

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE COMMITTEE OF THE WHOLE
AND THE REGULAR MEETING OF THE COMMISSIONERS
HELD ON MAY 16 AND 17, 2005

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 May 16 and 17, 2005 at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMISSIONERS PRESENT:

Douglas R. Fahl, Chairman
Jay Fisette, Vice Chairman
Joan D. Gifford
Terri M. Ceaser
Jody M. Wagner
John P. McCann
Edward L. McCoy
Charles McConnell
Gerald W. Hopkins
Jack Loeb, Jr.
William C. Shelton

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Donald L. Ritenour, Managing Director of Development
Thomas A. Dolce, Managing Director of Servicing and Compliance
Arthur N. Bowen, Managing Director of Finance and Administration
Ronald A. Reger, Managing Director of Information Services
Tammy N. Taylor, Managing Director of Human Resources
Russ E. Wyatt, General Auditor
Herb H. Hill, Jr., Managing Director of Policy, Planning, and Communications
J. Judson McKellar, Jr., General Counsel
John F. Hastings, Director of Multi-Family Development Programs
Michele G. Watson, Director of Homeownership Programs
Tammy A. Tyler, Strategic Development Leader
Brian C. Matt, Public Relations Manager
Linda Evans, Budget and Risk Management Analyst
James M. Chandler, Director of Low Income Housing Tax Credit Programs
M. Gary Murray, Controller
Robert Halloran, Marketing Director
Bill Fuller, Housing Initiatives Officer
Gail Braham, Grant Project Coordinator

Ryan Kochel, Intern
Marius McCray, Intern

Chairman Fahl called the meeting of the Committee of the Whole to order at 3:06 p.m. on May 16, 2005. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting of the Committee, except Vice Chairman Fisette and Commissioners McConnell and McCoy who joined the meeting in progress as noted below and thereafter remained present during the meeting.

Mr. Bowen presented a report on the Authority's proposed annual budget for fiscal year 2006. At the commencement of this report, Commissioner McConnell joined the meeting. During this presentation, the Commissioners and the staff discussed the following: the fiscal year 2006 budget process; the Authority's strategic goals through fiscal year 2010; the loan production and mortgage loan asset balances in fiscal years 2003- 2005; the revenues and expenses in fiscal year 2005; the loan production and mortgage loan asset balances projected for fiscal year 2006; and the revenues and administrative expenses included in the proposed budget for fiscal year 2006. At this time, Commissioner McCoy joined the meeting. Ms. Taylor presented a comparison of the costs of salaries and related benefits in fiscal year 2005 and in the proposed budget for fiscal year 2006 and reviewed the number of full time employees and contractors since 1996. Mr. Bowen then continued the report on the fiscal year 2006 proposed budget, during which the Commissioners and the staff discussed the following additional matters: operating expenses included in the proposed budget for fiscal year 2006; the consulting services and expenses included in the proposed 2006 budget; the proposed capital budget for fiscal year 2006 and the amounts expected to be expended in fiscal years 2006, 2007 and 2008 for facilities modernization and the proposed flex warehouse and Wytheville office; programmatic expenses included in the proposed budget for fiscal year 2006; the trends in revenues and expenses since 1996; and a comparison of the subsidy contributions for the Virginia Housing Fund in 2005, the REACH *Virginia* contribution for fiscal year 2006, and the estimated contributions to REACH *Virginia* programs in fiscal years 2007 and 2008.

Mr. Hill presented a report on organizations, events and activities that have been sponsored by the Authority and may be considered for sponsorship by the Authority in the future. During this report, Vice Chairman Fisette joined the meeting. The Commissioners and staff discussed the types of organizations, events and activities that have previously requested sponsorship and the relationship of the Authority's sponsorship of organizations, events and activities to the mission and strategic goals of the Authority. Upon the conclusion of the discussion of this report, Vice Chairman Fisette moved that the staff develop criteria for evaluating the Authority's sponsorship of organizations, events and activities and present such criteria to the Commissioners for consideration and, if appropriate, approval at the July meeting. This motion was seconded by Commissioner Gifford and was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

There being no further business, the meeting of the Committee was recessed at approximately 5:53 p.m. on May 16, 2005.

The meeting of the Committee of the Whole was reconvened at 9:15 a.m. on May 17, 2005. The Commissioners listed above as present at the meeting were present at that time, except Commissioners McCann and Wagner.

Mr. Fuller presented a demonstration of the website AccessVa.org that provides housing information for persons with disabilities. Following this presentation, Mr. Fuller reported on the application to the Virginia Board for People with Disabilities for a Developmental Disabilities Grant to fund the Transportation and Housing Alliance project. Upon the conclusion of this report, the meeting of the Committee was adjourned at approximately 9:50 a.m. on May 17, 2005.

Chairman Fahl called the regular meeting of the Board of Commissioners to order at approximately 11:52 a.m. on May 17, 2005. All of the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting, except Commissioners Wagner and Gifford who joined the meeting in progress as noted below and thereafter remained present during the meeting and except Commissioner McCann who was not present at the meeting.

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

Ms. Dewey introduced Mr. Kochel and Mr. McCray to the Commissioners. At this point, Commissioners Wagner and Gifford joined the meeting.

On motion duly made and seconded, the minutes of the retreat meeting and the regular meeting of the Commissioners held on March 13, 14 and 15, 2005 were approved by the affirmative vote of each of the Commissioners then present at the meeting.

Mr. Bowen presented a report on the Authority's unaudited financial statements for the period ended March 31, 2005.

Chairman Fahl reported that the Committee of the Whole had reviewed and discussed the Authority's proposed budget for fiscal year 2006. Commissioner Loeb moved approval of the resolution entitled "Resolution- Adoption of Operating Budget- Fiscal Year 2006" dated May 17, 2005, in the form attached hereto and further moved approval of the fiscal year 2006 production goals of 6,000 single family mortgage loans in an aggregate principal amount of \$850 million and 4,500 units of multi-family housing financed by mortgage loans in an aggregate principal amount of \$164 million. This motion was seconded by Commissioner McCoy and was approved by the affirmative vote of each of the Commissioners then present at the meeting. The Commissioners then discussed the roles and responsibilities of the Committees of the Board. Following this discussion, Vice Chairman Fissette moved approval of the "Committees of the Board of Commissioners" dated May 17, 2005, in the form attached hereto. This motion was

seconded by Commissioner Shelton and was approved by the affirmative vote of each of the Commissioners then present at the meeting.

Commissioner Hopkins, on behalf of the Audit/Operations Committee, reported that the Committee had reviewed and discussed (i) reports from the General Auditor on the updated audit schedule, the status of the internal audit schedule and the audit reports issued since the prior meeting, (ii) reports from Ms. Taylor on the status of the retiree health care plan, the request for proposals for employee benefits, and the proposed changes to the Authority's sick leave policy, and (iii) a report from Mr. Bowen on the salient features of the Authority's proposed Rental Housing Bonds, 2005 Series G-Taxable and H-AMT. Commissioner Hopkins next reported that the Committee reviewed and discussed, and recommended approval of, a proposed resolution that would declare VHDA's intent to issue tax exempt bonds and use the bond proceeds to reimburse expenditures related to the proposed improvements and alterations to its land and office building, the proposed reconfiguration of its office space, and the proposed acquisition, construction and/or rehabilitation of additional property and improvements for storage and office space. On motion duly made and seconded, the resolution entitled "Declaration of Official Intent to Reimburse Expenditures with Proceeds of Bonds" dated May 17, 2005, in the form attached hereto was approved by the affirmative vote of each of the Commissioners then present at the meeting.

Commissioner Gifford, on behalf of the Programs Committee, reported that the Committee had reviewed and discussed staff reports on the homeownership and multi-family bi-monthly loan production. Commissioner Gifford next reported that the Committee had reviewed and discussed, and recommended approval of, revised program requirements and income limits for the Multi-Family SPARC Program to be funded under REACH *Virginia*. On motion duly made and seconded, the program requirements and income limits as set forth in the chart entitled "FY 06 SPARC Program" attached hereto were approved by the affirmative vote of each of the Commissioners then present at the meeting, except Commissioner McConnell who abstained and disqualified himself from participating in this matter due to a potential conflict of interest by reason of his position as Executive Director of the Wise County Redevelopment and Housing Authority. Commissioner Gifford reported that the Committee had reviewed and discussed a proposed line of credit to Virginia Impact Capital, an affiliate of LISC Richmond, and had expressed concerns about certain of the terms which are to be addressed by the staff in the negotiation of such line of credit. Commissioner Gifford next reported that the Committee had received reports from the staff on the following matters: (i) the preliminary rankings for allocations of federal low-income housing tax credits, (ii) single family and multi-family loans delinquencies, (iii) an update on the Housing Choice Voucher Program, and (iv) proposals received by the Authority for its minority outreach initiative.

Ms. Dewey presented her report of operations in which she advised the Commissioners as to the following matters: (i) her meeting with the Chairman of the Virginia Housing Commission to thank her for sponsoring the Authority's bill in the 2005 Session of the General Assembly and to discuss REACH *Virginia*, the decision at

the March Board meeting regarding the Authority's ownership of land and multi-family developments, and the plan and schedule for the studies to be conducted by the Virginia Housing Commission; (ii) her meeting with HOME and other stakeholders to discuss the issue of the impact of the federal low-income housing tax credit program on concentration of poverty and race and also to discuss the development of data relating to such issue; (iii) her meeting with the First Cities Coalition to discuss the Authority's programs and goals; (iv) her trip to South Dakota with Commissioners Shelton and McConnell to review the program of the South Dakota Housing Development Authority for the construction of single family homes within prisons; (v) the change in name of "REACH" to "REACH *Virginia*"; and (vi) the dates and locations of upcoming events and conferences.

Chairman Fahl noted that Commissioner Gifford would be completing her four-year term on June 30th and expressed appreciation for her service. Commissioner Fahl requested that prior to the July meeting the Commissioners advise the Executive Committee of nominations for the offices of Chairman and Vice Chairman.

There being no further business, the meeting was adjourned at approximately 12:35 p.m.

Douglas R. Fahl, Chairman

J. Judson McKellar, Jr.
Assistant Secretary

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE PROGRAMS COMMITTEE
ON MAY 17, 2005

Pursuant to the call of the Committee Chairman and notice duly given, the meeting of the Programs Committee of the Board of Commissioners of the Virginia Housing Development Authority was held on May 17, 2005, at 601 South Belvidere Street, Richmond, VA.

COMMITTEE MEMBERS PRESENT:

Joan D. Gifford, Committee Chairman
Terri M. Ceaser
William C. Shelton
Jay Fisette
Charles McConnell
Jack Loeb, Jr.

OTHERS PRESENT:

Donald L. Ritenour, Managing Director of Development
Thomas A. Dolce, Managing Director of Servicing and Compliance
J. Judson McKellar, Jr., General Counsel
John F. Hastings, Director of Multi-Family Development Programs
Michele G. Watson, Director of Homeownership Programs
Herb H. Hill, Jr., Managing Director of Policy, Planning, and Communications
Tammy Tyler, Strategic Development Leader
James M. Chandler, Director of Low Income Housing Tax Credit Programs
Brian C. Matt, Public Relations Manager
Yolanda Dickerson, Executive Assistant

The meeting of the Committee was called to order by Committee Chairman Gifford at approximately 9:53 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 Programs Committee held on March 15, 2005 were approved by the affirmative vote of each of the members of the Committee present at the meeting.

Mr. Ritenour presented reports on single family and multi-family loan production. Ms. Watson informed the Committee that single family loan production in fiscal year 2005 is anticipated to be approximately \$750 - \$800 million which exceeds the fiscal year 2005 goal. Mr. Hastings advised the Committee that multi-family production in fiscal year 2005 is not likely to reach the fiscal year 2005 goal of \$280 million.

Mr. Chandler next presented a report on the preliminary rankings for the 2005 allocations of tax credits under the Low Income Housing Tax Credit Program. In addition, the Committee reviewed the issues to be discussed at the tax credit forum to be held on July 28, 2005 regarding possible changes to the Qualified Allocation Plan for calendar year 2006.

Mr. Ritenour presented a memorandum on proposed program requirements and income limits for the multi-family SPARC program. Commissioner Fisette moved that the Committee recommend approval of the program requirements and income limits as set forth in the chart entitled "FY 06 SPARC Program." This motion was seconded by Commissioner Ceaser and was approved by the affirmative vote of each of the Committee members then present at the meeting, except Commissioner McConnell who abstained and disqualified himself from participating in this matter due to a potential conflict of interest by reason of his position as Executive Director of the Wise County Redevelopment and Housing Authority.

Mr. Ritenour next presented a report on a proposed line of credit to Virginia Impact Capital, an affiliate of LISC Richmond. The members of the Committee noted the leveraging with other sources of funds and the need for the mortgage loan financing to be provided by the borrower, but the members of the Committee expressed concerns about the low interest rate that is necessary in order to enable the borrower to cover its operating costs and requested the staff to address these concerns in the negotiation of such line of credit.

Mr. Dolce presented reports on delinquencies and foreclosures in the homeownership and multi-family loan servicing portfolios. He noted that there were no new updates for the Housing Choice Voucher program.

Ms. Watson and Mr. Ritenour presented information regarding the proposals received by the Authority in response to the request for proposals for its minority outreach initiative. The Committee discussed whether the proposals offered the most effective and cost efficient means of reaching the minority community and directed the staff to proceed with negotiations with the offerors on terms that would address these concerns.

There being no further business, the meeting was adjourned at 11:47 a.m.

Minutes of the Meeting of the Audit/Operations Committee Held on May 17, 2005

The meeting of the Audit/Operations Committee of the Board of Commissioners of the Virginia Housing Development Authority was held on May 17, 2005 at the offices of the Virginia Housing Development Authority, 601 S. Belvidere Street, Richmond, Virginia.

Committee Members Present Douglas R. Fahl
Edward L. McCoy
Gerald W. Hopkins

Commissioners Absent John McCann and Jodie Wagner

Others Present Susan F. Dewey, Executive Director
Arthur N. Bowen, III, Managing Director of Finance & Administration
Ron Reger, Managing Director of Information Services
Tammy N. Taylor, Managing Director of Human Resources
Russ E. Wyatt, General Auditor
Michelle Edmonds, Sr. Executive Assistant

Meeting Called to Order The meeting was called to order at 10:00 a.m. All of the members of the Committee noted above as being present at the meeting were present at that time and remained present throughout the meeting.

Internal Audit Update The General Auditor reviewed his updated audit schedule with the Committee and reported on its status. The General Auditor reported that several changes have been made since the original schedule was developed, i.e. some audits are no longer needed, some can be combined and additional resources added to the Audit Department have made approximately 350 additional man hours available to perform scheduled audit activities. The General Auditor reported that these changes have increased the likelihood that the remaining scheduled activities can be completed by the end of the original five year period. The General Auditor then gave a status report of the current internal audit schedule. Audits in progress include 1) Human Resources and its Ceridian HRIS Application System; 2) Payroll Department and its Source 550 Payroll Application System; 3) Windows 2000 Operating System; and 4) Boxes Application System (VHDA's Records Retention System).

The General Auditor also reported that the SF Originations and Gallagher Application System audit had been completed since the last meeting and a standard report was issued. The General Auditor indicated that this report included one issue dealing with the collection of reservation fees and associated late charges for loans that are reserved but do not close. The General Auditor reported that current practice regarding the timing of the invoicing of these fees and late charges is not consistent

Continued on next page

Internal Audit Update (cont'd)

with documented policy. In addition, the General Auditor reported that processing problems were identified that resulted in some reservation fees and late charges not being included on an invoice at all. The General Auditor reported that this issue had been corrected during the audit with a change to the automated system logic. The General Auditor reported that departmental management has indicated that they are current looking at VHDA's reservation fee policy with the intention of revisiting the need for such fees on each of the Authority's loan products and that this process will include a review of the collection process if reservation fees are continued. The General Auditor agreed to follow up with SF management and report the progress of this effort to the Committee in July.

The General Auditor indicated that no adverse reports were issued in the time period covered by his report.

Human Resources Update

Tammy Taylor gave an update on four HR issues:

1. Retiree healthcare. The new RHC Plan is on track for 2006 Open Enrollment planned for late Fall. Staff is currently reviewing the draft plan document submitted by McGuire Woods. Staff is also evaluating the effects of the changes on our current workforce, developing a communication plan and creating communication tools. Mid-to-late summer is being targeted to communicate the changes to current staff and retirees.
2. Benefits RFP. HR staff has met with AON Consulting to discuss goals and objectives and to allow AON to review our current benefit structure in preparation for issuance of the RFP. On track for the RFP to go out by the end of May and responses in by the end of June. HR will evaluate all responses and make a recommendation at the July Audit/Operations Committee of the vendor selected. This will be presented to the Committee of the Whole on Monday evening. Tammy will also follow up with AON regarding particulars of the contract.
3. Leave. HR is continuing to look at VHDA's entire leave policy including short and long-term disability. The vendor selected from the above RFP will also be responsible for making recommendations regarding short-term and long-term disability. Rather than changing our traditional leave program to a PTO program, we plan to raise awareness, enhance the administration process and cap the total amount of sick leave that can be carried over year to year.
4. Compensation/Budget. Tammy will follow up with members of the Audit/Operations Committee in July to discuss bonuses. Commissioner Hopkins suggested that it would be helpful if the committee could have information on bonus administration for the past 2-3 years prior to the meeting. It would also be helpful if staff could provide highlights of major accomplishments.

Continued on next page

Audit/Operations Committee Minutes
May 17, 2005

**Declaration of
Official Intent
for Bond
Financing of
VHDA Capital
Improvements**

Art Bowen reviewed a proposed resolution that would declare VHDA's intent to issue tax exempt bonds and use the bond proceeds to reimburse expenditures related to the proposed improvements and alterations to its land and office building. A motion to recommend approval by the Board of the resolution entitled "Declaration of Official Intent to Reimburse Expenditures with Proceeds of Bonds" was made by Commissioner McCoy and seconded by Commissioner Hopkins. This motion was approved by the affirmative vote of each of the Commissioners then present at the meeting.

**Salient
Features**

Art Bowen reviewed for the Committee one upcoming bond issue. \$62.7 million Rental Housing Bond issue to be sold late July or mid August. The issue will be a combination of taxable and tax-exempt bonds, sold competitively. Expected ratings are Aa1/AA+ by Moody's and Standard & Poor's, respectively. The issue is expected to carry standard provisions for a VHDA Rental Housing Bond issue.

Adjournment

There being no further business, Commissioner Fahl adjourned the meeting at 11:10 a.m.

Arthur N. Bowen, III
Managing Director of Finance &
Administration

Douglas R. Fahl
Acting Chairman