

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE COMMITTEE OF THE WHOLE
AND THE REGULAR MEETING OF THE COMMISSIONERS
HELD ON JANUARY 16 AND 17, 2007

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 16 and 17, 2007 at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMISSIONERS PRESENT:

John P. McCann, Chairman
Jay Fisette, Vice Chairman
Douglas R. Fahl
Edward L. McCoy
Charles McConnell
William C. Shelton
Gerald W. Hopkins
J. Braxton Powell
Nancy K. O'Brien

COMMISSIONERS ABSENT:

Yvonne T. Allmond
Terri M. Ceaser

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
Barbara Blankenship, Managing Director of Human Resources
Janet W. Butler, Managing Director of Information Technology Services
Tammy N. Taylor, Managing Director of Organizational Development and Learning
Russ E. Wyatt, General Auditor
Herb H. Hill, Jr., Managing Director of Policy, Planning, and Communications
John F. Hastings, Director of Multi-Family Development Programs
Michele G. Watson, Director of Homeownership Programs
James M. Chandler, Director of Low Income Housing Tax Credit Programs
J. Michael Hawkins, Director of Community Housing
Llewellyn C. Anderson, Business Planning Analyst
Melody S. Barackman, Controller
Robert Halloran, Marketing Director
Toni Ostrowski, Senior Community Housing Officer
Chris Hilbert, Senior Community Housing Officer
Costa Canavos, Community Housing Officer
William T. Corcoran, Senior Finance Manager
Ann Bolen, Special Funding Officer

Janet Little, Finance Associate
Tammy A. Tyler, Strategic Development Leader
Richard B. Taylor, Governmental Relations Manager
Brian Matt, Public Relations Manager
William Fuller, Senior Community Housing Officer
Patrick J. Carey, Finance Manager
Ronald A. Reger, Organizational Development Manager
Deborah Griner, Tax Credit Allocation Specialist
Gerard Jameson, Intern
Deepa Vedavyas, Intern
Melvin Strain, Intern
Fronce W. Wardlaw, ProjectFaith, Inc.

Chairman McCann called the meeting of the Committee of the Whole to order at 2:40 p.m. on January 16, 2007. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting, except Vice Chairman Fisette and Commissioner Fahl who joined the meeting in progress as noted below and thereafter remained present during the meeting, except Commissioner Powell who was not present during the meeting on January 16, 2007, and except Commissioner McCoy who left during the meeting on January 16, 2007.

Mr. Bowen presented a report on the strategic roles of the Authority's net revenues, net assets and the Authority's private bond allocation. During this presentation, the Commissioners and the staff discussed the following: the importance of net revenues and net assets in the Authority's ability to accomplish its mission over the long-term; the long-term financial strategies of the Authority; the stress tests required by the rating agencies; the Authority's 2006 private bond allocation; projected loan originations to be financed by private activity bonds through fiscal year 2010; the balancing of long-term capital needs and critical short-term housing needs; the determination of the percentage of net revenues for REACH subsidy funds and the application of those funds to reduce interest rates; the principal considerations for the determination of such percentage; and the staff recommendation to increase the amount of fiscal year 2007 REACH subsidy funds by \$3,161,302. During this discussion, Commissioner Fahl joined the meeting. Mr. Ritenour then advised the Commissioners as to the reallocation of single family SPARC funds and reviewed the current utilization of REACH subsidy funds through December 15, 2006, anticipated utilization of REACH subsidy funds through June 30, 2007, and the recommended use of an additional \$3,161,302 in REACH subsidy funds for fiscal year 2007. During this presentation, Vice Chairman Fisette joined the meeting.

Ms. Dewey reported on the Authority's organizational performance for the second quarter of fiscal year 2007. In this report, Ms. Dewey noted the following: the key accomplishments and challenges for each of the Authority's five strategic goals; the revised three goals in the Authority's strategic plan for fiscal year 2008; the status of single family loan production, including quarterly and annual trends, strategic lending production, and the percentages and numbers of loans by geographic areas, household income, product type, and ethnicities served; the annual trends in single family loan

reservations; the number of homeownership education class participants, including the percentage of Spanish class participants; the status of multi-family loan production by program; the status of the single family and multi-family loan servicing portfolios; the attainment of 100% lease-up rate in the Section 8 Housing Choice Voucher Program; the trends in market interest rates since June 1999; the Authority's net revenues for the second quarter of FY 2007; and the performance of the Authority's investments in comparison to the iMoney Index. Following this presentation, Ms. Dewey distributed to the Commissioners copies of the report that she had given to the House Finance Committee of the General Assembly on January 15, 2007.

Mr. Halloran played recordings of radio advertisements to be aired to promote the Authority's single family loan program.

The meeting of the Committee of the Whole was recessed at approximately 5:48 p.m. on January 16, 2007.

Chairman McCann reconvened the meeting of the Committee of the Whole at 9:15 a.m. on January 17, 2007. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting, except Commissioner Shelton who joined the meeting in progress as noted below and thereafter remained present during the meeting and except Commissioner McCoy who was not present during the meeting on January 17, 2007.

Mr. Hawkins, Mr. Canavos, Mr. Hilbert and Ms. Ostrowski presented a report on the proposed financing by the Authority of a single family development to be known as High Street Lofts in Petersburg. Following this presentation, Commissioner Shelton joined the meeting.

Mr. Wyatt reported on the issues raised by Mr. Charles Pool in his letter to Commissioner Fahl dated July 23, 2006 and in his comments at the meeting of the Commissioners on August 1, 2006. Mr. Wyatt advised the Commissioners that he had concluded that the Authority's controls had been effective and consistently applied, that the concerns expressed by Mr. Pool were not supported by the relevant facts and records, and that no further action by the Authority or the Board of Commissioners was warranted. It was the consensus of the Commissioners that this report be accepted and that Chairman McCann send a letter to Mr. Pool advising him of the conclusions in the report and transmitting to him a copy of the report presented at the meeting.

There being no further business, the meeting of the Committee of the Whole was adjourned at approximately 10:18 a.m. on January 17, 2007.

Chairman McCann called the regular meeting of the Board of Commissioners to order at approximately 11:22 a.m. on January 17, 2007. All of the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting, except Commissioner O'Brien who left the meeting as noted below and except Commissioner McCoy who was not present at the meeting on January 17, 2007.

Ms. Dewey introduced Gerard Jameson, Deepa Vedavyas and Melvin Strain who are serving as the Authority's interns.

During the public comment period, Ms. Wardlaw expressed her appreciation for the assistance provided by the Authority staff to ProjectFaith, Inc., in connection with the federal low-income housing tax credits and mortgage loan financing of the King's Highway development.

On motion duly made and seconded, the minutes of the regular meeting of the Commissioners held on November 29, 2006 were approved by the affirmative vote of each of the Commissioners then present at the meeting.

Chairman McCann then recognized Mr. William T. Corcoran for his 30 years of service with the Authority. On motion duly made and seconded, the resolution entitled "Resolution in Recognition and Appreciation of Thirty Years of Service by William T. Corcoran" dated January 17, 2007, in the form attached hereto was approved by the affirmative vote of each of the Commissioners then present at the meeting.

Chairman McCann, on behalf of the Committee of the Whole, summarized the staff reports that were received and discussed by the Committee on the following matters: the strategic roles of the Authority's net revenues, net assets and the Authority's private bond allocation; the utilization of REACH subsidy funds and recommended use of an additional \$3,161,302 in REACH subsidy funds for fiscal year 2007; the Authority's organizational performance for the second quarter of fiscal year 2007; the proposed financing by the Authority of a single family development to be known as High Street Lofts in Petersburg; and the results of the review by the General Auditor of the issues raised by Mr. Charles Pool in his letter to Commissioner Fahl dated July 23, 2006 and in his comments at the meeting of the Commissioners on August 1, 2006. Following this report, Commissioner Hopkins moved approval of the allocation of an additional \$3,161,302 in REACH subsidy funds for fiscal year 2007. This motion was seconded by Commissioner Fahl and was approved by the affirmative vote of each of the Commissioners then present at the meeting.

Commissioner McConnell, on behalf of the Programs Committee, summarized the staff reports that were received and discussed by the Committee on the following matters: the homeownership and multi-family loan production; the homeownership and multi-family loan delinquencies; an update on the Housing Choice Voucher Program; and the status of the Authority's minority outreach efforts.

Chairman McCann, on behalf of the Audit Committee, summarized the following staff reports that were received and discussed by the Committee: the report from Mr. Bowen on the Authority's operating statement; the report from Ms. Barackman on the Authority's financial highlights for the period ended November 30, 2006; and the reports from Mr. Wyatt on the status of the internal audit schedule and internal audit reports. At this point, Commissioner O'Brien left the meeting.

Chairman McCann, on behalf of the Operations Committee, summarized the staff reports that were received and discussed by the Committee on the following matters: an update by Ms. Blankenship on the Authority's employee benefits; a proposed bond limitations resolution to authorize the issuance of single family bonds; and a salient features memorandum for the proposed issuance of the Authority's Rental Housing Bonds, 2007 Series A-Taxable, B-AMT and C. On motion duly made and seconded, the resolution entitled "Bond Limitations Resolution," dated January 17, 2007, in the form attached hereto, was approved by the affirmative vote of each of the Commissioners then present at the meeting.

Ms. Dewey's presented her report on operations in which she advised the Commissioners of the following matters: the receipt by the Authority of \$397 million in unused bond allocation in calendar year 2006; the meeting dates of the Board of Commissioners through May 2007; the NCSHA Legislative Conference on March 5-7, 2007; the NCSHA Board Workshop on August 12-14, 2007; the upcoming volunteer activities by the Authority staff; and the status of the selection process for the Commissioner who is a participant in the Authority's Section 8 Housing Choice Voucher Program. Following this report, Mr. McKellar then advised the Commissioners as to the status of legislation relevant to the Authority that had been introduced in the 2007 Session of the General Assembly.

Chairman McCann reported on the status of the improvements to the Virginia Housing Center on Cox Road, the proposed purchase of the building for the Authority's Wytheville office, and the proposed improvements to the Authority's office building in Richmond. Chairman McCann advised the Commissioners that at the retreat in March there would be a discussion of a proposal for the Board of Commissioners to meet quarterly rather than bi-monthly.

There being no further business, the meeting was adjourned at approximately 12:15 p.m. on January 17, 2007.

John P. McCann, Chairman

J. Judson McKellar, Jr.
Assistant Secretary

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE PROGRAMS COMMITTEE

HELD ON JANUARY 17, 2007

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 17, 2007 at 601 South Belvidere Street, Richmond, Virginia.

COMMITTEE MEMBERS PRESENT:

Charles McConnell, Committee Chairman
William C. Shelton
Gerald W. Hopkins
Douglas R. Fahl

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Donald L. Ritenour, Managing Director of Development
Herb H. Hill, Jr., Managing Director of Policy, Planning, and Communications
Michele G. Watson, Director of Homeownership Development Programs
John F. Hastings, Director of Multi-Family 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
Ronald A. Reger, Organizational Development Manager
J. Judson McKellar, Jr., General Counsel
Thomas A. Dolce, Managing Director of Servicing and Compliance

The meeting of the Committee was called to order by Committee Chairman McConnell at approximately 10:35 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 September 27, 2006 were approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Mr. Ritenour and Ms. Watson presented the Midyear Homeownership Production Report. Mr. Ritenour noted that Homeownership's Sponsoring Partnerships and Revitalizing Communities (SPARC) program supported more than 13% of total production during the first half of FY07. Ms. Watson also noted that 69% of the Authority's homeownership financing in the Northern Tier region was to households with incomes less than 80% of the area median due to the support and leverage of funds from the localities.

Mr. Ritenour and Mr. Hastings reviewed the Multi-family Bi-monthly Production Report. Mr. Ritenour noted that all 12 developments receiving Board approval for the period November 22, 2006 to January 9, 2007 were assisted with REACH funds. In addition, Mr. Ritenour noted that an estimated \$24 million of the total \$30 million approved was used to finance developments located inside the I-495 Beltway. Mr. Hastings also reported that while the Authority appears to be ahead of reaching its annual goal of 4,000 units, a significant decrease in production for January, February and March is expected.

Mr. Dolce presented reports on the status of delinquencies and foreclosures in the homeownership and multifamily loan servicing portfolios. Mr. Dolce noted that the overall delinquency rate for homeownership had increased slightly to 5.44% and the multifamily overall delinquency rate had decreased to 0.58% as of the end of November. Mr. Dolce also presented an update on the Housing Choice Voucher Program in which he stated that current leasing was at 100% for December.

Mr. Ritenour presented an overview of the Hispanic and African-American outreach activities for November and December. Following this report, Mr. Hawkins presented a summary of all outreach activities performed by the REACH Team for November.

There being no further business, the meeting was adjourned at 11:05 a.m.

Minutes of the Meeting of the Audit Committee Held on January 17, 2007

The meeting of the Audit Committee of the Board of Commissioners of the Virginia Housing Development Authority was held on January 17, 2007 at the offices of the Virginia Housing Development Authority, 601 S. Belvidere Street, Richmond, Virginia.

Committee Members Present John P. McCann
Braxton Powell
Nancy O'Brien

Other Commissioners Present Jay Fisette

Others Present Arthur N. Bowen, III, Managing Director of Finance & Administration
Russ E. Wyatt, General Auditor
Barbara Blankenship, Managing Director of Human Resources
Janet Butler, Managing Director of Information Technology Services
Tammy Taylor, Chief Learning Officer, Organizational Development & Learning
Melody Barackman, Controller
Ross Strodel, Internal Audit Manager
Michelle S. Edmonds, Sr. Executive Assistant

Meeting Called to Order The meeting was called to order at 10:30 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 Braxton Powell who joined the meeting in progress at 10:50 a.m.

Approval of the Minutes Commissioner McCann recommended that approval of the minutes of the meeting of the Audit Committee dated September 27, 2006 be delayed until the next meeting. Commissioners who were present at the September 27 meeting were not present at today's meeting.

Report on Monthly Financials and Budget Comparisons Art Bowen and Melody Barackman reviewed VHDA's completed financial statements dated November 2006. Melody handed out charts summarizing five months of results for FY '07. Excess revenues over expenses were almost \$70 million ahead of budget and last year's results by \$9 million and \$11.5 million, respectively. Most of the increase in income was generated from mortgage loans, which exceeded budget by \$4 million and exceeded last year by almost \$19 million. Mortgage loans outstanding increased 16% year over year to \$6.4 billion. Investment income exceeded plan by \$4 million and exceeded last year by \$6 million. Bond interest costs were \$4 million over budget and \$13 million higher than

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Audit Committee Minutes
January 17, 2007

**Report on
Monthly
Financials and
Budget
Comparisons**
(cont'd)

last year. Outstanding bonds increased almost 8% from a year ago to \$5.6 billion outstanding. Net interest margin totaled \$82.5 million, or \$4 million ahead of plan and almost \$12 million ahead of last year.

Other income was \$3.5 million above plan due to additional income from owned properties. Concurrently, program expenses were over budget by a comparable amount largely due to expenses of owned properties. Administrative expenses to date were below budget by \$2 million but exceeded last year, due to additional costs in the advertising campaign and costs associated with renovation of the Virginia Housing Center.

Melody also pointed out a correction to the written materials, which should read that net assets increased by \$69 million since June 30, 2006, not \$99 million.

In preparation for the March retreat, Commissioner McCann asked Melody to provide an analysis of each of the multifamily owned projects, as it relates to each individual project and on the portfolio as a whole to the FY '07 budget.

**Internal Audit
Report**

The General Auditor reported that two audits were completed since the last Committee meeting: the Housing Choice Voucher Program and the Investments Department. The General Auditor also reported that there are five audits currently in progress: 1) General Accounting; 2) Asset Management; 3) IT Operations; 4) Tax Credit Allocation Department; and 5) Multifamily Finance (Servicing). The General Auditor then reported that the Audit Division is on track to complete the schedule as planned. The General Auditor also reported that no adverse reports have been issued since the last meeting.

The General Auditor reported that the Investments Department audit resulted in a clean report and the HCV Program audit resulted in two concerns that were addressed with departmental management. The General Auditor discussed the concerns in detail and reported on management's actions to strengthen controls.

The General Auditor then reported that there are no outstanding and unresolved audit recommendations at this time.

Adjournment

There being no further business, Commissioner Powell moved for adjournment of the meeting at 10:50 a.m. Commissioner O'Brien seconded this motion. This motion was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Russ E. Wyatt
General Auditor

John P. McCann
Chairman of the Board

Minutes of the Meeting of the Operations Committee Held on January 17, 2007

The meeting of the Operations Committee of the Board of Commissioners of the Virginia Housing Development Authority was held on January 17, 2007 at the offices of the Virginia Housing Development Authority, 601 S. Belvidere Street, Richmond, Virginia.

Committee Members Present	John P. McCann Braxton Powell Nancy O'Brien
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Other Commissioners Present	Jay Fiset
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Others Present	Susan F. Dewey, Executive Director Arthur N. Bowen, III, Managing Director of Finance & Administration Russ E. Wyatt, General Auditor Barbara Blankenship, Managing Director of Human Resources Janet Butler, Managing Director of Information Technology Services Tammy Taylor, Chief Learning Officer, Organizational Development and Learning Melody Barackman, Controller Michelle S. Edmonds, Sr. Executive Assistant
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Meeting Called to Order	The meeting was called to order at 10:50 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.
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Approval of the Minutes	Commissioner O'Brien moved approval of the minutes of the meeting of the Operations Committee dated September 27, 2006. Commissioner Powell seconded this motion. This motion was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.
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Benefits Update	Barbara Blankenship, Managing Director of Human Resources, provided a handout outlining the results of the 2007 Benefits Open Enrollment process. Barbara defined the three different benefit plans available to VHDA associates (KeyCare PPO, HealthKeepers HMO or POS). For 2007, the overall decrease in the percentage of KeyCare PPO plan participants decreased from 63% to 57%. 60% of associates who have been employed with VHDA less than 5 years are choosing the less expensive HealthKeepers' HMO or POS product. The impact of associates choosing the less expensive HMO or POS product should realize a budgetary savings of \$90,000.
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Operations Committee Minutes
January 17, 2007

**Single Family
Bond
Limitations
Resolution**

Art Bowen, Managing Director of Finance & Administration, summarized a resolution that would authorize the issuance and sale of the Authority's single family bonds in the maximum amount of \$1.7 billion through May 31, 2008. The resolution has been reviewed by outside counsel. A motion to recommend approval by the Board of the resolution was made by Commissioner Fisette and seconded by Commissioner O'Brien. 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 Rental Housing Bonds issue to be issued in early March/late April, up to \$100,000,000 in taxable and tax-exempt bonds, and is expected to be rated Aa1/AA+.

**Capital Project
Update**

Art Bowen updated the Committee on the status of the current capital projects. There are three capital projects: 1) Headquarters/Belvidere Street; 2) Virginia Housing Center/Cox Road; and 3) Wytheville. A completion date of late April is anticipated with occupancy to occur 6-8 weeks thereafter. Two new elevators and new roofing has been accomplished to the Cox Road building. For the new building in Wytheville, expect to close at the end of January, 2007. Goal is to have the building ready for an "open house" prior to the November Governor's Housing Conference which will be in Roanoke. Work on the headquarters building will be contingent on completion of the Cox Road building. Art noted that a more detailed update will be given to the Committee at the March retreat.

FY '08 Budget

Art advised the Committee that initial discussions in preparation for the FY '08 budget will be on the agenda for the March retreat. Agenda items include, but are not limited to, 1) owned multifamily properties; 2) capital update; and 3) compensation.

Adjournment

There being no further business, Commissioner O'Brien moved for adjournment of the meeting at 11:15 a.m. Commissioner Fisette seconded this motion. This motion was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

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

John P. McCann
Chairman of the Board