

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE COMMITTEE OF THE WHOLE
AND THE REGULAR MEETING OF THE COMMISSIONERS
HELD ON JANUARY 20 and 21, 2004

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 January 20 and 21, 2004, at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMISSIONERS PRESENT:

Charles L. Krum, Jr., Chairman
Jay Fisette, Vice Chairman
Joan D. Gifford
Terri M. Ceaser
Jody M. Wagner
William C. Shelton
Douglas R. Fahl
John P. McCann
Edward L. McCoy
J. Cheryl J. Avery-Hargrove
Jack Loeb, Jr.

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
Brenda K. Goodman, Managing Director of Public Policy
J. Judson McKellar, Jr., General Counsel
Tammy A. Tyler, Strategic Development Leader
John F. Hastings, Director of Multi-Family Development Programs
Michele G. Watson, Director of Homeownership Programs
Conrad K. Sterrett, Assistant Managing Director of Finance and Administration
Patrick J. Carey, Finance Director

The meeting of the Committee of the Whole was called to order at 3:40 p.m on January 20, 2004. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting of the Committee, except the following: Commissioner Shelton who was present at that time but left during the meeting of the Committee

as noted below; Commissioner Gifford who joined the meeting of the Committee in progress as noted below and thereafter remained present during the meeting of the Committee; Commissioner Ceaser who joined the meeting of the Committee in progress as noted below and thereafter remained present until she left the meeting of the Committee as noted below; and Commissioner Avery-Hargrove who was not present at the meeting of the Committee.

Ms. Dewey reported on the status of HB 187 and HB 825 in the 2004 Session of the General Assembly, and Mr. McKellar distributed and reviewed his memorandum as to the status of other legislation in the 2004 Session of the General Assembly that may have an impact on the Authority.

Mr. Bowen and Mr. Carey presented an overview of the financial operations of the Authority, including its financial intermediary role, financial relationship to the Commonwealth, bond ratings, sources of capital, financings, earnings, interest rates, and capital utilization. During this presentation, Commissioners Gifford and Ceaser joined the meeting. Prior to the conclusion of this presentation, Commissioners Shelton and Ceaser left the meeting.

There being no further business, the meeting of the Committee of the Whole was adjourned at approximately 6:16 p.m.

The regular meeting of the Board of Commissioners was called to order at approximately 11:18 a.m. on January 21, 2004. All of the Commissioners listed above as being 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.

Commissioner Fahl moved approval of the minutes of the meeting of the Committee of the Whole and the regular meeting of the Commissioners held on November 12, 2003. 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.

Mr. Bowen presented a report on the Authority's unaudited financial statements for the period beginning July 1, 2003 and ending November 30, 2003.

Chairman Krum reported that the Committee of the Whole had received reports on the status of legislation in the 2004 Session of the General Assembly and an overview of the Authority's financial operations.

Commissioner Fahl, on behalf of the Audit/Operations Committee, reported that the Committee had received and considered the following: reports from the General Auditor on the status of the Internal Audit Division's activity schedule and audit recommendations, including recommendations relating to the audit of the Housing Choice Voucher Program; a report from Ms. Taylor on the total compensation plan of the Authority and on compensation trends; and a report on the salient features of the Authority's proposed Rental Housing Bonds, 2004 Series A-Taxable and B-AMT. Commissioner Fahl next reported that the Committee reviewed, and

recommended approval of, a resolution to authorize the Authority to enter into an online banking relationship with the Federal Home Loan Bank of Atlanta. Commissioner Fahl then moved approval of the resolution entitled "Resolution Authorizing Online Banking Relationship with Federal Home Loan Bank of Atlanta" in the form attached hereto. This motion was seconded by Commissioner Avery-Hargrove and was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Commissioner Gifford, on behalf of the Programs Committee, reported that the Committee had received staff reports on homeownership and multi-family loan production and delinquencies and on the Housing Choice Voucher Program. Commissioner Gifford next reported that the Committee received a report on proposed income limits for multi-family housing developments financed by the SPARC Program in the Virginia Housing Fund and recommended approval of such income limits. Commissioner Gifford then moved approval of the income limits for multi-family housing developments financed by the SPARC Program in the Virginia Housing Fund as set forth in the memorandum from Mr. Ritenour to the Programs Committee dated January 12, 2004 and attached hereto. This motion was seconded by Commissioner McCann and was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting. Commissioner Gifford next reported that the Committee had received a report on the single family SPARC Round 3 allocations.

Ms. Dewey presented her monthly report of operations in which she advised the Commissioners as to the following matters: the NCSHA Legislative Conference to be held in Washington, D.C. on March 8-10, 2004; the schedule for the Board retreat to be held on March 14-16, 2004; the required submission of financial disclosure statements by the Commissioners to the Office of the Secretary of the Commonwealth; recent meetings held by the Authority staff with its advisory boards; and the renewal of the Authority's property and casualty insurance policies at a premium increase of less than 2%. Ms. Tyler then reviewed the board schedule and agenda items for the remainder of fiscal year 2004.

There being no further business, the meeting was adjourned at approximately 12:04 p.m.

Charles L. Krum, Jr., Chairman

J. Judson McKellar, Jr.
Assistant Secretary

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE PROGRAMS COMMITTEE **ON JANUARY 21, 2004**

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 January 21, 2004, at the Virginia Housing Center, 601 South Belvidere Street, Richmond Virginia.

COMMITTEE MEMBERS PRESENT:

Joan D. Gifford, Committee Chairman
Terri M. Ceaser
William C. Shelton
John P. McCann
Jack Loeb, Jr.
Jay Fisette

OTHERS PRESENT:

Susan F. Dewey, Executive Director
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, Assistant Director of Multi-Family Development
Michele G. Watson, Assistant Director of Single Family
Llewellyn C. Anderson, Business Liaison
Brenda K. Goodman, Managing Director of Public Policy
Tammy A. Tyler, Strategic Development Leader
Toni M. Ostrowski, Sr. Housing Initiatives Officer

The meeting of the Committee was called to order by Commissioner Gifford at approximately 10:02 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, except Commissioners Ceaser and Shelton who joined the meeting in progress as noted below and thereafter remained present during the meeting.

Commissioner McCann moved approval of the minutes of the meeting of the Committee held on November 12, 2003. This motion was seconded by Commissioner Fisette and was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Mr. Ritenour presented reports on single family and multi-family loan production. Next, Mr. Dolce presented a report on multi-family and single family loan servicing delinquencies and

an update on the Housing Choice Voucher Program. He reported that the HCV program is now at 98% leasing. During this report, Commissioner Ceaser joined the meeting.

Mr. Ritenour next presented a report on proposed income limits for multi-family housing developments financed by the SPARC Program in the Virginia Housing Fund. During this report, Commissioner Shelton joined the meeting. Following a discussion by the members of the Committee, Commissioner Gifford moved that the Committee recommend approval of the proposed income limits. This motion was seconded by Commissioner Shelton and was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Next, Mr. Ritenour and Ms. Watson presented a report on the award recipients for the single family SPARC program.

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

Minutes of the Meeting of the Audit/Operations Committee Held on January 21, 2004

The meeting of the Audit/Operations Committee of the Board of Commissioners of the Virginia Housing Development Authority was held on January 21, 2004 at the offices of the Virginia Housing Development Authority, 601 South Belvidere Street, Richmond, Virginia.

Committee Members Present Douglas Fahl, Chairman
Charles Krum
J. Cheryl J. Avery-Hargrove, Esquire
Edward McCoy, Jr.
Jodie Wagner

Other Commissioners Present Jack Loeb
John P. McCann
Joan D. Gifford

Others Present Susan Dewey, Executive Director
Art Bowen, Managing Director of Finance & Administration
Thomas A. Dolce, Managing Director of Servicing & Compliance
Brenda Goodman, Acting Managing Director of Public Relations
Judson McKellar, General Counsel
Ron A. Reger, Managing Director of Information Services
Don Ritenour, Managing Director of Development
Tammy N. Taylor, Managing Director of Human Resources
Tammy A. Tyler, Strategic Development Leader
Russ Wyatt, General Auditor
Michelle Edmonds, Administrative Assistant

Meeting Called to Order The meeting was called to order at 9:30 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, except Commissioner Edward McCoy and Commissioner Jodie Wagner, who joined the meeting in progress at 10:10 a.m. The Committee members then present at the meeting remained present throughout the meeting.

Approval of Minutes Commissioner Krum moved approval of the minutes of the meeting of the Audit/Operations Committee held on November 12, 2003. Commissioner Avery-Hargrove seconded this motion. This motion was approved by the affirmative vote of each of the Commissioners then present at the meeting.

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**Housing Choice
Voucher
Program Audit**

The General Auditor gave a report on the history of the HCV Department, its recent problems and the results of the recently completed program audit. The General Auditor reported that the HCV Department reorganization efforts are progressing well as HCV has developed policies to address weaknesses cited in various reports regarding VHDA's administration of the program, contracted training programs for its staff and agents, consolidated contribution contracts where possible, hired a number of new staff with previous HV experience and implemented a new automated system that efficiently and effectively supports the program operations. Although some minor procedural issues were identified that Audit believes could be modified to improve the effectiveness or efficiency of operations, no significant compliance issues were identified and management has indicated their intention to change procedures were appropriate. The General Auditor indicated that procedures currently in use in the HCV Department include those practices usually considered necessary to ensure the successful discharge of the department's responsibilities. Committee members thanked Sharon Fairburn, Director of the HCV Program, for her commitment and dedication to the program.

The General Auditor also reported that the audit schedule is slightly behind due to the resignation of one staff member. The General Auditor indicated that he recently filled the vacant position and will make every effort to be back on schedule by fiscal year end. The General Auditor also reported on the status of outstanding audit issues not yet fully resolved by management and indicated progress on each issue.

**Resolution to
Authorize
Online Banking
Relationship
With Federal
Home Loan
Bank of Atlanta**

Art Bowen, Managing Director of Finance & Administration, presented a "Resolution to Authorize Online Banking Relationship with Federal Home Loan Bank of Atlanta". This resolution will authorize VHDA to conduct business with the Federal Home Loan Bank of Atlanta via the Internet. This resolution will give the Executive Director and staff the authorization to execute necessary agreements and to use the system, thereby eliminating the dial-up system. Commissioner Krum moved that this resolution be presented for approval to the full Board. Commissioner Avery-Hargrove seconded this motion. This motion was approved by the affirmative vote of each of the Commissioners then present at the meeting.

**Salient
Features –
Rental Housing
Bonds Series**

Art Bowen reviewed for the Committee the salient features for multifamily bonds to be issued later this Spring. The issue will be combined taxable and tax-exempt bonds totaling up to \$120 million. Proceeds of the bonds will go towards acquisition, rehabilitation and/or construction and amortized over a period of 26 years. The bonds will be sold by competitive bid.

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Audit/Operations Committee Minutes
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**Total
Compensation
Plan Update**

Tammy Taylor, Managing Director of Human Resources, reviewed the updated Total Compensation Plan focusing on the remainder of FY '04. She gave the Commissioners an opportunity to ask questions, offer feedback and request additional data for March. She also updated the Commissioners on preliminary compensation trends for 2004. She will provide further updates and a draft compensation philosophy in March.

Adjournment

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

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

Douglas R. Fahl
Chairman