

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE REGULAR MEETING OF THE COMMISSIONERS
HELD ON DECEMBER 12-13, 2023

Pursuant to the call of the Chair and notice duly given, the regular meeting of the Commissioners of the Virginia Housing Development Authority (“Virginia Housing”) was held on December 12-13, 2023, at the offices of Virginia Housing, 601 South Belvidere Street, Richmond, Virginia.

COMMISSIONERS PRESENT:

Thomas A. Gibson, IV, Chair
Nathalia Artus, Vice Chair
Davon Gray
Dominique Hicks-Whitaker
Abigail Johnson
Carlos Larrazabal
David L. Richardson
Donald E. Scoggins
William C. Shelton
Sarah B. Stedfast

COMMISSIONERS ABSENT:

Bryan Horn

OTHERS PRESENT:

Susan F. Dewey, Chief Executive Officer
Fred Bryant, Chief Counsel
Tammy Neale, Chief of Programs
Hil Richardson, Chief Financial Officer
Janet Wigglesworth, Chief of Operations
Llew Anderson, Managing Director of Federal Programs
Herman Aparicio, Managing Director of Information Technology
JD Bondurant, Managing Director of Rental Housing
David Henderson, Managing Director of Finance and Administration
Monique Johnson, Managing Director of Community Outreach
Janet Little, Acting Managing Director of Capital Markets
Steve Mintz, Deputy Chief Counsel
Mike Urban, Managing Director of Homeownership
Lisa Watson, Managing Director of Human Resources
Marissa Arnold, Administrative Assistant
Ron Brown, Senior Desktop Support Analyst
Woodrow Carter, Program Compliance Officer
Shannon Cribbs, Enterprise Portfolio Management Director
Carina DeRoché, Grant Programs Officer
Lauren Dillard, Associate Tax Credit Allocation Officer

Bryce Dort, Audio Visual Technician
Sandy Edwards, Assistant to the Chief Executive Officer
Fabrizio Fasulo, Director of Policy and Planning
Kyla Goldsmith-Ray, Communications Director
Cindy Hii, Internal Audit Director
Michelle Jackson, Senior Executive Assistant
Tara Jenkins, Director of Executive Services
Salathia Johnson, Associate Chief
Chamara McCray, Senior Executive Assistant
Chris McNamara, Strategic Housing Officer
Charles Miller, Fellow
Michelle Prosser, Director of Talent Development
Maria Pruner, Associate Chief
Brooke Rogers, Senior Human Resources Generalist
Mindy Sanders, Lead Internal Auditor
Keyron Scott, Internal Staff Auditor
Emily Shafer, Senior Web Designer
Ryan Tharp, Business Applications Administrator
Jason Thompson, Associate Chief
Adrienne Whitaker, Director of Diversity, Equity and Inclusion
Tia Witiak, MERS Specialist
Ryne Johnson, Astoria

Chair Gibson called the regular meeting of the Board of Commissioners to order at approximately 3:30 PM on December 12, 2023. All the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting, except Commissioner Hicks-Whitaker who was not present on December 12th. Per Virginia Housing's Amended and Restated Policy Governing Electronic Participation in Board Meetings dated February 22, 2023, Commissioner Johnson participated from Bologna, Italy through electronic communication means (Webex) due to her principal residence being more than 60 miles from the meeting location.

Mr. Fasulo provided a report on the recent study on housing and economic development conducted for Virginia Housing by Chmura Economics & Analytics ("Chmura"). The presentation addressed the following: (i) Chmura's methodology in conducting the study; (ii) the categories of stakeholders that Chmura interviewed; (iii) that most stakeholders believe housing has a critical role in economic development; (iv) both the common and unique barriers and challenges that the different GO Virginia regions are experiencing in increasing housing supply; (v) a discussion of approaches taken by other states; and (vi) a high-level discussion of recommendations for next steps in Virginia.

Ms. Dewey presented a report on Virginia Housing's activities and operations in which she advised the Commissioners on efforts in: (i) addressing state housing needs; (ii) addressing unmet rental needs; (iii) strengthening first-time homeownership; (iv) delivering superior long-term financial and operational performance, and (v) telling our story. On the topic of addressing state housing needs, Ms. Dewey discussed (i) recent events sponsored by Virginia Housing and at which

staff participated as panelists and exhibitors, (ii) a spotlight on a recent grant to Fauquier Habitat for Humanity, and (iii) an update on the Virginia Mortgage Relief Program with \$219.7 million disbursed through November 30 serving 11,998 households. On the topic of addressing unmet rental needs, Ms. Dewey discussed Virginia Housing's financial support for (i) the Dominion South development in Fairfax County, (ii) the Lexington Seniors development in Portsmouth, and (iii) the Sleepy Meadows development in Buckingham County. On the topic of first-time homeownership, Ms. Dewey discussed (i) Mr. Urban's attendance at Fannie Mae's bi-annual meeting on November 15th, (ii) staff's attendance at Fahe's caucus meeting on November 8th, (iii) a recent webinar on 3-D printed homes sponsored by Essent Mortgage Insurance, and (iv) a housing affordability and inventory summit in Woodbridge. On the topic of delivering superior long-term financial and operational performance, Ms. Dewey discussed (i) the issuance of \$167.9 million in Rental Housing tax-exempt bonds, which closed November 30th, and (ii) the October Minority Business Advisory Council meeting. On the topic of telling our story, Ms. Dewey discussed (i) Advisory Council updates, (ii) the recent Governor's Housing Conference, and (iii) Virginia Housing's fiscal year 2023 Annual Report.

Ms. Dewey also recognized Ms. Anderson for her upcoming retirement and thanked her for her years of service to Virginia Housing.

Chair Gibson and the Board recognized Ms. Dewey for her upcoming retirement and thanked her for her years of service to Virginia Housing.

The meeting was recessed at approximately 4:05 PM.

Chair Gibson reconvened the meeting at approximately 10:45 AM on December 13, 2023. All the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting. Per Virginia Housing's Amended and Restated Policy Governing Electronic Participation in Board Meetings dated February 22, 2023, Commissioner Johnson participated from Bologna, Italy through electronic communication means (Webex) due to her principal residence being more than 60 miles from the meeting location.

Staff presented Chair Gibson and Commissioner Shelton, as immediate past Board Chair, with Virginia Housing jackets in recognition of their service to Virginia Housing.

Mr. Urban provided an update on upcoming changes to, and expansion of, Virginia Housing's Homeownership loan programs. The changes include increased sales price and income limits for the standard program and the expansion of the Homeownership program, with increased income limits for loans funded with taxable financing. The discussion focused on outreach and education efforts to Virginia Housing's business partners. The changes go live December 15th and a press release is planned for December 19th.

Ms. Dewey provided a report on Virginia Housing's initiatives in support of the Administration's priorities, including the Governor's Compete to Win, Make Virginia Home, Partnership for Petersburg, regulatory reduction, and government transformation initiatives.

Chair Gibson recognized the members of the Emerging Leaders Program in attendance.

Chair Gibson opened the floor for discussion of other Board matters. There were no Commissioners wishing to raise topics for general discussion. Chair Gibson made the following announcements: (i) thank you to staff that planned and otherwise assisted with the recent Governor's Housing Conference; (ii) congratulations to Commissioner Gray on his receipt of a recent professional award; (iii) congratulations to Commissioner Hicks-Whitaker on her son's award of a college scholarship; (iv) thank you to Vice Chair Artus and Commissioner Stedfast for their work on Ms. Dewey's retirement celebration; and (v) thank you to Commissioner Shelton for his work on the CEO recruitment.

Chair Gibson, on behalf of the Executive Committee, reported that the Committee took the following actions in its meeting on December 12, 2023: (i) approved the minutes of the Committee's October 24th meeting; (ii) reviewed and discussed the Agenda for the December Board Meeting; (iii) received a report from Mr. Fasulo on the proposed process and timeline for the development of the next strategic plan, including that (a) the end date of the current strategic plan "Opportunity 2025" will be extended 6 months - from June 30, 2025 to December 31, 2025; (b) pre-planning for the next strategic plan will commence in March of 2024 and run through June of 2024, and is expected to include the creation of an internal steering committee and recruitment of an external consultant; (c) multiple phases of planning activities will then commence in July 2024 (with new CEO expected to be in place) and will include external stakeholder engagement, multiple opportunities for Board input, and the two Financial Advisor firms will be available as resources; and (d) the new strategic plan is expected to be adopted by the full Board in August of 2025 and to be effective as of January 1, 2026; and (iv) Chair Gibson had provided the Committee with an update on the CEO search.

Commissioner Stedfast, on behalf of the Audit Committee, reported that the Committee took the following actions in its meeting on December 13, 2023: (i) approved the minutes of the Committee's October 25th meeting; (ii) received a report from Ms. Hii on recent activities of the Internal Audit Department, including (a) the audit of the Elite System (the application used in the Housing Choice Voucher program), including audit findings and remedial actions, both taken and planned, (b) that audits of major systems used in Homeownership Servicing, Rental Housing, and the Rental tenant compliance portal are underway, and (c) progress is taking place in the implementation of the new audit management system; (iii) Ms. Hii also provided a report on the three lines of defense ("Three Lines of Defense") in Virginia Housing for effective and efficient governance, risk management and risk control; and (iv) the Committee heard from or about the internal Virginia Housing departments having roles and responsibilities in connection with the Three Lines of Defense. Commissioner Stedfast also congratulated Chair Gibson on his upcoming promotion to the rank of Major.

Commissioner Richardson, on behalf of the Finance Committee, reported that the Committee took the following actions in its meeting on December 13, 2023: (i) approved the minutes of the Committee's June 6th meeting; and (ii) Mr. Richardson and Mr. Jones gave a report on the Enterprise-Wide Economic Model, which Commissioner Richardson stated showed that Virginia Housing's financial position is in good shape and also provides a model to monitor future financial performance and amounts available to be allocated to REACH *Virginia*.

Mr. Henderson reported on the financials and budget, specifically with respect to Virginia Housing's financial statements as of October: (i) excess revenues over expenses (before GASB adjustment) of \$6.1 million for the month, which is \$3.3 million above budget but \$9.6 million below last year, (ii) year to date, Virginia Housing achieved \$38.2 million in excess expenses over revenue (before GASB Adjustments), which is \$27.0 million better than budget and \$41.3 million higher than last year; (iii) year to date net interest margin of \$91.9 million, which is \$1.5 million above budget and \$49.1 million above last year; (iv) year to date programmatic expenses were \$0.8 million higher than budget due to higher than budgeted housing relief program expenses (\$4.4 million) offset by lower MSR amortization, loan acquisition & pooling expense (\$1.6 million) and lower than budgeted financing (cost of issuance) expense (\$1.2 million); (v) year to date administrative expenses are \$7.6 million lower than budget mostly due to lower than budget staffing costs (\$4.3 million) and below budget projects & technology (\$2.4 million); (vi) total assets of \$9.7 billion, an increase of \$352.9 million above last year; (vii) total liabilities of \$5.9 billion, an increase of \$297.4 million above last year, with the average cost of debt at 3.39% versus 3.00% last year; (viii) annualized interest return of 4.56%, which is 0.23% above budget and 6.67% higher than last year; (ix) total market value of investments (excluding cash) was \$2.4 billion, including a \$122.5 million decrease in GASB 31 market value adjustments, with 66.6% of investments held in money market instruments and 33.3% held in mortgage backed securities ("MBS"); (x) a net position of \$3.77 billion, an increase of \$55.5 million from last year, an annualized increase of 1.5%; (xi) a total mortgage portfolio of \$14.0 billion (including loans serviced for the government sponsored entities ("GSEs"), a \$638.1 million increase over last year; (xii) total assets and GSE servicing of \$15.9 billion, a \$682.3 million increase over last year; and (xiii) interest subsidy costs of \$3.73 million, which reflects the cost to Virginia Housing of REACH Virginia loan subsidies.

Mr. Richardson (i) discussed the prior and anticipated bond issuance calendar; (ii) presented a salient features memorandum for the Rental Housing Bonds, 2024 Series A-Taxable and Series B-Non-AMT (tax-exempt); and (iii) reviewed a chart showing Virginia Housing's Private Activity Bond Allocation as of November 29, 2023.

On a motion duly made and seconded to approve the consent agenda, the following, in the forms attached hereto, were approved by the affirmative vote of the Commissioners present: (i) minutes of the regular meeting of the Commissioners held on October 24-25, 2023, (ii) a resolution entitled "Resolution Approving and Ratifying 2023 Reservations of Virginia Housing Opportunity Tax Credits," and (iii) a resolution entitled "Resolution in Recognition and Appreciation of Thirty Years of Service by Cynthia Hamler-Johnson."

Chair Gibson read a letter from Governor Youngkin congratulating Ms. Dewey on her retirement and thanking her for her service as CEO. Ms. Dewey thanked the Board and staff for their support and hard work in support of Virginia Housing's mission.

Chair Gibson gave an update on the CEO recruitment process with the executive search firm (Heidrick & Struggles).

There being no further business, the meeting was adjourned at approximately 11:55 AM.

Thomas A. Gibson, IV, Chair

Fred W. Bryant, Assistant Secretary

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE
HELD ON DECEMBER 12, 2023

Pursuant to the call of the Committee Chair and notice duly given, the meeting of the Executive Committee of the Board of Commissioners of the Virginia Housing Development Authority (“Virginia Housing”) was held on December 12, 2023, at the offices of Virginia Housing, 601 South Belvidere Street, Richmond, Virginia.

COMMITTEE MEMBERS PRESENT:

Thomas A. Gibson, IV, Chair
Nathalia Artus, Vice Chair
David L. Richardson
William C. Shelton
Sarah B. Stedfast

COMMITTEE MEMBERS ABSENT:

None

OTHERS PRESENT:

Susan F. Dewey, Chief Executive Officer
Fred W. Bryant, Chief Counsel
Hil Richardson, Chief Financial Officer
Tammy Neale, Chief of Programs
Janet Wigglesworth, Chief of Operations
Lisa Watson, Managing Director of Human Resources
Bryce Dort, Audio Visual Technician
Fabrizio Fasulo, Director of Policy and Planning
Tara Jenkins, Director of Executive Services

The meeting of the Executive Committee was called to order by Chair Gibson at approximately 2:30 PM on December 12, 2023. 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 a motion duly made and seconded, the minutes of the Committee meeting held on October 24, 2023, were approved by the affirmative vote of the Commissioners noted above as present at the meeting.

The Committee reviewed and discussed the agenda for the Board Meeting.

Mr. Fasulo gave a presentation on the proposed process and timeline for the development of the next strategic plan. The report included the following information: (i) the end date of the current strategic plan “Opportunity 2025” will be extended 6 months - from June 30, 2025 to December 31, 2025; (ii) pre-planning for the next strategic plan will commence in March of 2024 and run through June of 2024, and is expected to include the creation of an internal steering committee and recruitment of an external consultant; (iii) multiple phases of planning activities

will then commence in July 2024 (with new CEO expected to be in place) and will include external stakeholder engagement, multiple opportunities for Board input, and the two Financial Advisor firms will be available as resources; and (iv) the new strategic plan is expected to be adopted by the full Board in August of 2025 and to be effective as of January 1, 2026.

Chair Gibson gave an update on the CEO recruitment process with the executive search firm (Heidrick & Struggles).

There being no further business, the meeting was adjourned at approximately 3:15 PM.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE
HELD ON DECEMBER 13, 2023

Pursuant to the call of the Committee Chair and notice duly given, the meeting of the Audit Committee of the Board of Commissioners of the Virginia Housing Development Authority (“Virginia Housing”) was held on December 13, 2023, at the offices of Virginia Housing, 601 South Belvidere Street, Richmond, Virginia.

COMMITTEE MEMBERS PRESENT:

Sarah B. Stedfast, Chair
Nathalia Artus
Donald E. Scoggins
Davon Gray

COMMITTEE MEMBERS ABSENT:

Dominique Hicks-Whitaker

OTHERS PRESENT

Susan Dewey, Chief Executive Officer
Tammy Neale, Chief of Programs
Fred W. Bryant, Chief Counsel
Hil Richardson, Chief Financial Officer
Janet Wigglesworth, Chief Operations Officer
David Henderson, Managing Director of Finance and Administration
Steven Mintz, Deputy Chief Counsel
Cindy Hii, Internal Audit Director
Tara Jenkins, Director of Executive Services
David Kohan, Director of Information Security
Yilla Smith, Director of Housing Opportunity Programs and Initiatives
Monique Johnson, Managing Director of Community Outreach
Justin Short, Senior Enterprise Risk Analyst
Cliffon Dickens, Senior Information Analyst
Jeff Quann, Senior Counsel Manager

The meeting of the Audit Committee was called to order by Chair Stedfast at approximately 8:30 a.m. on December 13, 2023. 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 a motion duly made and seconded, the minutes of the meeting of the Audit Committee held on October 25, 2023, were approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Ms. Hii presented the Internal Audit update on the following recent activities of the Internal Audit Department: First, Ms. Hii described the audit of the Elite System (the application used in the Housing Choice Voucher program), including audit findings and remedial actions, both taken and planned. Ms. Hii explained how Internal Audit is working with the Information Security Office staff to evaluate the effectiveness of remediation efforts. Second, Ms. Hii described briefly the audits that are underway of major systems used in Homeownership Servicing, Rental Housing, and the Rental tenant compliance portal. Finally, Ms. Hii reported progress is taking place in the implementation of the new audit management system, with a target launch date in February. Ms. Hii believes the system will need almost no customization and that some of its standard reports will be useful for this committee.

Ms. Hii then introduced the three lines of defense for risk management, governance, and internal controls, which is a recommended structure of the Institute of Internal Auditors. For the second line of defense, Mr. Quann presented the Homeownership compliance and quality control work his team does, Mr. Short presented the work of the Enterprise Risk Department, Mr. Dickens presented the work of the Information Security Office, and Ms. Hii described the work of the Quality Assurance and Process Excellence teams.

Ms. Hii closed by thanking Ms. Dewey for creating an organizational culture that embraces collaborative risk management and controls improvements.

There being no further business, the Chair adjourned the meeting at approximately 9:18 a.m. on December 13, 2023.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE FINANCE COMMITTEE
HELD ON DECEMBER 13, 2023

Pursuant to the call of the Committee Chair and notice duly given, the meeting of the Finance Committee of the Board of Commissioners of the Virginia Housing Development Authority (“Virginia Housing”) was held on December 13, 2023, at the offices of Virginia Housing, 601 South Belvidere Street, Richmond, Virginia.

COMMITTEE MEMBERS PRESENT:

David Richardson, Chair
Thomas A. Gibson, IV
Carlos Larrazabal
William C. Shelton

COMMITTEE MEMBERS ABSENT:

Abigail Johnson
Bryan Horn

OTHER COMMISSIONERS PRESENT:

Nathalia Artus
Davon Gray
Donald E. Scoggins
Sarah B. Stedfast
Dominique Hicks-Whitaker

OTHERS PRESENT:

Susan F. Dewey, Chief Executive Officer
Fred W. Bryant, Chief Counsel
Tammy Neale, Chief of Programs
Hil Richardson, Chief Financial Officer
Janet Wiglesworth, Chief of Operations
Llewellyn C. Anderson, Managing Director of Federal Programs
Herman Aparicio, Managing Director of Information Technology
David Henderson, Managing Director of Finance and Administration
Monique Johnson, Managing Director of Community Outreach
Janet Little, Acting Managing Director of Capital Markets
Steve Mintz, Deputy Chief Counsel
Mike Urban, Managing Director of Homeownership
Lisa Watson, Managing Director of Human Resources
Bill Corcoran, Special Advisor to Capital Markets
Shannon Cribbs, Enterprise Portfolio Management Director
Bryce Dort, Audio Visual Technician
Sandy Edwards, Assistant to the Chief Executive Officer
Candice Evans, Finance Associate
Fabrizio Fasulo, Director of Policy and Planning

Joe Feaser, Director of Homeownership Finance
Alex Gambale, Finance Associate
David Glassman, Assistant Director Rental Housing Development
Cindy Hii, Internal Audit Director
Michelle Jackson, Senior Executive Assistant
Tara Jenkins, Director of Executive Services
Chamara McCray, Senior Executive Assistant
Sandy Redd, Senior Finance Manager
Heather Richey, Director of Rental Housing Finance
Mindy Sanders, Lead Internal Auditor
Keyron Scott, Internal Staff Auditor
Jason Thompson, Associate Chief
David Jones, CSG Advisors
Kathleen Orlandi, Hawkins, Delafield & Wood LLP

The meeting of the Finance Committee was called to order by Chair Richardson at approximately 9:30 AM on December 13, 2023. 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 a motion duly made and seconded, the minutes of the Committee meetings held on June 6, 2023, in the form attached hereto, were approved by the affirmative vote of the Committee members present, other than Commissioner Gibson who abstained because he was not on the Committee as of June 6th.

Mr. Richardson and Mr. Jones gave a report on the Enterprise-Wide Economic Model. The two key objectives of the model are to (1) forecast financial resources, and (2) evaluate future REACH allocations in relation to financial position. Limitations of the exercise were described including the inability to predict the timing and magnitude of future economic and environmental events. Metrics evaluated included profitability, balance sheet impact, and funds available for REACH. The Model projects a range of financial outcomes under Base Case, Optimistic and Pessimistic scenarios. The takeaways from profitability review are that: (1) there is a wide range of potential results, (2) recurring revenues from the Authority's sizeable mortgage loan portfolio provide stability, (3) grants and expenses to increase but, in the Base Case scenario, are offset by increased revenues, and (4) continued active management is key. Annual REACH allocations are assumed to be 75% of a 3-year average of adjusted net income beginning in FY25 and are projected to remain stable or slightly increase in the Optimistic and Base Case scenarios but decline in the Pessimistic scenario. The balance sheet is likely to continue its growth and Net Position is likely to increase marginally and (3) future REACH allocations are quite stable. Additional observations include: (1) stable and growing net position is key, (ii) the revised REACH formula based on 3-year average of net income before grants (compared to prior 5-year avg) adjusts REACH allocations more quickly, and (3) the impact of REACH loan interest rate reduction subsidies on future net income and the volume of future loan production required to deploy such subsidy should continue to be evaluated.

There being no further business, the meeting was adjourned at approximately 10:35 AM.