

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE COMMITTEE OF THE WHOLE
AND THE ANNUAL MEETING OF THE COMMISSIONERS
HELD ON AUGUST 3, 2016

Pursuant to the call of the Chairman and notice duly given, the meeting of the Committee of the Whole and the annual meeting of the Commissioners of the Virginia Housing Development Authority (the "Authority") were held on August 3, 2016 at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMISSIONERS PRESENT:

Timothy M. Chapman, Chairman
Sarah B. Stedfast, Vice Chairman
H. Richard Ashe
Lemella Y. Carrington
Douglas R. Fahl
Manju Ganeriwala
Kermit E. Hale
Marjorie N. Leon
Charles McConnell
Shekar Narasimhan

COMMISSIONER ABSENT:

William C. Shelton

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
Patrick Gluesing, Managing Director of Information Technology Services/Chief
Innovation Officer
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, Organizational Health Reporting and Risk Analyst

Zach Mayo, Research & Policy Analyst
Janice Burgess, Loans Programs Manager
Amy Burke, Human Resources Director
Demas Boudreaux, Legislative Liaison
Sarah Jones-Anderson, Associate Program Liaison

Chairman Chapman called the meeting of the Committee of the Whole to order at 10:17 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.

Ms. Dewey introduced Demas Boudreaux, the Authority's new Legislative Liaison to the Commissioners.

Ms. Wigglesworth, Ms. Ostrowski and Ms. Burgess presented a report on the Down Payment Assistance Program. If no changes are made to the current structure of the Program, the demand for funds under the Program will significantly exceed the REACH funds allocated to the Program for fiscal year 2017. The Authority will make the following changes to the Program on all new grants reserved after September 6, 2016: (i) the amount of the grant will be reduced from 3% to 2% of the mortgage loan amount for conventional loans and reduced from 3.5% to 2.5% of the mortgage loan amount for FHA loans; (ii) the maximum debt to income ratio will be reduced from 45% to 41%; and (iii) the minimum credit score will be increased from 620 to 640.

Ms. Dewey, Mr. Carey, Ms. Wigglesworth, Mr. Bowen, Mr. Hawkins and Ms. Anderson presented a report on the Authority's organizational performance for fiscal year 2016. In this report, staff advised the Commissioners as to the following matters: capital markets activities, including mortgage credit certificate utilization; the Authority's financial strength; the status of loan losses and loan loss provision; homeownership loan production; the level of homeownership activity by month and by product; the performance of the homeownership loan portfolio; rental housing loan production; the level of rental housing activity by month; the performance of the rental housing loan portfolio; the activities of community outreach in homeownership education and housing choice vouchers; and the utilization of REACH funds.

There being no further business, the meeting of the Committee of the Whole was adjourned at approximately 12:07 p.m. on August 3, 2016.

Chairman Chapman called the annual meeting of the Board of Commissioners to order at approximately 1:07 p.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 except Commissioner Narasimhan, who left the meeting as indicated below.

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 regular meeting of the Commissioners held on June 8, 2016 were 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 Approving and Ratifying Reservations of Federal Low-Income Housing Tax Credits” dated August 3, 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 Establishing Meeting Dates of the Board of Commissioners from January 1, 2017 through June 30, 2017” dated August 3, 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 “Amended And Restated Resolution Authorizing The Reimbursement Of Commissioners And Employees For Certain Acts, The Payment Of Certain Claims And The Procurement Of Errors And Omissions Insurance” dated August 3, 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 discussed the compensation of the Executive Director that was to be considered later in the meeting and that the Committee had reviewed the agendas for the meetings of the Committees and the Board.

Commissioner McConnell, on behalf of the Audit Committee, reported that the Committee had received and discussed (i) the salient features of the Authority’s proposed Rental Housing Bonds, 2016 Series D-Non-AMT, estimated to be \$45 million; and (ii) the Authority’s monthly financials year ending June 30, 2016. Commissioner McConnell reported that the Committee recommended that the full Board approve the selection of KPMG LLP as the Authority’s independent auditor and that the Executive Director and staff be authorized to execute any agreements and documents and take any other action that they deem necessary or appropriate to effect such selection. On motion duly made and seconded, the recommendation of the Committee was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting. Commissioner McConnell reported that the Committee received staff reports on the Authority’s (i) planned internal audit schedule for fiscal year 2017; (ii) current internal audit activities; and (iii) progress on strategic areas of emphasis involving procurement, records management, information security, and compliance and risk.

Commissioner Fahl, on behalf of the Operations Committee, reported that the Committee had received and discussed 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 the Committee authorized the staff to proceed with soliciting public comment on the proposed changes. Mr. Bowen, at the request of Commissioner Fahl, provided an update to the Commissioners on the applications submitted to the Authority seeking tax credits from the disability pool. Commissioner Fahl reported that the Committee had received and discussed a staff report on the certification for the Section 8 Management Assessment Program, referred to as SEMAP, relating to the Housing Choice Voucher Program and recommended approval of a resolution to approve the SEMAP certification and its execution by the Chairman and Executive Director. On

motion duly made and seconded, the resolution entitled “Resolution Approving Housing Choice Voucher Section 8 Management Assessment Program Certification” dated August 3, 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 Fahl reported that the Committee had received and discussed staff reports on (i) the Authority’s efforts on meeting customer training needs; and (ii) the review of health care plan designs to help manage future rising health care costs.

Ms. Dewey presented her report on operations in which she advised the Commissioners of the following matters: the creation of the J. Judson McKellar, Jr. Award; an update on the activities of the Housing Policy Advisory Council; the upcoming transition of the Secretary of Commerce and Trade; the award to the Authority by HUD of the second largest housing counseling grant in the nation; the annual Commissioner interviews will start in August; the next meeting of the Board on October 4-5, 2016; the Governor’s Housing Conference to be held in Roanoke on November 16-18, 2016; and the meeting of the Board on December 6-7, 2016.

Chairman Chapman then relinquished the chair to Ms. Dewey for the purpose of electing the Chairman of the Board. Ms. Dewey reported that the Committee at its June meeting had recommended the nomination of Commissioner Chapman for Chairman and Commissioner Stedfast for Vice Chairman. Ms. Dewey declared the floor open for nominations for Chairman. Commissioner Fahl nominated Commissioner Chapman, and Commissioner Hale seconded the nomination. There being no further nominations, the floor was closed. Commissioner Chapman was elected Chairman by the affirmative vote of each of the Commissioners noted above as present at the meeting. Chairman Chapman then assumed the chair and declared the floor open for nominations for Vice Chairman. Commissioner Fahl nominated Commissioner Stedfast, and Commissioner Hale seconded the nomination. There being no further nominations, the floor was closed. Commissioner Stedfast was elected Vice Chairman by the affirmative vote of each of the Commissioners noted above as present at the meeting. Commissioner Narasimhan left the meeting at the conclusion of the election of the Chairman and Vice Chairman.

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. Blankenship 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 then 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, a motion to approve the recommendation of the Executive Committee for the merit compensation of the Executive Director was approved by the affirmative vote of the Commissioners then present at the meeting. On motion duly made and seconded, a motion to approve the

recommendation of the Executive Committee for the bonus for the Executive Director was approved by the affirmative vote of the Commissioners then present at the meeting. The Board also recommended that the Executive Director consider adjusting the bonus range for exceptional employees.

There being no further business, the meeting was adjourned at approximately 2:45 p.m. on August 3, 2016.

Timothy M. Chapman, Chairman

Paul M. Brennan
Assistant Secretary

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE
HELD ON AUGUST 3, 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 August 3, 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
Douglas R. Fahl
Charles McConnell

OTHER COMMISSIONER PRESENT:

Shekar Narasimhan

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Paul M. Brennan, General Counsel
Patrick J. Carey, Managing Director of Finance
Barbara Blankenship, Managing Director of Human Resources
Andrew L. Klein, Principal, Titan Group

Chairman Chapman called the meeting of the Committee to order at approximately 5:12 p.m. on August 3, 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.

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 presented a report on compensation of housing finance agency executive directors. After this presentation, Ms. Dewey and Mr. Carey left the meeting.

Mr. Klein, presented an analysis of the information reported by Mr. Carey and its impact on the prepared CEO compensation report provided by the Titan Group to the Committee at its December 2015 meeting. The members of the Committee then reviewed the information provided by Ms. Blankenship on the Executive Director's performance for fiscal year 2016. The members of the Committee discussed her 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 7:30 p.m.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE FINANCE AND AUDIT COMMITTEE
HELD ON AUGUST 3, 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 August 3, 2016 at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMITTEE MEMBERS PRESENT:

Charles McConnell, Chairman
Sarah B. Stedfast
Manju Ganeriwala
Marjorie N. Leon
Shekar Narasimhan

OTHERS PRESENT:

Patrick J. Carey, Managing Director of Finance
Julie Camus, Managing Director of Audit and Enterprise Risk Management
Melody Barackman, Controller
Ross Strodel, Internal Audit Director
Paul M. Brennan, General Counsel

The meeting of the Finance and Audit Committee was called to order by Committee Chairman McConnell at approximately 9:04 a.m. on August 3, 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 June 7, 2016 were approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Mr. Carey presented the salient features for the sale and issuance of \$45,000,000 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 five multi-family developments.

Ms. Barackman reported on the Authority's monthly financials year ending June 30, 2015. In her report, Ms. Barackman noted the following: excess revenues were \$172.4 million and over budget by \$40.6 million; net interest margin totaled \$239.2 million which was \$6.6 million behind budget plan, but \$7.2 million ahead of this time last year; programmatic expenses were better than budget by \$46.6 million primarily due to lower loan losses and negative provisions, lower than expected grant disbursements, and higher than expected ancillary servicing fee income; administrative expenses were on target with budget at \$59.5 million; and net assets increased to \$2.99 billion.

Ms. Barackman reported that the subcommittee responsible for recommending the selection of VHDA's independent auditor received and reviewed proposals from four (4) accounting firms, and interviewed two of those firms: KPMG and CliftonLarsonAllen. The subcommittee, which included Commissioner Stedfast, unanimously agreed that the proposal of KPMG was the best proposal and therefore recommended that the Audit Committee recommend to the Board that KPMG be selected as the Authority's independent auditor and be offered a new three (3) year contract with two one-year options at the annual fees indicated in KPMG's proposal. Upon motion duly made and seconded, the recommendation of the subcommittee that KPMG be selected as the Authority's independent auditor and be offered a new three (3) year contract with two one-year options at the annual fees indicated in KPMG's proposal was approved by the affirmative vote of each of the members of the Committee then present at the meeting.

Mr. Strodel presented a report on the internal audit plan for fiscal year 2017 and provided status updates on active audits including on-going external partner reviews being provided by a third party.

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 9:54 a.m. on August 3, 2016.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE OPERATIONS COMMITTEE
HELD ON AUGUST 3, 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 August 3, 2016 at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMITTEE MEMBERS PRESENT:

Douglas R. Fahl, Chairman
Kermit E. Hale
Timothy M. Chapman
Lemella Y. Carrington
H. Richard Ashe

COMMITTEE MEMBER ABSENT:

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
Patrick Gluesing, Managing Director of Information Technology Services/Chief
Innovation Officer
J. Michael Hawkins, Managing Director of Community Outreach
Tammy Neale, Chief Learning Officer
Janet Wiglesworth, Managing Director of Homeownership
J.D. Bondurant, Director of Low Income Housing Tax Credit Programs
Fred Bryant, Deputy General Counsel
Janice Burgess, Loans Programs Manager
Amy Burke, Human Resources Director
James M. Chandler, Contractor
Stephanie Flanders, Tax Credit Allocation Analyst
Pamela Freeth, Tax Credit Allocation Coordinator
Pamela Holmes, Director of Single Family Servicing
Zach Mayo, Research and Policy Analyst
Barry Merchant, Senior Policy Analyst
Toni Ostrowski, Director, Homeownership Lending Programs
Sheila Phillips, Assistant Director of Project Management
Hope Coleman Rutter, Tax Credit Allocation Officer
Sheila Stone, Senior Tax Credit Allocation Officer
Jason Thompson, Organizational Health Reporting and Risk Analyst

The meeting of the Operations Committee was called to order by Chairman Fahl 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 June 8, 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 reported on proposed changes to the Qualified Allocation Plan for the federal low-income housing tax credits for calendar year 2017 and 2018 allocation cycles. Mr. Bondurant noted that the changes were presented to stakeholders at a forum held on July 13, 2016. Staff will conduct a second forum on September 1, 2016. The comment period on the proposed changes will end on the day of the public hearing scheduled for September 20, 2016. The final proposed changes, along with a summary of public comments, will be presented to the Board at the October 5, 2016 meeting. The consensus of the Committee was for staff to proceed with soliciting public comment on the proposed changes.

Mr. Hawkins reported on the annual Section 8 Management Assessment Program Certification (“SEMAP Certification”) for the Section 8 Housing Choice Voucher Program for 2016. Mr. Hawkins stated the Authority is certifying to HUD as a standard performer and presented a resolution to approve and authorize the execution of the SEMAP Certification. On a motion duly made and seconded, a resolution to recommend approval of the resolution entitled “Resolution Approving Housing Choice Voucher Section 8 Management Assessment Program Certification” dated August 3, 2016, was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Ms. Neale reported to the Committee that the Authority’s three programmatic areas continue to focus on meeting customer and stakeholder training needs. In particular, the focus is on providing more outreach and hands on support to our business partners. In addition, the Authority will provide more tools, resources and online learning modules to these groups. Internally, the Authority is taking a year hiatus from the two leadership programs to focus on security (information and physical), compliance and risk management, and other areas of awareness and education that are important to the Authority. The Authority will provide ongoing development support to the leadership alumni and plans to resume the leadership development programs in Fiscal Year 2018. Significant updates on training activities and outcomes will be provided throughout the year.

Ms. Blankenship reported to the Committee that staff, with the assistance of a benefit consultant (Wells Fargo), is evaluating whether to adjusting our health care plan designs to help manage future rising health care costs.

There being no further business, the meeting was adjourned at 9:54 a.m.