

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE COMMITTEE OF THE WHOLE  
AND THE REGULAR MEETING OF THE COMMISSIONERS  
HELD ON MAY 15 AND 16, 2006

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 May 15 and 16, 2006 at the offices of the Authority, 601 South Belvidere Street, Richmond, 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  
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  
Paul M. Brennan, Deputy General Counsel  
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  
M. Gary Murray, Controller  
Linda K. Evans, Budget and Risk Management Analyst  
Joseph K. Feasor, Business Performance Analyst  
Clarence Wilson, Procurement Manager

Chairman Fahl called the meeting of the Committee of the Whole to order at 2:45 p.m. on May 15, 2006. The Commissioners listed above as present at the meeting were present at that time, except Commissioner Powell and Vice Chairman Fisette who joined the meeting in progress as noted below and thereafter remained present during the meeting and except Commissioners McCoy who was not present during the meeting of the Committee on May 15, 2006.

Mr. Bowen presented a report on the Authority's proposed annual budget for fiscal year 2007. After the commencement of this report, Commissioner Powell joined the meeting. During this presentation, the Commissioners and the staff discussed the following: the fiscal year 2007 budget process; the Authority's fiscal year 2007 critical issues; the loan production and mortgage loan asset balances in fiscal year 2006; the revenues and expenses in fiscal year 2006; the loan production and mortgage loan asset balances projected for fiscal year 2007; and the revenues and expenses included in the proposed budget for fiscal year 2007.

The Commissioners then considered an increase in the maximum number of full-time employees previously authorized by the Board of Commissioners. After a discussion of this issue, it was the consensus of the Commissioners that the concept of a "maximum number of employees" be eliminated, provided that the staff continue to inform the Commissioners prior to any future major hiring initiatives. Following this discussion, Vice Chairman Fisette joined the meeting.

Mr. Ritenour then presented a report on the REACH program allocations for fiscal year 2007. Mr. Ritenour summarized the REACH allocations in fiscal year 2006, described new programs for the 2007 REACH allocation, and compared fiscal year 2006 allocations to fiscal year 2007 allocations for the programs that would continue in fiscal year 2007. Mr. Ritenour noted that REACH subsidy for fiscal year 2007 would be redistributed among programs depending on usage or program performance. The Commissioners then discussed the amount of the REACH subsidy.

Mr. Chandler presented a report on the final rankings for reservations of the 2006 federal low-income housing tax credits. Mr. Chandler summarized issues that arose as a result of appeals and challenges since the release of the preliminary rankings and discussed the King's Highway Project which will serve persons with disabilities, a critical issue identified by the Authority.

There being no further business, the meeting of the Committee of the Whole was adjourned at approximately 6:35 p.m. on May 15, 2006.

Chairman Fahl called the regular meeting of the Board of Commissioners to order at approximately 11:05 a.m. on May 16, 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 McCann who joined the meeting in progress as noted below and thereafter remained present during 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 retreat meeting and the regular meeting of the Commissioners held on March 19-21, 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 operating statement for the period ended March 31, 2006 and quarterly unaudited financial statements for the period ended March 31, 2006.

Chairman Fahl then recognized the Virginia Housing Coalition, the Community Housing Partners Corporation, and the Home Builders Association of Virginia for their years of service to housing in Virginia. Commissioner Hopkins moved approval of the resolutions entitled "Resolution in Recognition and Appreciation of the Twenty-Fifth Anniversary of Virginia Housing Coalition", "Resolution in Recognition and Appreciation of the Thirtieth Anniversary of Community Housing Partners Corporation" and "Resolution in Recognition and Appreciation of the Fiftieth Anniversary of Home Builders Association of Virginia" each dated May 16, 2006, in the forms attached hereto. This motion was seconded by Commissioner McConnell and was approved by the affirmative vote of each of the Commissioners then present at the meeting.

On behalf of the Executive Committee, Chairman Fahl reported that the Committee discussed executive compensation and reviewed research and benchmark data provided by the staff and that the Committee will make a recommendation to the Board on the salary of the Executive Director at the next meeting.

On behalf of the Committee of the Whole, Chairman Fahl reported that the Committee reviewed the proposed budget for fiscal year 2007. Commissioner Hopkins moved approval of the resolution entitled "Resolution – Adoption of Operating Budget – Fiscal Year 2007" dated May 16, 2006 in the form attached hereto. This motion was seconded by Commissioner Powell and was approved by the affirmative vote of each of the Commissioners then present at the meeting. Commissioner Fahl reported that the Committee had discussed the 2007 REACH allocations and would review the usage of REACH subsidy at the 2007 January Board meeting. Chairman Fahl also reported that the Committee received a staff report on the final rankings for reservations of the 2006 federal low-income housing tax credits.

Commissioner McConnell, on behalf of the Programs Committee, reported on the final rankings of the Authority for reservations of the 2006 federal low-income housing tax credits. Commissioner McConnell advised the Commissioners that the staff would respond to a public comment made at the meeting of the Committee as to the ranking of Heritage at Coliseum in the at-large pool. Mr. Ritenour presented the recommendation of the staff that the Commissioners select King's Highway Project for a reservation of tax credits from the at-large pool. On motion duly made and seconded, the final tax credit rankings for reservations of 2006 federal low-income housing tax credits and the

recommendation to reserve 2006 federal low-income housing tax credits for King's Highway Project were 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 staff reports on the following matters: the homeownership and multi-family loan production; the single family and multi-family loan delinquencies; an update on the Housing Choice Voucher Program; an update on the REACH program for fiscal year 2006 and the allocation of REACH subsidy in fiscal year 2007; the proposed use of funds held by the Authority's subsidiary Housing for Virginia, Inc.; and an update on the servicing by the Authority of single-family loans made to Authority employees.

On behalf of the Audit/Operations Committee, Chairman Fahl reported that the Committee had received and discussed reports from Mr. Wyatt on the status of the internal audit schedule and internal audit reports and had reviewed, and recommended approval of, the VHDA Audit Committee Charter. Commissioner Powell moved approval of the VHDA Audit Committee Charter in the form attached hereto. This motion was seconded by Commissioner McCoy and was approved by the affirmative vote of each of the Commissioners then present at the meeting. Commissioner Fahl reported that the Authority had received proposals from four firms to serve as the Authority's independent auditors and that the firms of KPMG and Cherry, Bekaert & Holland had been selected for interviews. Chairman Fahl advised the Commissioners that the Committee had reaffirmed the Internal Audit Charter. Chairman Fahl next reported that the Committee had received and discussed the following: reports from Ms. Blankenship on the Authority's benefits for fiscal years 2006 and 2007 and the Authority's employee turnover rate; a report from Mr. Bowen on the Authority's retirement plans and the results of an internal survey of employees to determine their satisfaction with those plans; and the salient features of the Authority's proposed Rental Housing Bonds, 2006 Series B-AMT, and Commonwealth Mortgage Bonds, 2006 Series D-AMT and E. Commissioner Fahl reported that the Committee had considered, and recommended approval of, a proposed resolution that would declare the Authority's intent to issue tax-exempt bonds and use the bond proceeds to reimburse expenditures for proposed repairs and improvements to Deerwood Apartments. Commissioner McCoy then moved approval of the resolution entitled "Declaration of Official Intent to Reimburse Expenditures with Proceeds of Bonds for Deerwood Apartments" dated May 16, 2006, in the form attached hereto. This motion was seconded by Commissioner Allmond and was approved by the affirmative vote of each of the Commissioners then present at the meeting.

Commissioner Shelton then gave a presentation to the Board on the status of Virginia Community Capital, Inc. Commissioner McCann joined the meeting during this presentation.

Ms. Dewey's presented her report on operations in which she advised the Commissioners of the following matters: (i) the Authority's submission to the Secretary of Commerce and Trade of a request for an executive order by the Governor to continue the Authority's authorization to allocate and administer the federal low-income housing tax credits; (ii) a reception that was held on May 1 hosted by AHC, AHOME and the

Northern Virginia Affordable Housing Alliance thanking the Authority for its increased presence in northern Virginia; (iii) the attendance by Mr. Clarence Wilson at the Governor's SWAM Construction Forum and the Authority's efforts to expand procurement outreach; (iv) the Authority's first Affordable Housing Fair to be held June 10 at the Hampton Roads Convention Center; (v) the new logo and promotion of the Granting Freedom Program; (v) the Authority's marketing efforts on Hispanic radio stations; and (vi) the Virginia Housing Coalition 25th Anniversary Dinner to be held on June 22, 2006, in Richmond, the NCSHA Annual Conference to be held on September 16–19, 2006, in San Francisco, the upcoming Board meetings on July 31 – August 1, 2006, September 26–27, 2006, and November 20–21, 2006, and the Governor's Housing Conference to be held on November 29 – December 1, 2006, in Norfolk.

Chairman Fahl then noted that Commissioner Ceasar is not seeking another term as a commissioner of the Authority, and, on behalf of the Board, Chairman Fahl expressed appreciation for her work on the Board.

There being no further business, the meeting was adjourned at approximately 12:30 p.m.

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John P. McCann, Chairman

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J. Judson McKellar, Jr.  
Assistant Secretary