

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE COMMITTEE OF THE WHOLE
AND THE REGULAR MEETING OF THE COMMISSIONERS
HELD ON OCTOBER 5, 2016

Pursuant to the call of the Chairman and notice duly given, the meeting of the Committee of the Whole and the regular meeting of the Commissioners of the Virginia Housing Development Authority (the "Authority") were held on October 5, 2016 at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMISSIONERS PRESENT:

Timothy M. Chapman, Chairman
Sarah B. Stedfast, Vice Chairman
Clarissa McAdoo Cannon
Lemella Y. Carrington
Thomas A. Gibson, IV
Kermit E. Hale
Charles McConnell
David E. Ramos
William C. Shelton

COMMISSIONERS ABSENT:

Manju Ganeriwala
Shekar Narasimhan

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Arthur N. Bowen, Managing Director of Rental Housing
Janet Wigglesworth, Managing Director of Homeownership
J. Michael Hawkins, Managing Director of Community Outreach
Paul M. Brennan, General Counsel
Patrick J. Carey, Managing Director of Finance
Barbara Blankenship, Managing Director of Human Resources
Tammy Neale, Chief Learning Officer
Llewellyn C. Anderson, Managing Director of Executive Services
Julie Camus, Managing Director of Internal Audit and Enterprise Risk Management
Toni Ostrowski, Director, Homeownership Lending Programs
Pamela Holmes, Director of Homeownership Servicing
Dale Witte, Director of Rental Housing
J.D. Bondurant, Director of Low Income Housing Tax Credit Programs
Fred Bryant, Deputy General Counsel
Barry Merchant, Senior Policy Analyst
Sandy Edwards, Office Manager
Melody S. Barackman, Controller
Jason Thompson, Director of Risk and Organizational Reporting
Demas Boudreaux, Legislative Liaison
Sarah Jones-Anderson, Associate Program Liaison
Ross Strodel, Internal Audit Director

Randy Jackson, IT Auditor
Stephanie Johnson, Senior Staff Auditor
Amber Adams, Internal Audit Supervisor
Justin Short, Internal Staff Auditor
Sam Tefera, Intern
Nina Nolley, Assistant Director of Multi-Family Servicing

Chairman Chapman called the meeting of the Committee of the Whole to order at 10:08 a.m. on August 3, 2016. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting.

Chairman Chapman welcomed Commissioners Cannon, Ramos and Gibson to the Board.

Mr. Bowen and Mr. Bondurant reviewed the significant modifications to the proposed changes to the Authority's Qualified Allocation Plan for federal low-income housing tax credits for calendar year 2017 in response to comments received at the public hearing. Staff recommended removing three proposed changes: (1) the At-Large Pool would remain as currently structured; (2) the point category for small developments would remain; and (3) no penalty points would be applied to applications requesting additional credits. However, staff will analyze the tax credit applications over the next two years to determine the appropriateness of making such changes at a later date. Staff also recommended modifying the 45 point category for EarthCraft certification by replacing EarthCraft Platinum with EarthCraft Gold coupled with tenant utility monitoring and benchmarking. The Committee further amended staff's recommendation by decoupling the tenant utility monitoring and benchmarking from the EarthCraft Gold certification and making the tenant utility monitoring and benchmarking a separate 10 point category. The Board agreed with the remaining recommendations of staff as outlined in the prepared report. Chairman Chapman asked for a motion that the Committee recommend approval of the "Resolution Amending and Restating the Plan of the Virginia Housing Development Authority for the Allocation of Low-Income Housing Tax Credits Including Rules and Regulations" dated October 5, 2016, as amended by the Committee. On motion duly made and seconded, the resolution was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Mr. Carey described a potential \$4.0 million demand deposit of Authority funds in Community Capital Bank of Virginia ("CCB"), an FDIC-insured, certified community development bank. Commissioner Shelton disclosed his role as a Board member of Virginia Community Capital, Inc., the parent company of CCB and took no part in the discussion. No objections were raised regarding the investment.

Ms. Dewey discussed the results of the staff survey of the Commissioners and the actions planned to address the comments of the Commissioners. Ms. Dewey also presented a proposal on changes in the order and structure of the Board and Committee meetings developed from comments offered by the Commissioners during the survey. In this report, Ms. Dewey proposed that the Finance and Audit Committee be renamed the Audit Committee, that the Operations Committee be discontinued, that the Committee of the Whole consider the finance matters previously considered by the Finance and Audit Committee and all the matters previously considered by the Operations Committee, and that the position on the Executive Committee currently occupied by the Chair of the Operations Committee be replaced with an at-large

member chosen by the Chairman. In addition, an education session would typically be presented by staff at the beginning of the Committee of the Whole meeting. It was the consensus of the Commissioners to proceed with the changes proposed by Ms. Dewey. Ms. Dewey advised the Commissioners that the staff would present to the Board at its December meeting a resolution that would reflect the changes to the roles and responsibilities of the Committees of the Board.

There being no further business, the meeting of the Committee of the Whole was adjourned at approximately 11:32 a.m. on October 5, 2016.

Chairman Chapman called the regular meeting of the Board of Commissioners to order at approximately 11:50 a.m. on October 5, 2016. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting.

No members of the public requested an opportunity to make any comments during the public comment period of the meeting.

The minutes of the Committee of the Whole and the annual meeting of the Commissioners held on August 3, 2016 were approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

The resolution entitled "Resolution in Recognition and Appreciation of Thirty Years of Service by Ross Strodel" dated October 5, 2016, was read by Ms. Neale, and on motion duly made and seconded, was approved in the form attached hereto by the affirmative vote of each of the Commissioners noted above as present at the meeting.

On motion duly made and seconded, the resolution entitled "Resolution in Recognition and Appreciation of H. Richard Ashe" dated October 5, 2016, in the form attached hereto was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

On motion duly made and seconded, the resolution entitled "Resolution in Recognition and Appreciation of Douglas R. Fahl" dated October 5, 2016, in the form attached hereto was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

On motion duly made and seconded, the resolution entitled "Resolution in Recognition and Appreciation of Marjorie N. Leon" dated October 5, 2016, in the form attached hereto was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Commissioner Chapman, on behalf of the Executive Committee, reported that the Committee had reviewed the proposed changes to the order and structure of the Board and Committee meetings and the agendas for the meetings of the Committees and the Board.

Commissioner McConnell, on behalf of the Finance and Audit Committee, reported that the Committee had received and discussed (i) the Authority's monthly financials and budget comparisons for the period ended August, 2016; (ii) the salient features of the Authority's proposed Rental Housing Bonds, 2016 Series E-Non-AMT, estimated to be \$50 million; (iii) an ACH debit for originated by Ginnie Mae that was denied by SunTrust Bank due to the initiation of fraud prevention controls and the related payment of a civil monetary penalty; and (iv) the

Authority's financials results for fiscal year to date ending August 31, 2016. Commissioner McConnell reported that the Committee had received and discussed with representatives of KPMG their audit of the Authority's financial statements for fiscal year 2016 and that KPMG (i) had issued its unqualified opinion that such financial statements present fairly, in all material respects, the financial position of the Authority and that KPMG did not identify any deficiencies in internal controls that KPMG considered to be material weaknesses; and (ii) had issued its unqualified opinion on compliance with the Single Audit Act, Code of Federal Regulation Part 200 relating to federal expenditures and that KPMG did not identify any deficiencies that might be considered material weaknesses in internal controls. Commissioner McConnell reported that the Committee received staff reports on the Authority's (i) current internal audit activities; and (ii) progress on strategic areas of emphasis involving procurement, records management, information security, and compliance and risk.

Commissioner Hale, on behalf of the Operations Committee, reported that the Committee had received and discussed a staff report on the applications submitted to the Authority seeking tax credits from the Accessible Supportive Housing Pool. Staff recommended funding five of the seven applications for a total of \$1.32 million in tax credits, which is in line with the \$1.3 million target pool size. Commissioner Hale reported that the Committee recommended that the Board proceed with reservations of tax credits for five applications; Upper Street Apartments, Angelwood at Westmoreland, Carlton Neighborhood Housing, Old Forest Village, and Allegany Apartments. The Committee's motion to recommend that staff proceed with tax credit reservations to the five named developments was duly made and seconded and was approved by a vote of each of the Commissioners noted above as present at the meeting. Commissioner Hale also reported that the Committee had received and discussed, and recommended approval of, a resolution to create a third mortgage credit certificate program. A motion to recommend approval of the resolution entitled "Mortgage Credit Certificate Program Resolution" dated October 5, 2016 was duly made and seconded and was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting. Commissioner Hale reported that the Committee had received and discussed staff reports on (i) strategic outreach efforts of Homeownership; and (ii) the redesign of vhda.com.

Commissioner Chapman, on behalf of the Committee of the Whole, reported that the Committee had reviewed a staff report on the proposed changes to the Qualified Allocation Plan for the federal low-income housing tax credits for calendar year 2017 and had recommended approval of a resolution adopting the proposed Qualified Allocation Plan, as amended by the Committee. On motion duly made and seconded, the resolution entitled "Resolution Amending and Restating the Plan of the Virginia Housing Development Authority for the Allocation of Low-Income Housing Tax Credits Including Rules and Regulations" dated October 5, 2016 in the form attached hereto with the change recommended by the Committee, was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Commissioner Shelton reported on recent activities of the Department of Housing and Community Development, including the following: (i) the election of a new Chair and Vice Chair to the Board of Housing and Community Development in July and the Chair's reappointment of Commissioner Narasimhan to the Authority's Board; (ii) the beginning of the process of adopting changes to the building code; (iii) a summary of the role of DHCD in financing affordable housing in Virginia and how its financing programs intersect with the Authority's financing programs for such housing, (iv) the Governor's announcement to increase the 30% reduction of homelessness from 2010 to 2015 to a target 40% reduction since 2010 over

the next two years; (v) the Governor's Housing Conference to be held on November 16-18, 2016; and (v) the ribbon cutting ceremony on November 11, 2016 for the Habitat for Humanity build of a winning home design awarded at a previous Governor's Housing Conference.

Vice Chairman Stedfast updated the Commissioners on the meetings she attended at the NCSHA annual meeting and her election to the board of the National Council of State Housing Boards.

Ms. Dewey presented her report on operations in which she advised the Commissioners of the following matters: (i) the NCSHA annual conference, including the Authority's awards for its Rapid Rental Loan Refinancing and Retention Program in the Management Innovation – Financial category and its MCCs Made Simple entry in the Communications category; (ii) an update on the activities of the Housing Policy Advisory Council, including the results of the study of the economic impact of the \$47.8 billion housing sector in Virginia, the sixth largest private sector in Virginia; (iii) an invitation to the Commissioners to attend the Governor's Housing Conference to be held in Roanoke on November 16-18, 2016; and (iv) the next meeting of the Board on December 6-7, 2016.

There being no further business, the meeting was adjourned at approximately 12:41 p.m. on October 5, 2016.

Timothy M. Chapman, Chairman

Paul M. Brennan
Assistant Secretary

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE
HELD ON OCTOBER 5, 2016

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 October 5, 2016 at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMITTEE MEMBERS PRESENT:

Timothy M. Chapman, Chairman
Sarah Stedfast, Vice Chairman
Kermit E. Hale
Charles McConnell

OTHER COMMISSIONERS PRESENT:

Clarisa McAdoo Cannon
Thomas A. Gibson, IV
David E. Ramos

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Paul M. Brennan, General Counsel
Arthur N. Bowen, Managing Director of Rental Housing
Paul M. Brennan, General Counsel
Patrick J. Carey, Managing Director of Finance
Llewellyn C. Anderson, Managing Director of Executive Services
J.D. Bondurant, Director of Low Income Housing Tax Credit Programs

Chairman Chapman called the meeting of the Committee to order at approximately 5:23 p.m. on October 5, 2016. 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.

Ms. Dewey presented a proposed change to the structure of the Committee meetings. It was the consensus of the Committee that the proposed change be presented to the full Board.

The Commissioners and staff reviewed and discussed the agendas for the meetings of the Finance and Audit Committee, the Operations Committee, the Committee of the Whole and the Board of Commissioners. Mr. Carey reported on an ACH debit originated by Ginnie Mae that was denied by SunTrust Bank due to the initiation of fraud prevention controls causing a late payment to Ginnie Mae and the resulting a monetary penalty. Mr. Bowen and Mr. Bondurant reviewed (a) the staff recommendation for the developments to receive tax credits from the Accessible Supportive Housing Pool and (b) the proposed changes to the Authority's Qualified Allocation Plan.

There being no further business, the meeting was adjourned at approximately 6:50 p.m.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE FINANCE AND AUDIT COMMITTEE
HELD ON OCTOBER 5, 2016

Pursuant to the call of the Committee Chairman and notice duly given, the meeting of the Finance and Audit Committee of the Board of Commissioners of the Virginia Housing Development Authority (the "Authority") was held on October 5, 2016 at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMITTEE MEMBERS PRESENT:

Charles McConnell, Chairman
Sarah B. Stedfast
David E. Ramos

COMMITTEE MEMBERS ABSENT:

Manju Ganeriwala
Shekar Narasimhan

OTHERS PRESENT:

Patrick J. Carey, Managing Director of Finance
Julie Camus, Managing Director of Audit and Enterprise Risk Management
Melody Barackman, Controller
David Henderson, Assistant Controller
Ross Strodel, Internal Audit Director
Paul M. Brennan, General Counsel
Donna Craver, KPMG
Marquia Gunn, KPMG

The meeting of the Finance and Audit Committee was called to order by Committee Chairman McConnell at approximately 9:00 a.m. on October 5, 2016. The members of the Committee listed above as being present at the meeting were present at that time and remained present throughout the meeting.

On motion duly made and seconded, the minutes of the meeting of the Finance and Audit Committee held on August 3, 2016 were approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Ms. Barackman reported on the Authority's monthly financials year ending August 31, 2016. In her report, Ms. Barackman noted the following: fiscal year excess revenues were \$17 million and over budget by \$1 million; net interest margin totaled \$39.9 million which was \$0.7 million behind budget plan; programmatic expenses were \$10.5 million, better than budget by \$0.3 million; administrative expenses were \$11.9 million, better than budget at \$1.1 million; and net assets increased to \$3.01 billion.

Mr. Carey presented the salient features for the sale and issuance of \$50,000,000 Rental Housing Bonds that are expected to bear fixed interest rates, have a final maturity in 30-35 years, and finance mortgage loans for up to three multi-family developments.

Mr. Carey reported on an ACH debit originated by Ginnie Mae for approximately \$830,000 that was denied by SunTrust Bank due to the initiation of fraud prevention controls causing a late payment to Ginnie Mae and the resulting monetary penalty.

Ms. Craver and Ms. Gunn presented a report on KPMG's audit of the Authority's financials for fiscal year 2016. In their report, Ms. Craver stated that the unqualified opinion of KPMG was issued on the Authority's fiscal year 2016 financial statements on September 13, 2016 and that KPMG did not identify any deficiencies in internal controls that KPMG considered to be material weaknesses. She further advised the Committee that KPMG issued an unqualified opinion on compliance with the Single Audit Act, Code of Federal Regulation Part 200 relating to federal expenditures and that KPMG did not identify any deficiencies that might be considered material weaknesses in internal controls.

Mr. Strodel reported on audit activities in the Internal Audit. In this report, Mr. Strodel presented (a) the results of the completed audits of the Ginnie Mae program and Account Reconciliation process and (b) updates on the status of active audits. Mr. Strodel also provided to the Committee the annual attestation of Internal Audit affirming their objectivity and independence.

Ms. Camus presented an update on four areas in the Authority's Strategic Goal 4: procurement, records management, information security, and compliance and risk.

There being no further business, the meeting was adjourned at 10:00 a.m. on October 5, 2016.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE OPERATIONS COMMITTEE
HELD ON OCTOBER 5, 2016

Pursuant to the call of the Committee Chairman and notice duly given, the meeting of the Operations Committee of the Board of Commissioners of the Virginia Housing Development Authority (the "Authority") was held on October 5, 2016 at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMITTEE MEMBERS PRESENT:

Kermit E. Hale, Chairman
Clarisa McAdoo Cannon
Lemella Y. Carrington
Timothy M. Chapman
Thomas A. Gibson, IV
William C. Shelton

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Llewellyn C. Anderson, Managing Director of Executive Services
Arthur N. Bowen, Managing Director of Rental Housing
Barbara Blankenship, Managing Director of Human Resources
J. Michael Hawkins, Managing Director of Community Outreach
Tammy Neale, Chief Learning Officer
Janet Wigglesworth, Managing Director of Homeownership
J.D. Bondurant, Director of Low Income Housing Tax Credit Programs
Fred Bryant, Deputy General Counsel
James M. Chandler, Contractor
Pamela Holmes, Director of Single Family Servicing
Sarah Jones-Anderson, Associate Program Liaison
Toni Ostrowski, Director, Homeownership Lending Programs
Sheila Phillips, Assistant Director of Project Management
Jason Thompson, Director of Risk and Organizational Reporting

The meeting of the Operations Committee was called to order by Chairman Hale at approximately 9:00 a.m. All of the members of the Committee listed above as being present at the meeting were present at that time and remained present throughout the meeting.

On motion duly made and seconded, the minutes of the meeting of the Operations Committee held on August 3, 2016 were approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Mr. Bowen and Mr. Bondurant reviewed the applications received for the 2016 Accessible Supportive Housing (ASH) Pool, and data regarding the forward allocation of 2017 tax credits and the impact of the ASH pool applications. Staff recommended that 5 of the 7 applications be allocated tax credits, for a total of \$1.32 million in credits for 122 units. A motion to recommend approval for staff to proceed with reservations of tax credits for five applications (Upper Street Apartments, Angelwood at Westmoreland, Carlton Neighborhood

Housing, Old Forest Village and Allegany Apartments) was duly made and seconded and was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Mr. Bryant presented a resolution to use \$601,746,540 of the Authority's private activity bond authority for the mortgage credit certificate program. A motion to recommend approval of the resolution entitled "Mortgage Credit Certificate Program Resolution" dated October 5, 2016 was duly made and seconded and was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Ms. Wigglesworth reported on the outreach efforts in Homeownership. In the first quarter of FY17, Originations has concentrated these efforts in the Roanoke area with training opportunities for realtors as well as meet and greets with potential new lending partners. This will remain a high priority for Originations. Servicing held its 3rd borrower outreach event in Norfolk on August 13, 2016. They have approved 50% of the borrower event attendees for a loss mitigation option. The loans that have been approved have yielded a savings of unpaid principal balances totaling \$3.8 million dollars.

Mr. Hawkins gave a brief overview of the pilot effort to update the vhda.com website, lessons learned and envisioned next steps. The work of the pilot project team comprised of Associates from Community Outreach and IT has created the necessary foundation to help move this project forward to encompass the entire organization. Mr. Hawkins then reviewed recent community outreach programs in Pulaski and Chesterfield County.

There being no further business, the meeting was adjourned at 9:50 a.m.