

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE RETREAT MEETING AND THE REGULAR MEETING
OF THE COMMISSIONERS HELD ON MARCH 19-21, 2006

Pursuant to the call of the Chairman and notice duly given, the retreat meeting and the regular meeting of the Commissioners of the Virginia Housing Development Authority (the "Authority") were held on March 19-21, 2006 at the University of Virginia Darden School of Business, The Abbott Center, Sponsors East Wing, 100 Darden Boulevard, Charlottesville, Virginia.

COMMISSIONERS PRESENT:

Douglas R. Fahl, Chairman
Jay Fisette, Vice Chairman
John P. McCann
Edward L. McCoy
Charles McConnell
William C. Shelton
Gerald W. Hopkins
Terri M. Ceaser
Yvonne T. Allmond
J. Braxton Powell

COMMISSIONER ABSENT:

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
Tammy N. Taylor, Managing Director of Human Resources
Herb H. Hill, Jr., Managing Director of Policy, Planning, and Communications
Janet Butler, Acting Managing Director of Information Technology Services
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
Llewellyn C. Anderson, Strategic Planner
J. Michael Hawkins, Director of Community Housing
Toni Ostrowski, Senior Community Housing Officer
Chris Hilbert, Senior Community Housing Officer
William Fuller, Senior Community Housing Officer
Monica Jefferson, Community Housing Officer
Monique Johnson, Community Housing Officer
Costa Canavos, Community Housing Officer

Jose Piaz, Community Housing Officer
Michael Scheurer, Community Housing Officer
Barry Merchant, Policy Analyst
Robert Halloran, Marketing Director
Brian Matt, Public Relations Manager
Michael Shanks, Department of Mental Health, Mental Retardation and Substance Abuse Services
Bob Smith, The Mews on Little High Street
Susan Garrett, Region Ten Community Services Board
Ricky Barker
Martha Levering, Martha Jefferson Area Neighborhood Association
Mark Haskins, Little High Area Neighborhood Association
Kate O'Brien, Little High Area Neighborhood Association
Steve Shiffman, Blue Ridge House
Sena Floyd, Region Ten Community Services Board
Steve Ryan
Donna Scott, Region Ten Community Services Board
Ron Keeney, Keeney & Co., Architects
Reed Banks, Region Ten Community Services Board
Rob Hull, Region Ten Community Services Board
Charlotte Brown, Region Ten Community Services Board
Gaylet Russell, Region Ten Community Services Board
James Allen

Chairman Fahl called the retreat meeting of the Commissioners to order at 1:15 p.m. on March 19, 2006. All of the Commissioners listed above as present at the meeting were present at that time, except Commissioner McCoy who was not present at the retreat meeting on March 19, 2006.

The members of the Authority's REACH Team presented reports on their goals, strategies, activities and challenges, including the following reports: an overview of the REACH program and the REACH Team by Mr. Hawkins; a report by Ms. Ostrowski on the stakeholder advisory boards, the Housing Virginia Campaign, and the REACH assisted homeownership initiatives; a report by Ms. Jefferson on outreach initiatives to African Americans; a report by Mr. Hilbert on outreach initiatives to non-profit organizations; a report by Mr. Fuller on programs and activities to assist persons with disabilities and frail elderly persons; a report by Ms. Johnson on how REACH resources are used to facilitate the financing of developments; and a report by Mr. Canavos on outreach activities to local governments. Following these reports, the Commissioners visited properties in the Charlottesville area financed by the Authority. This tour concluded at approximately 5:30 p.m. on March 19, 2006

The retreat meeting of the Commissioners was reconvened at 9:15 a.m. on March 20, 2006. All of the Commissioners listed above as present at the meeting were present at that time, except Commissioner Hopkins who joined the meeting in progress as noted below.

Ms. Dewey reviewed the accomplishments and challenges in achieving the Authority's strategic goals and reported on the Authority's organizational performance through the second quarter of fiscal year 2006. During this report, Commissioner Hopkins joined the meeting.

Mr. Merchant reported on state-level policy issues affecting the Authority, including a discussion with the Commissioners of the following: (i) the Virginia Housing Commission's consideration of the development of a state housing policy; (ii) the development by Governor's Kaine's administration of an urban policy, a policy for implementing the Olmstead decision, and an initiative for mental health restructuring and community placement; (iii) the legislative directives by the General Assembly for housing ex-offenders, for the inclusion by state agencies of services for seniors in their strategic plans, for the designation by each state agency of a staff person to review the impact of its policies on seniors and persons with disabilities, and for studying the integration of transportation and land use planning; (iv) future reporting by the Authority to the General Assembly on the impact of the real estate market on the Authority; (v) interagency disaster planning; and (vi) issues relating to the Authority's Qualified Allocation Plan for the federal low-income housing tax credit program.

Mr. Hawkins presented an issue brief on mixed income, mixed use financing by VHDA. In this report, he reviewed the issues and alternatives, summarized the staff recommendations to provide planning grants and low-interest seed money loans and to study further whether the Authority should serve as a developer/facilitator of a model development, and explained the budgetary impact of the recommendations. During this report, Commissioner Shelton left the meeting.

Mr. Hastings presented an issue brief on the decline in multi-family loan production and on the preservation of affordable housing units, including the following: (i) background information on the issues, (ii) staff recommendations to conduct research initiatives, to initiate an awareness campaign targeting out-of-state developers, to continue to pursue a preservation strategy of identifying and soliciting the refinancing of existing assisted developments, to continue to provide competitive financing programs with the support of REACH funding, and to increase support of Housing Virginia Campaign by providing full-time staff and financial support as part of the REACH Team, and (iii) the next steps and budgetary implications in implementing those strategies and recommendations.

Ms. Watson presented an issue brief on increasing the Authority's minority homeownership rate. In this report, she summarized the issues, presented background information, reviewed the challenges to addressing the emerging market needs, described the work of the Authority's Emerging Markets Team formed to study this issue, presented the staff recommendations to (i) develop a marketing plan, (ii) determine the feasibility of an alternative credit program, (iii) develop a web site dedicated to certain minorities, (iv) determine the feasibility of offering financial support for credit/housing counselors, (v) determine the feasibility of adding a mobile van for promotional outreach, and (vi) participate in the Virginia Individual Development Account Program, and advised the Commissioners of the next steps to be taken and the budgetary implications of the recommendations.

Mr. Hill presented an overview of the Authority's marketing plan, including a discussion of the following: recent advertising conducted by the Authority; the activities of the Reach Team; the responsibilities and activities of the Business Development Officers and Multi-Family Development Officers; the Genesis Project; the Authority's Homeownership Education Program; the Mobile Mortgage Offices; the Southwest Office; the Customer Contact Center; public and government relations activities; and sponsorships by the Authority of conferences and events, non-profit organizations, and housing fairs; information and assistance provided by the Authority through the Internet; comparisons of advertising expenditures by similar organizations; the Authority's advertising budget for fiscal year 2006 and proposed advertising budget for fiscal year 2007; and the staff recommendation to include television advertising, along with radio advertising, in the proposed advertising budget for fiscal year 2007.

Mr. Bowen presented an issue brief on the Authority's private activity bond allocation. In his report, Mr. Bowen summarized the issues, provided background information, outlined various alternatives, and discussed the next steps of developing a brief presentation, pursuing discussions with appropriate state officials on the alternatives, and presenting a proposal to the Commissioners for approval.

Ms. Dewey then reviewed the other four critical issues being considered by the Authority staff relating to workforce planning and development, the Sarbanes-Oxley Act, performance metrics, and the Authority's business model.

There being no further business, the retreat meeting was adjourned at 4:34 p.m. on March 20, 2006.

Chairman Fahl called the regular meeting of the Board of Commissioners to order at approximately 11:00 a.m. on March 21, 2006. All of the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting, except Commissioner Shelton who was not present during the regular meeting.

During the public comment period, Mr. Shanks, Mr. Smith, Ms. Garrett, Mr. Barker, Ms. Levering, Mr. Haskins, Ms. O'Brien, Mr. Shiffman, Ms. Floyd, Mr. Ryan, Ms. Scott, Mr. Kenney, and Mr. Banks presented comments on issues relating to the multi-family development known as The Mews on Little High Street which is financed by the Authority and assisted by federal low-income housing tax credits for occupancy by person with mental disabilities. Upon the conclusion of these comments, Chairman Fahl distributed to the Commissioners written comments by Mr. Mat Russo who was not present at the meeting.

On motion duly made and seconded, the minutes of the meeting of the Committee of the Whole and the regular meeting of the Commissioners held on January 17 and 18, 2006 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 December 31, 2005. In this report, Mr. Bowen noted that all

expense categories showed favorable variances to date, with the exception of salaries and benefits which are over budget due to the sick leave buy-back previously approved by the Board and completed in January 2006.

On behalf of the Executive Committee, Chairman Fahl reported that the Committee discussed executive compensation planning and that the staff will be providing research and benchmark data to the Committee for its consideration at its next meeting.

Chairman Fahl noted that during the retreat meeting the Commissioners had received and discussed reports from the REACH Team, had toured properties financed by VHDA in the Charlottesville area, and had received and discussed staff briefs on critical issues facing the Authority.

Commissioner McCann, on behalf of the Audit/Operations Committee, reported that (i) the Committee had discussed a draft of the charter of the Audit Committee and had requested that the draft charter be reviewed by the Authority's outside counsel prior to the next meeting of the Committee; and (ii) the Committee had received and discussed an update on the Authority's 2006 employee benefits, including an overview of the Authority's open enrollment process and results. Commissioner McCann next reported that the Committee recommended approval of a 4% merit pay increase for the purpose of preparing the 2007 fiscal year budget. It was the consensus of the Commissioners that such merit increase be included in the proposed fiscal year 2007 budget to be presented at the May meeting of the Commissioners. Commissioner McCann then reported that the Committee had received and discussed an update report on the Authority's capital projects for modernization of the Authority's headquarters, the improvements to the Virginia Housing Center on Cox Road, and the construction of an office building in Wytheville. Commissioner McCann reported that the Committee had reviewed and discussed, and recommended approval of, the series resolution for the Authority's Commonwealth Mortgage Bonds and the bond limitations resolution for the Authority's Rental Housing Bonds and had received a report on the salient features of the Authority's proposed Commonwealth Mortgage Bonds, 2006 Series A-Pass Through Certificates. Mr. McKellar then advised the Commissioners as to the terms of a proposed series resolution authorizing the issuance of Commonwealth Mortgage Bonds. He reviewed the provisions which (i) authorize the sale and delivery of Commonwealth Mortgage Bonds in an aggregate amount not to exceed \$1.2 billion to such purchasers or underwriters, at such purchase prices and on such terms and conditions as shall be set forth in or determined pursuant to one or more written determinations by an Authorized Officer of the Authority and in one or more purchase contracts, including notices of sale, in accordance with the series resolution; (ii) establish limitations and restrictions with respect to such written determinations; (iii) provide for the sale of the Bonds not later than May 31, 2007; (iv) authorize the execution and delivery of purchase contracts and other necessary or appropriate agreements, instruments, documents and certificates; (v) specify that the portion of the Debt Service Reserve Fund Requirement allocable to each series of bonds to be issued pursuant to the series resolution shall be \$0 or such higher amount as may be set forth in or determined pursuant to the applicable written determinations; and (vi) authorize the distribution of one or more preliminary and final official statements in substantially the forms presented at the meeting. Mr. McKellar

next advised the Commissioners as to the terms of the proposed bond limitations resolution setting forth the conditions and limitations for the issuance of Rental Housing Bonds. He reviewed the provisions which (i) provide for the maximum principal amount of Rental Housing Bonds to be \$450 million, (ii) provide for the sale of the Bonds not later than May 31, 2007 and (iii) authorize the distribution of one or more preliminary and final official statements in substantially the form presented at the meeting. On motion duly made and seconded, the resolutions entitled "Series Resolution Authorizing the Issuance and Sale of Commonwealth Mortgage Bonds" and "Bond Limitations Resolution," both dated March 21, 2006, in the forms attached hereto, were approved by the affirmative vote of each of the Commissioners then present at the meeting.

Commissioner McConnell, on behalf of the Programs Committee, reported that the Committee had reviewed and discussed staff reports on the following matters: the homeownership and multi-family bi-monthly loan production; the single family and multi-family loan delinquencies; and the applications received by the Authority for the allocation of 2006 federal low-income housing tax credits. Commissioner McConnell next reported that the Committee had reviewed and discussed, and recommended approval of, the annual and five-year plan for the Authority's administration of the Housing Choice Voucher Program. Commissioner McConnell then moved that the annual plan and the five-year plan be approved in the forms attached hereto, that the Chairman be authorized to execute the PHA Certifications of Compliance with the PHA Plans and Regulations substantially in the form attached, and that the Chairman and the Executive Director be authorized to take any and all action which he or she may deem necessary or appropriate in order to implement the plans and this resolution. This motion was seconded by Commissioner Hopkins and was approved by the affirmative vote of each of the Commissioners then present at the meeting. Commissioner McConnell next reported that the Committee had reviewed and discussed, and recommended approval of, a resolution to approve a mortgage loan to finance the Supplemental Housing Rehabilitation Loan Program. Commissioner Hopkins moved approval of the resolution entitled "Resolution Authorizing a Mortgage Loan to Finance Supplemental Housing Rehabilitation Loan Program" dated March 21, 2006 in the form attached hereto. This motion was seconded by Commissioner McCann and was approved by the affirmative vote of each of the Commissioners then present at the meeting, except Commissioner McConnell who abstained citing a possible conflict of interest by virtue of his position as Executive Director of the Wise County Redevelopment and Housing Authority.

Ms. Dewey presented her report of operations in which she advised the Commissioners as to the Hampton Roads Genesis Kickoff to be held on March 22, 2006.

There being no further business, the meeting was adjourned at approximately 12:25 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
MARCH 21, 2006

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 March 21, 2006, at the University of Virginia Darden School of Business, The Abbott Center, Sponsors East Wing, 100 Darden Boulevard, Charlottesville, Virginia.

COMMITTEE MEMBERS PRESENT:

Charles McConnell, Committee Chairman
Terri M. Ceaser
Jay Fisette
Gerald W. Hopkins

COMMITTEE MEMBERS ABSENT:

William C. Shelton
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
J. Judson McKellar, Jr., General Counsel
Michele G. Watson, Director of Homeownership Development Programs
John F. Hastings, Director of Multifamily Development Programs
James M. Chandler, Director of Low Income Housing Tax Credit Programs
J. Michael Hawkins, Director of Community Housing
Llewellyn C. Anderson, Strategic Planner
Brian C. Matt, Public Relations Manager
Herb H. Hill, Jr., Managing Director of Policy, Planning, and Communications

The meeting of the Committee was called to order by Committee Chairman McConnell at approximately 9:43 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 Committee held on January 18, 2006 were approved by the affirmative vote of each of the members of the Committee noted above as present.

Mr. Ritenour and Ms. Watson presented the homeownership bi-monthly production report. Ms. Watson commented that the Authority's current loan products provide a broad array of options for its targeted market and that homeownership loan production will likely be \$1.2 billion for FY06. Mr. Hastings presented the multi-

family bi-monthly loan production report in which he noted that most of the financing is for preservation of existing units rather than new construction.

Mr. Dolce presented reports on the status of delinquencies and foreclosures in the homeownership and multifamily loan servicing portfolios. Mr. Dolce noted that homeownership delinquencies decreased slightly while the multi-family portfolio experienced a slight increase. Mr. Dolce presented an update on the Housing Choice Voucher Program in which he noted that, with regard to assistance provided to Hurricane Katrina victims, 85 households with housing choice vouchers have leased housing units and 114 households are in search of a unit. Mr. Dolce next presented a resolution to approve the Authority's annual and five-year plans for the Housing Choice Voucher Program to be submitted to HUD for approval and to become effective July 1, 2006. Commissioner Hopkins moved that the Committee recommend to the Board of Commissioners that the annual plan and the five-year plan be approved in the forms presented to the Committee, that the Chairman of the Board of Commissioners be authorized to execute the PHA Certifications of Compliance with the PHA Plans and Regulations substantially in the form presented to the Committee, and that the Chairman of the Board of Commissioners and the Executive Director be authorized to take any and all action which he or she may deem necessary or appropriate in order to implement the plans and this resolution. 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. Chandler next presented a report on the applications received by the Authority for allocation of the 2006 federal low-income housing tax credits. In this report, Mr. Chandler noted that an estimated \$27 million of tax credits had been requested for the available \$13 million in tax credits.

Ms. Watson and Mr. Ritenour presented a memorandum on the Supplemental Rehabilitation Loan Program and a resolution to approve a mortgage loan to finance the Program. Commissioner Hopkins moved that the Committee recommend approval of the resolution entitled "Resolution Authorizing a Mortgage Loan to Finance Supplemental Housing Rehabilitation Loan Program" dated March 21, 2006. 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, except Commissioner McConnell who abstained citing a possible conflict of interest by virtue of his position as Executive Director of the Wise County Redevelopment and Housing Authority.

Ms. Watson presented a memorandum on income limits in certain high cost market areas in Northern Virginia. Ms. Watson informed the Committee that the staff was considering higher income limits for the Flexible Alternative programs in these high cost market areas.

There being no further business, the meeting was adjourned at 10:42 a.m.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE HELD ON
MARCH 21, 2006

Pursuant to the call of the 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 March 21, 2006 at the University of Virginia Darden School of Business, Charlottesville, Virginia.

COMMISSIONERS PRESENT:

Douglas R. Fahl, Chairman
Jay Fisette
John P. McCann
Charles McConnell

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Tammy N. Taylor, Managing Director of Human Resources

Chairman Fahl called the meeting of the Committee to order at approximately 8:00 a.m. on March 21, 2006. All of the Commissioners listed above as present at the meeting were present at that time, except Commissioner Fisette who joined the meeting in progress.

The Committee discussed executive compensation planning and requested Ms. Taylor to provide research and benchmark data to the members of the Committee for its consideration at its next meeting.

There being no further business, the meeting was adjourned at approximately 9:30 a.m.

Douglas R. Fahl, Chairman

J. Judson McKellar, Jr.
Assistant Secretary

Minutes of the Meeting of the Audit/Operations Committee Held on March 21, 2006

The meeting of the Audit/Operations Committee of the Board of Commissioners of the Virginia Housing Development Authority was held on March 21, 2006 at the Darden School/Sponsors East Wing, 100 Darden Boulevard, Charlottesville, Virginia.

Committee Members Present John P. McCann, Chairman
Yvonne Toms Allmond
Edward L. McCoy
J. Braxton Powell
Douglas R. Fahl

Others Present Arthur N. Bowen, III, Managing Director of Finance & Administration
Tammy N. Taylor, Managing Director of Human Resources
Maria Barrow, Office Manager

Meeting Called to Order The meeting was called to order at 9:45 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.

Approval of the Minutes Commissioner Fahl moved approval of the minutes of the meeting of the Audit/Operations Committee meeting on January 18, 2006. Commissioner McCoy seconded this motion. This motion was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Audit Committee Charter Commissioner McCann presented the background and the issues surrounding the development of the Audit Committee Charter. This would create a separate Audit Committee, composed of the current members of the Audit/Operations Committee. The new status would commence at the beginning of the new fiscal year. Commissioner Fahl asked if outside legal counsel had reviewed the charter. After discussion of this issue, Commissioner McCann recommended that staff have the appropriate outside counsel review the charter and that the Internal Auditor re-present this to the Committee at the May meeting.

Update on 2006 Benefits Tammy Taylor provided an overview of 2006 benefits. She reviewed what took place in calendar year 2005 and provided statistics on plan selections, learnings and next steps. She anticipates providing the Committee with 2007 rates at the August meeting. Commissioner McCann requested that she bring an estimate to the May meeting. Commissioner McCoy requested a comparison of total compensation to facilitate future discussions. She will comply with both requests and review planned changes at the May and August meetings.

Budget/Compensation Update

Tammy Taylor briefly explained the performance management process and how it ties to compensation. She presented the staff recommendation of an aggregate merit pool of 4% for FY'06. This figure is consistent with external preliminary compensation data and will be used for budget planning purposes. A motion to recommend approval by the Board of a merit pool of 4% to be placed in the 2007 budget for the 2006 merit increases was made by Commissioner McCoy. Commissioner Powell seconded this motion. This motion was approved by the affirmative vote of all of the Commissioners noted above as present at the meeting.

Capital Program Update

Art Bowen presented an overview of the calendar, scope and projected costs of the projects at VHDA's HQ building, Innsbrook property and Wytheville. There followed a discussion of the costs and the amount of capitalization needed to be built into the budget for the increase in construction costs.

FY 2007 Bond Limitations Resolutions

Art Bowen summarized a resolution that would authorize the issuance and sale of the Authority's single family bonds in the maximum amount of \$1.2 billion and a resolution that would authorize the issuance and sale of the Authority's multifamily bonds in the maximum amount of \$450 million through May 31, 2007. A motion to recommend approval by the Board of the resolutions entitled "Series Resolution Authorizing the Issuance and Sale of Commonwealth Mortgage Bonds" and "Bond Limitations Resolution" was made by Commissioner Powell and seconded by Commissioner McCoy. This motion was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Salient Features

Art Bowen present the salient features of an upcoming Commonwealth Mortgage Bonds issue to be issued in April, up to \$150,000,000 in taxable pass-through certificates, and is expected to be rated Aaa/AAA.

Adjournment

There being no further business, Commissioner McCann adjourned the meeting at 10:50 a.m.

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

John P. McCann
Chairman