

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

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

COMMISSIONER ABSENT:

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
James M. Chandler, Director of Low Income Housing Tax Credit Programs
Sharon B. Fairburn, Housing Choice Voucher Program Director
George J. Comstock, Accounting Manager

George Peterson, Support Services Director
Robert E. Shearer, Facilities Manager
Toni M. Ostrowski, Senior Housing Initiatives Officer
Charles L. Krum, Jr., former Chairman of the Board of Commissioners

Chairman Fahl called the meeting of the Committee of the Whole to order at 3:12 p.m. on September 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 Commissioner McCoy who joined the meeting of the Committee in progress as noted below and thereafter remained present during the meeting of the Committee, except Commissioner Wagner who left the meeting of the Committee as noted below, and except Commissioner Hopkins who was not present at the meeting of the Committee.

Mr. Dolce, Ms. Fairburn and Mr. Comstock presented a report on the Section 8 Housing Choice Voucher Program. During this report, Commissioner McCoy joined the meeting. Mr. Bowen reviewed the Authority's capital budget, and Mr. Peterson reported on proposed improvements to the Virginia Housing Center, the proposed construction of a conference center for the Virginia Housing Center, a proposed warehouse and business continuity site, and the status of the Authority's Wytheville office. During this presentation, Commissioner Wagner left the meeting. At the conclusion of the discussion of these matters, it was the consensus of the Committee that the staff should proceed to obtain the views of the Authority's stakeholders regarding the proposed construction of the conference center. There being no further business, the meeting of the Committee of the Whole was adjourned at approximately 6:28 p.m.

Chairman Fahl called the regular meeting of the Board of Commissioners to order at approximately 11:20 a.m. on September 21, 2004. All of 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.

On motion duly made and seconded, the minutes of the meeting of the Committee of the Whole and the annual meeting of the Commissioners held on July 27 and 28, 2004 were approved by the affirmative vote of each of the Commissioners present at the meeting.

Mr. Bowen presented a report on the Authority's unaudited financial statements for the periods ended June 30, 2004 and July 31, 2004.

Chairman Fahl reported that the Committee of the Whole received and discussed a report on the Section 8 Housing Choice Voucher Program and reports on the Authority's capital budget and the Virginia Housing Center.

Commissioner McCann moved that the Board of Commissioners convene in closed session to discuss and consider the performance and salary of Ms. Dewey in accordance with

Section 2.2-3711.A.1 of the Code of Virginia and that Ms. Tammy Taylor, who is deemed necessary to be present or will reasonably aid the Board of Commissioners in its consideration of the aforesaid topic, be present during the closed session. This motion was seconded by Commissioner Gifford and approved by the affirmative vote of each of the Commissioners 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. On motion duly made and seconded, the recommendations of the Executive Committee with regard to Ms. Dewey's compensation were approved by the affirmative vote of each of the Commissioners present at the meeting. On motion duly made and seconded and approved by the affirmative vote of each of the Commissioners present at the meeting, the staff was directed to prepare an amendment to Ms. Dewey's employment contract to extend the term to June 15, 2008.

Commissioner McCann, on behalf of the Audit/Operations Committee, reported that the Committee had discussed staff reports on the following matters: future financial reporting that would include monthly operating statements, quarterly schedules of net assets, and quarterly statements of revenues, expenses and changes in net assets; a proposed amended and restated general bond resolution for the Authority's Commonwealth Mortgage Bonds; the salient features of the Authority's proposed Rental Housing Bonds, 2004 Series K-Taxable, L-AMT and M; a proposal for the Authority's financing of military housing; the results of the Authority's fiscal year 2004 performance management; a schedule for reviewing the Authority's benefits; and the process and schedule for selection of the Authority's counsel. On motion duly made and seconded, the resolution entitled "Supplemental Bond Resolution Amendatory of and Supplemental to a Resolution Providing for the Issuance of Commonwealth Mortgage Bonds of the Virginia Housing Development Authority and for the Rights of the Holders Thereof," dated September 21, 2004, in the form attached hereto, was approved by the affirmative vote of each of the Commissioners present at the meeting.

Commissioner Gifford, on behalf of the Programs Committee, reported that the Committee had discussed staff reports on the following matters: homeownership and multi-family loan production and delinquencies; the new single family loan pricing options and the 1st Choice Interest-Only single family loan program; the proposed single family rehabilitation program; and a proposed mortgage loan to Greater Charlottesville Habitat for Humanity. In this report, Commissioner Gifford advised the Commissioners that, after review and discussion of staff reports, the Committee had authorized the staff to proceed with proposed changes to the Qualified Allocation Plan for the 2005 federal low income housing tax credits and to prepare proposed revisions to the multi-family loan policy and the process for review of the Board Action Reports for multi-family loans. On motion duly made and seconded, the mortgage loan in an amount not to exceed \$400,000 to be made to Greater Charlottesville Habitat for Humanity for a development known as Sunrise Park was approved by the affirmative vote of each of the Commissioners present at the meeting.

Ms. Dewey presented her report of operations in which she advised the Commissioners as to the following matters: the impact of flooding from the Gaston hurricane on the Authority and its multi-family developments; the schedule for the Board meetings to be held on November 14 and 15, 2004; and the schedule and agenda items for Board meetings during the remainder of fiscal year 2004-2005. Ms. Dewey introduced Mr. Hill who had recently been hired as the Managing Director of Policy, Planning and Communications.

There being no further business, the meeting was adjourned at approximately 1:05 p.m. Following the adjournment of the meeting, an orientation course on the Conflict of Interests Act and ethics in public contracting was presented by Mr. William Diamond of the Office of the Attorney General.

Douglas R. Fahl, Chairman

J. Judson McKellar, Jr.
Assistant Secretary

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE HELD ON SEPTEMBER 21, 2004

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 September 21, 2004, at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMITTEE MEMBERS PRESENT:

Douglas R. Fahl, Chairman
Jay Fisette
Joan D. Gifford
John P. McCann

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Tammy N. Taylor, Managing Director of Human Resources
J. Judson McKellar, Jr., General Counsel

The meeting of the Committee was called to order by Chairman Fahl at approximately 8:38 a.m. All of the Committee members 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 Committee held on July 28, 2004 were approved by the affirmative vote of each of the Committee members present at the meeting.

Commissioner McCann moved that the Committee convene in closed session to discuss and consider the performance and salary of Ms. Dewey in accordance with Section 2.2-3711.A.1 of the Code of Virginia and that Ms. Tammy Taylor, who is deemed necessary to be present or will reasonably aid the Committee in its consideration of the aforesaid topic, be present during the closed session. This motion was seconded by Commissioner Fisette and was approved by the affirmative vote of each of the Committee members present at the meeting. During a portion of the closed session, Mr. McKellar was requested to join the meeting in order to aid the Committee in the consideration of the aforesaid topic. At the conclusion of the closed meeting, the Committee members reconvened in an open meeting. Each Committee member then 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 Committee members.

On motion duly made and seconded, a resolution to recommend that (i) Ms. Dewey receive a performance rating of Exceptional, (ii) Ms. Dewey's compensation be increased by 7% (\$13,664.94) of which 2.196% (\$4,287.00) shall be in the form of a salary increase and the remaining 4.804% (\$9,377.94) shall be distributed in the form of a separate check, and (iii) Ms. Dewey's employment contract be amended to extend the term to June 15, 2008 was approved by the affirmative vote of each of the Committee members present at the meeting.

There being no further business, the meeting was adjourned at approximately 10:05 a.m.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE PROGRAMS COMMITTEE
ON SEPTEMBER 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 September 21, 2004, at the Virginia Housing Center, 601 South Belvidere Street, Richmond Virginia.

COMMITTEE MEMBERS PRESENT:

Joan D. Gifford, Committee Chairman
Terri M. Ceaser
Jay Fisette
Charles O'Connell
Jack Loeb, Jr.

COMMITTEE MEMBER ABSENT:

William C. Shelton

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Donald L. Ritenour, Managing Director of Development
J. Judson McKellar, Jr., General Counsel
John F. Hastings, Director of Multi-Family Development
Jim Chandler, Director of Low Income Housing Tax Credits
Sharon Fairburn, Director of Housing Choice Voucher
Paul Brennan, Deputy General Counsel
Michele G. Watson, Director of Homeownership Programs
Tammy A. Tyler, Strategic Development Leader
Herb Hill, Managing Director of Policy, Planning and Communication
Sandy Del Monaco, Manager of Default Administration
Toni Ostrowski, Housing Initiatives Team
Joe Bass, Senior Counsel
Llewellyn Anderson, Business Planning Analyst

Commissioner Gifford called the meeting of the Committee to order at approximately 10:05 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.

Commissioner Ceaser moved approval of the minutes of the meeting of the Committee held on July 28, 2004. This motion was seconded by Commissioner O'Connell and was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Next, there was a discussion of the Multi-Family Loan Policy procedure and the Board

Action Report (BAR) procedure. Mr. McKellar indicated that both processes needed to be reviewed for modification. VHDA staff believes that the processes have become too lengthy and provide more information than what is necessary for the Commissioners to approve a loan. There was a brief discussion on what information was and was not useful. Commissioner Loeb requested that VHDA staff provide recommended changes to the Board on the Multifamily loan policy procedure and the BAR procedure. Mr. McKellar agreed and indicated that the recommendations would be presented within the next couple of Committee meetings.

Ms. Watson presented a report on the Homeownership production summary. Next, Ms. Watson introduced two new homeownership programs: Pricing Options and 1st Choice. Pricing Options allows a borrower to choose an origination fee ranging from 0 to 1 and discount points ranging from 0 to 2.5. The 1st Choice program is an interest-only loan, which creates a lower monthly payment. These new programs were released September 13 and September 22, respectively.

Ms. Watson also reported that purchase price limits have been increased in the Richmond and Hampton Roads areas. Richmond's purchase price limit has now changed to \$240,400 and Hampton Road's purchase price limit is now \$320,700.

Mr. Hastings next presented a report on the Rental Housing Loan production summary. There was a brief discussion on the marketing techniques of the Mixed Income/Mixed Use Program. Commissioner Fisetta suggested that consideration should be given to a special mailing to the counties and cities with revitalization areas on the Mixed Income/Mixed Use program.

Ms. DelMonaco read a report by Mr. Dolce on multi-family and single-family loan servicing delinquencies. VHDA continues to remain in good standing with HUD and be reimbursed for 75% of foreclosure expenses. VHDA currently has 34 real estate owned properties.

There was no update provided on the Housing Choice Voucher program.

Next, Mr. Chandler presented a summary report on the changes to the 2005 Low Income Housing Tax Credit Qualified Allocation Plan (QAP) and a copy of the 2005 Qualified Allocation Plan with changes black lined. There was limited discussion on selected changes. Mr. Chandler delivered an explanation on how the geographic pool percentages were determined. In addition, the Committee requested the restriction to elderly developments be eliminated from revision 6 so that all developments that provide thru-the-wall heat pump equipment with an EER rating of 12.0 or more receive 10 amenity points. Mr. Chandler reported that the changes would be released for public comment on September 22, 2004 and presented to the Committee for approval in November. Commissioner Gifford requested that a QAP timeline of events be provided for every discussion regarding the QAP.

Ms. Watson and Ms. Ostrowski next presented a memorandum on the Supplemental Rehab Loan Program. This proposed program would involve a partnership between Department of Housing and Community Development, Virginia Community Development Fund, Inc. and Virginia Housing Development Authority and would provide needed resources to homeowners

for non-cosmetic rehabilitation or substantial reconstruction improvements on their principal residence. This program is intended to replace the existing Title 1 program.

The next item was added to the agenda. Ms. Ostrowski presented a recommendation to the Committee to allocate \$400,000 of General Fund money as a 5-year interest-only loan to the Greater Charlottesville Habitat for Humanity, which would enable the purchase of the Sunrise Trailer Park. Greater Charlottesville Habitat for Humanity intends to transform the trailer park into affordable housing and services for current residents and other local families. Commissioner O'Connell moved that the Committee recommend approval to the Board of the \$400,000 General Fund allocation. This motion was seconded by Commissioner Ceaser and was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

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

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

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

Committee Members Present John P. McCann (Chairman)
Douglas R. Fahl
Jody M. Wagner
Edward L. McCoy
Gerald W. Hopkins

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

Meeting Called to Order The meeting was called to order at 10:13 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 Jody Wagner who joined the meeting in progress as noted below and thereafter remained present during the meeting.

Approval of Minutes Commissioner Hopkins moved approval of the minutes of the meeting of the Audit/Operations Committee held on July 28, 2004. Commissioner Fahl seconded this motion. This motion was approved by the affirmative vote of each of the Commissioners then present at the meeting.

Financial Reporting Art Bowen discussed a proposal to adjust the timing of periodic financial statements. During this presentation, Commissioner Wagner joined the meeting. This proposal is being made to streamline the production of monthly revenue and expenditure reports and to conform the production of the quarterly statements to the schedule used to produce the same statements for bond disclosure purposes. Accordingly, the Board will now receive a monthly operating statement showing revenues and expenditures by major category with a comparison to budgeted amounts. This statement will be mailed on a monthly basis as part of the loan approval package. The Board will also receive a schedule of net assets and statement of revenues, expenses and changes in net assets on a quarterly basis.

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**Supplemental
Bond
Resolution
Amending and
Restating the
General Bond
Resolution for
the
Commonwealth
Mortgage
Bonds**

The Board heard a presentation by Art Bowen and Pat Carey on a Supplemental Bond Resolution which will amend and restate the General Bond Resolution for the Authority's single family Commonwealth Mortgage Bonds. The Supplemental Resolution will be similar to the bond resolution for the Rental Housing Bonds which was adopted by the Board in 1999. Subsequent to adoption of the resolution, it will be necessary to obtain the consent of at least 60% of the bondowners prior to the resolution being in effect. Staff will accomplish this by issuing new bonds on the condition that consent will be given by the bond owners. The Supplemental Bond Resolution is expected to be effective in late 2006 or early 2007. Out-of-pocket expenses are not expected to exceed \$100,000. Adoption of the resolution will not lower current bond ratings. Commissioner Fahl moved that the Committee recommend approval of the resolution. Commissioner Hopkins seconded this motion. This motion was approved by the affirmative vote of each of the members of the Committee then present at the meeting.

**Salient
Features**

Art Bowen reviewed salient features for an upcoming rental housing bond issue. The issue size is \$110 million and is expected to be sold in November or December. This issue will be a combination of tax-exempt and taxable bonds and will be sold by competitive bid. The issue will use \$45 million of VHDA's remaining \$116 million private activity bond allocation carry forward designated for multifamily purposes. It is anticipated that the bonds will receive ratings of Aa1/AA+ from S&P and Moody's.

**VHDA
Financing of
Military
Housing**

Art Bowen updated the Board on a discussion between staff and Goldman Sachs whereby VHDA would serve as a conduit issuer of bonds that will be used to finance privatized housing at certain Navy installations in Virginia. Goldman Sachs is one of two finalists for the contract. Negotiations are preliminary at this stage but there may be an approval request for the Board later in the year.

**Aggregate
Results of FY
'04
Performance
Management**

Tammy Taylor reviewed a handout given to the Board on the results of FY '04 performance management. VHDA's performance management cycle for FY '04 is now complete and supervisors have evaluated the performance of their staff and allocated staff increases and/or bonuses. There were 274 eligible associates and the Board reviewed the average merit increase and bonus award for each rating. Merit increases and/or bonuses will be paid out on October 13. Commissioners noted that it would be helpful to see these averages in the form of percentages as opposed to dollar amounts. Tammy will provide this information at the next Audit/Operations meeting.

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**Update on
Benefits
Timeline**

Tammy also reviewed a timeline for benefit-related studies, i.e. cafeteria benefits, retiree healthcare, leave policies and administration and Trigon demutualization funds. Staff has received notification from Anthem that there will be no significant increase in premiums for 2005. However, an RFP will be issued for 2006 benefits. In January, 2005, HR staff will make a presentation to the Committee of the Whole on each aspect of benefit plans. Commissioner McCoy indicated that it would be helpful if the Board had a one page summary of leave policies to date. This will be provided to the Board at the November meeting. Human Resources is also working with Palmer & Cay to conduct an actuarial study on retiree healthcare. Results of this study will also be shared with the Board at the November meeting. Staff will also provide to the Board at the November meeting plans for use of the Trigon demutualization funds.

**Outside Legal
Counsel
Selection
Process**

Judson McKellar, legal counsel, reviewed the schedule and process for selection of outside legal counsel. VHDA is currently represented by three outside law firms and contracts with these firms will expire on August 31, 2005. RFP's will be issued and Commissioner Wagner has agreed to serve as liaison between the Committee and staff during the selection process. The Committee authorized staff to proceed accordingly.

Adjournment

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

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

John P. McCann
Chairman