the affirmative vote of each of the Commissioners then present at the meeting. Chairman Narasimhan then assumed the chair and declared the floor open for nominations for Vice Chairman. Commissioner Gibson nominated Commissioner Shelton and Commissioner Ganeriwala seconded the nomination. There being no further nominations, the floor was closed. Commissioner Shelton was elected Vice Chairman by the affirmative vote of each of the Commissioners then present at the meeting.

Mr. Carey made a presentation on the REACH *Virginia* program that set forth the allocations and disbursements of REACH *Virginia* funds in homeownership, rental, community outreach, economic development and COVID-19 recovery programs fiscal years 2020 and 2021. The Authority disbursed over \$70 million in REACH *Virginia* funds for fiscal year 2020.

Ms. Dewey advised the Commissioners on progress made with the Gates of Ballston rental development in Arlington and that low-income housing tax credit cost limit issues have been resolved, however staff is still working with the developer on resolving outstanding loan underwriting issues.

The following items, in the forms attached hereto, were approved by the affirmative vote of each of the Commissioners then present at the meeting on a motion to approve the consent agenda: (i) the minutes of the regular meeting of the Commissioners held on June 18, 2020; (ii) the resolution entitled “Resolution Approving and Ratifying Reservations of Federal Low-Income Housing Tax Credits” dated August 25, 2020; (iii) the resolution authorizing the issuance of Rental Housing Bonds entitled “Bond Limitations Resolution” dated August 25, 2020; (iv) the resolution entitled “Resolution Approving Housing Choice Voucher Section 8 Management Assessment Program Certification” dated August 25, 2020; (v) the resolution entitled “Resolution in Recognition and Appreciation of the 25<sup>th</sup> Anniversary of Pathways of Virginia” dated August 25, 2020; (vi) the resolution entitled “Resolution in Recognition and Appreciation of Thirty Years of Service by Sarah B. Schafer” dated August 25, 2020; (vii) the resolution entitled “Resolution in Recognition and Appreciation of Thirty Years of Service by Virginia D. “Ginny” McGee” dated August 25, 2020; (viii) the resolution entitled “Resolution in Recognition and Appreciation of Thirty Years of Service by Paul M. Brennan” dated August 25, 2020; (ix) the resolution entitled “Resolution in Recognition and Appreciation of Thirty Years of Service by Jackie L. Gibbs” dated August 25, 2020; and (x) the resolution entitled “Resolution in Recognition and Appreciation of Thirty Years of Service by Patricia L. Hunter” dated August 25, 2020.

Chairman Narasimhan, on behalf of the Executive Committee, reported that the Executive Committee reviewed the performance and compensation of the Chief Executive Officer and that he would present the Committee’s recommendation later in the meeting.

Mr. Richardson advised the Board on the salient features of the Authority’s proposed Rental Housing Bonds, 2020 Series G-Non-AMT and Series H-Taxable with a maximum issue size of \$295 million that provide financing for up to 15 multi-family housing developments.

Mr. Henderson reported on the Authority's financial results for the fiscal year ending June 30, 2020. In his report, Mr. Henderson noted the following: (i) the Authority's net interest margin of \$285 million is \$4 million under budget; (ii) programmatic expenses are \$36.6 million more than budget mostly due to a \$40 million increase in loan loss provision; (iii) excess revenues over expense (before GASB adjustment) of \$98.7 million is \$23 million lower than budget, mostly due to the increase in loan loss provision; (iv) total net position (total assets less total liabilities) was \$3.6 billion, \$120 million greater than last fiscal year; (v) the Authority's mortgage portfolio was \$12.2 billion, an increase of \$1.1 billion; and (vi) the combined assets and serviced loans of the Authority totaled \$14.4 billion; a \$1.8 billion increase over last fiscal year.

Commissioner Johnston reported on recent activities of the Department of Housing and Community Development, including the following: (i) a description on how the Department is administering \$30 million in CARES Act funds through its Virginia Homeless Solutions Program; (ii) the status of the Virginia Rent and Mortgage Relief Program with a goal to disburse at least \$50 million, possibly more by December 30, 2020; and (iii) the preservation of new funding in the Governor's proposed budget for the State Housing Trust Fund, a pilot eviction diversion program and the "last mile" installation of broadband.

Ms. Ostrowski presented a report on the Homeownership program borrower profile that included information on (i) the regional distribution of borrowers; (ii) the median sales price; (iii) household characteristics; (iv) race and ethnicity; (v) the credit profile; and (vi) the impact of COVID-19. In her remarks, Ms. Ostrowski noted (i) the difficulty in obtaining the data necessary to confidently measure the impact of the Authority's efforts to increase minority homeownership and (ii) the pull-back of Fannie Mae lending due to required higher median credit scores.

Mr. Bowen presented a report on the tenant profile in the Authority's Rental loan portfolio that included information on (i) the scope and geographical distribution of the Authority's rental program; (ii) tenant income; (iii) tenant race and ethnicity; (iv) tenant costs; (v) a comparison of units by income restrictions with actual tenant incomes; and (vi) household composition. In his remarks, Mr. Bowen noted that (i) the Authority monitors approximately one quarter of all rental units in the Commonwealth and (ii) that nearly 60% of the Authority's rental tenants have incomes less than 40% of the area median income, and 80% of the Authority's rental tenants have incomes less than 60% of the area median income.

Ms. Neale presented an overview of diversity, equity and inclusion efforts ("DEI") at the Authority. The goal of DEI is to create a workplace that works for everyone. The Authority has been supporting DEI for several years through internal workshops, online classes and actively incorporating diversity best practices into recruitment and hiring. All managers have a competency on commitment to diversity in their performance review. More recently, the Authority has engaged TMI Consulting in Richmond to provide consulting services on DEI. Further, in October 2019, the Authority created a Minority Business Advisory Council made up of a variety of business partners to explore providing more minority access to the Authority's programs and as a feedback mechanism. The Leadership Team has engaged in multiple learning experiences, conducted an enterprise-wide survey and held focus groups to gauge the Authority's culture, provided resources (books, online training, articles) to associates, and enabled a virtual dialogue with managers after the death of George Floyd and the ensuing aftermath. TMI Consulting will also be facilitating a discussion with an employee-lead engagement group. Ms.

Neale reported that, in the first quarter of calendar year 2020, the Authority's small, women-owned and minority ("SWaM") procurement percentage was 47%. The Authority is also currently recruiting for a Director of Diversity, Equity and Inclusion.

Ms. Watson presented a report on associate diversity that included the demographics of the Authority's associates and efforts with respect to recruitment and education. Ms. Watson first presented ethnicity data for the Authority's associates, managers and Leadership Team. Gains are being made, but competition is stiff for minority candidates. The Authority is reaching out to historically black colleges and universities, posting on minority job boards, and reaching out to professional organizations with minority membership. Once minorities are hired, retentions efforts are made through ensuring strong minority participation in the Emerging Leaders Program and Leadership Development Program. Ms. Watson then presented gender data for the Authority's associates, managers and Leadership Team.

Ms. Dewey and Ms. Neale reviewed the addition of the preamble to the draft strategic plan and changes made to the plan based upon stakeholder comments. The Commissioners and staff discussed the changes and possible metrics for measuring progress to be considered for a future meeting. The draft plan described the Authority's commitment to diversity, equity and inclusion and outlined four strategic goals to (i) address state housing needs by partnering with the housing delivery network; (ii) address unmet rental needs of low-income and critical needs populations; (iii) strengthening homeownership for first-time homebuyers; and (iv) deliver superior long-term financial performance to strengthen the Authority's ability to achieve its mission. Staff will work on plans for measuring the success of the goals.

Ms. Michaels reviewed with the Board a plan to assess and strengthen Board efficiency and effectiveness which includes self-assessments, which is considered a best practice for Boards to undertake periodically.

On motion duly made and seconded, a resolution that the Committee convene in closed session to discuss and consider the performance and compensation of Ms. Dewey in accordance with Section 2.2-3711.A.1 of the Code of Virginia and further that Ms. Dewey, Ms. Michaels and Mr. Brennan, who are deemed necessary to be present or will reasonably aid the Board of Commissioners in its consideration of the aforesaid topics, be present during the closed session was approved by the affirmative vote of the Commissioners noted above as present at the meeting. At the conclusion of the closed meeting, the Commissioners reconvened in an open meeting. Each Commissioner 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 public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or considered in the closed meeting by the Commissioners. Commissioner Shelton made a motion to (i) increase the merit compensation of the Chief Executive Officer by 3% and (ii) award a bonus for the Chief Executive Officer in the amount of 10%. The motion was seconded and approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

The Commissioners then met with Ms. Dewey and provided feedback on her performance over the last fiscal year

There being no further business, the meeting was adjourned at approximately 4:35 p.m.

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Shekar Narasimhan, Chairman

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Paul M. Brennan, Assistant Secretary