

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE REGULAR MEETING OF THE COMMISSIONERS
HELD ON JUNE 27-28, 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 June 27-28, 2023, at the offices of Virginia Housing, 601 South Belvidere Street, Richmond, Virginia.

COMMISSIONERS PRESENT:

William C. Shelton, Chair
Thomas A. Gibson, IV, Vice Chair
Nathalia Artus
Dominique Hicks-Whitaker
Bryan Horn
Abigail Johnson
Carlos Larrazabal
Lisa R. Porter
David L. Richardson
Michael J. Schewel
Donald E. Scoggins

COMMISSIONERS ABSENT:

None

OTHERS PRESENT:

Susan F. Dewey, Chief Executive Officer
Fred Bryant, Chief Counsel
Tammy Neale, Chief of Programs
Hil Richardson, Chief Financial Officer
Janet Wiglesworth, Chief of Operations
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
Toni Ostrowski, Managing Director of Homeownership
Mike Urban, Managing Director of Homeownership Appointee
Lisa Watson, Managing Director of Human Resources
Jamie Baker, Controller
Abby Boyd, Director of Housing Opportunities
Andrew Burguiere, Senior Finance Manager
Shannon Cribbs, Enterprise Portfolio Management Director
Keandra Davis, Fellow
Michelle De La Cruz, Fellow

Phillip Cunningham, Tax Credit Allocation Officer
Clifton Dickens, Senior Information Security Analyst
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
Stephanie Flanders, Director of Tax Credits
Sergio Gambale, Design and Construction Group Manager
Cindy Hii, Internal Audit Director
Peter Imajo, Business Application Administration Manager
Michelle Jackson, Senior Executive Assistant
Tara Jenkins, Director of Executive Services
Jonathan Kinsey, Senior Tax Credit Allocation Officer
Tommy Le, Senior Desktop Support Analyst
Jasmine Martin, Fellow
Chamara McCray, Senior Executive Assistant
Tina McDowney, Business Technology Partner
Charles Miller, Fellow
Jennifer Nigro, Accounting Manager, Rental Housing Development
Michelle Prosser, Director of Talent Development
Maria Pruner, Associate Chief
Christine Rayl, Marketing Manager
Adrienne Robinette, Public Relations Manager
Yilla Smith, Associate Chief
Ethan Snead, Senior Security Engineer
Jason Thompson, Associate Chief
Frank Webster, Business Development Officer
Adrienne Whitaker, Director of Diversity, Equity and Inclusion
Paul Browne, Joseph Browne Development Associates
Eric Chapman, Community Housing Partners
Ernicia Coles, Piedmont Housing Alliance
Todd Collins, Community Housing Partners
Glenn Hudson, Hudson Real Estate Advisory Group
Ryne Johnson, Astoria
Matthew Mullen, Mercer
Linda Nguyen, Somos Phase B-9, LLC
Nathaniel Pride, Petersburg RHA
Sam Sari, Landmark Property Management
Karen Wilds, Newport News RHA
Stephen Wilson, SCG Development

Chair Shelton called the regular meeting of the Board of Commissioners to order at approximately 2:08 PM on June 27, 2023. All the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting on June 27th, except Commissioners Artus, Johnson and Porter who did not attend the meeting on June 27th. Per Virginia Housing's Amended and Restated Policy Governing Electronic Participation in Board

Meetings dated February 22, 2023, Mr. Bryant announced that Commissioner Horn was participating from Henrico County, VA through electronic communication means due to a family member's medical condition that required the Commissioner to provide care for such family member, thereby preventing the Commissioner's physical attendance.

Ms. Neale, Ms. Johnson, Mr. Bondurant, Mr. Urban, Mr. Richardson and Ms. Wiglesworth presented a summary of FY23 accomplishments, focusing on how the accomplishments advanced the Strategic Plan. Accomplishments for FY23 included providing multi-family financing of over \$400 million and 2,748 units, purchasing over 3,700 homeownership mortgage loans for approximately \$875 million, prudently managing the Virginia Mortgage Relief Program and disbursing approximately \$155 million to 10,700 households in aggregate for the program since inception, providing over 581 grants totaling over \$16 million to non-profit and localities, and successful financial and operational performance for FY23 creating sufficient net revenues over expenses to allocate \$92 million in REACH Virginia funds for FY24.

In Commissioner Artus' absence, Chair Shelton, on behalf of the Finance Committee, reported the following with respect to its meeting on June 6, 2023: (i) Mr. Bryant, Ms. Neale, Ms. Wiglesworth and Mr. Richardson presented a report to the Committee entitled "Strategic Review in Relation to the FY24 Proposed Budget" outlining priorities and challenges for their respective areas of responsibility as they impact the proposed FY24 operating budget; and (ii) the Committee considered the proposed FY24 Operating Budget as presented by Mr. Henderson and Mr. Richardson, which included the Executive Committee's recommendation with respect to the amount of the pool for annual merit increases and bonuses to be awarded to the staff. Chair Shelton noted that the Board materials contained a chart showing budgeted versus actual staffing costs for the most recent four-year period. Chair Shelton reported that the Finance Committee was recommending to the full Board that it adopt the FY24 Operating Budget as proposed and contained in the Board materials for the meeting. On a motion duly made and seconded, a Resolution dated June 27, 2023, and entitled "Resolution - Adoption of 2024 Fiscal Year Operating Budget," in the form attached hereto, was approved by the affirmative vote of the Commissioners then present.

Mr. Bondurant and Ms. Flanders provided a review of the federal low-income housing tax credit (LIHTC or credit) process. The presentation addressed the requirements of Section 42 of the Internal Revenue Code (Section 42), including the requirement to adopt a qualified allocation plan (QAP); the Board's role in adopting the QAP; the selection criteria in the QAP; the Virginia Housing rules of ranking and credit pools; the Board's role in credit allocation; the credit allocation process; summary information on 2023 9% LIHTC applications received; and information on past and recommended pre-allocation of future years' credit allocation.

Ms. Dewey introduced Virginia Housing's four recently hired Fellows and also recognized the 2023 Leadership Development Program (LDP) participants, who have just completed the LDP program.

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) a grant to the Center for Housing Education in Martinsville, (ii) Virginia Housing's support for the Southwest Virginia Housing Summit, (iii) the REEL Talk Instagram series, (iv) Virginia Housing's sponsorship of the Northern Virginia Housing Alliance "Celebrate and Elevate" event, and (v) the Virginia Mortgage Relief Program, including that the program has disbursed \$147.2 million as of May 31, 2023. On the topic of addressing unmet rental needs, Ms. Dewey discussed (i) the Arlington View Terrace development in Arlington, (ii) the Pecan Acres Phase I development in Petersburg, and (iii) The Coves at Monticello development in Palmyra. On the topic of first-time homeownership, Ms. Dewey discussed (i) Virginia Housing's activities related to National Homeownership Month, (ii) recent regional and national conferences at which staff has been presenters, (iii) an update on homeownership financing sources, specifically mortgage revenue bonds, and (iv) awards for top producing loan officers. On the topic of delivering superior long-term financial and operational performance, Ms. Dewey discussed (i) a recent Rental Housing Bond transaction funding loan increases for three developments, and (ii) the June 5th Discovery Day event for Virginia Housing staff. On the topic of telling our story, Ms. Dewey discussed (i) the grand opening of the Poplar Creek Homes project in South Boston, (ii) the ribbon cutting for the Residences at North Hill in Fairfax County, (iii) staff's participation in the Que Pasa and Juneteenth Freedom Day events, (iv) support for six nonprofits with the proceeds from Virginia Housing's Don Ritenour Charity Golf Classic, (v) Virginia Housing Advisory Council updates, (vi) receipt by two rental housing developments assisted by Virginia Housing (Gateway Seniors and Market Heights) of Home Builder Association of Virginia Housing Excellence awards, (v) recognition of Virginia Housing at the Virginia Governor's Conference on Aging, (vi) recognition of Virginia Housing's participation in the Commonwealth of Virginia Campaign, and (vii) Ms. Dewey's receipt of a Housing Visionary award from the National Housing Conference.

Commissioner Horn provided an update on recent activities of the Department of Housing and Community Development (DHCD), specifically: (i) a recent award to the Commonwealth of federal Broadband Equity, Access, and Deployment (BEAD) program funds, (ii) budget negotiations in the General Assembly, (iii) state building code updates, and (iv) DHCD's updates to its guidelines for allocating private activity bond cap in the local housing authority pool.

Ms. Dewey reminded Commissioners about the applicability of the Virginia Freedom of Information Act (FOIA) to, and the public nature of, Board meetings.

The meeting was recessed at approximately 4:55 PM.

Chair Shelton reconvened the meeting at approximately 9:45 AM on June 28, 2023. All the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting on the 28th, except Commissioner Hicks-Whitaker who joined and subsequently left the meeting, as noted below, and Commissioner Porter who joined the meeting as noted below. Per Virginia Housing's Amended and Restated Policy Governing Electronic Participation in Board Meetings dated February 22, 2023, Mr. Bryant announced the following: (i) Commissioner Horn was participating from Henrico County, VA through electronic communication means due to a family member's medical condition that required the Commissioner to provide care for such family member, thereby preventing the Commissioner's

physical attendance; (ii) Commissioner Artus was participating from Sao Paulo, Brazil through electronic communication means due to a family trip; (iii) Commissioner Hicks-Whitaker, when joining the meeting as noted below, would be participating from Richmond, VA through electronic communication means due to a personal emergency; and (iv) Commissioner Porter, when joining the meeting as noted below, would be participating from Abingdon, VA through electronic communication means due to a business trip.

Mr. El Koubi gave a presentation on the Commonwealth's Innovative Framework for Economic Growth (the "Framework"), including discussion of: (i) the goals for the Framework, (ii) progress made to date on the goals, (iii) core priority job sectors under the Framework, (iv) the Framework's pillars, including the living environment pillar, which encompasses housing, and (v) next steps.

Commissioner Horn provided additional information on the living environment pillar of the Framework. The goals of such pillar include making Virginia the location of choice for in-demand talent, especially in the knowledge of work sector, and improving affordability in key metro areas, such as Northern Virginia, Richmond and Hampton Roads, with a focus on increasing housing production to reduce housing costs.

Commissioner Hicks-Whitaker joined the meeting during Commissioner Horn's presentation and remained present until noted below.

Ms. Flanders and Mr. Bondurant presented the final rankings for reservations of credits in the 2023 9% LIHTC round. Staff recommended reservations of credits to (i) the developments noted as having scores high enough to receive credits in each of the pools; (ii) the remaining deal (Rivermont School Apartments) in the Tier One At-Large Pool; (iii) the next two highest scoring deals and an additional credit request in the Local Housing Authority pool (Norfolk TWG 81 Apartments at Kindred, Choice Neighborhoods V-Downtown, and Fairfax Hall); and (iv) all six developments in the Accessible Supportive Housing Pool (ASH Pool) with a pre-allocation of 2024 credits in the amount of approximately 27% (which would necessitate a waiver for good cause of the 10% pre-allocation cap on the ASH Pool in the QAP). Staff noted that these recommendations would result in a forward allocation of approximately 56% of 2024 credits, which would necessitate a waiver for good cause of the 50% overall pre-allocation cap set forth in the QAP, and staff recommended such a waiver. Ms. Dewey clarified that, per the QAP, if the preceding recommendations were adopted, the Board would be directing her as CEO to make the noted waivers of the QAP. Recommendations (i) through (iv) above and the recommendation with respect to approving an overall pre-allocation of approximately 56% of 2024 credits are referred to, collectively, herein as the "Recommendations."

Chair Shelton opened the discussion for public comment. Ms. Wilds spoke in favor of awarding credits to Choice Neighborhoods V-Downtown. Mr. Pride thanked the Board for their prior support of redevelopment of public housing in Petersburg and requested an award of credits to Pecan Acres Phase II. Mr. Wilson and Ms. Nguyen spoke in favor of awarding credits to the Somos Phase B-9 development. Mr. Chapman spoke in favor of awarding credits to the Ansell development.

The Board discussed the staff Recommendations and public comments with respect to the 2023 9% LIHTC round. A motion was duly made, seconded, and approved by the affirmative vote of each of the Commissioners then present at the meeting authorizing staff to proceed with the reservations of credits in accordance with the Recommendations, including directing Ms. Dewey to make the noted waivers of the QAP.

Commissioner Porter joined the meeting during a brief break after the LIHTC agenda item and remained present for the remainder of the meeting.

Mr. Mullen presented a report entitled “CEO Compensation Benchmarking Methodology and Timeline.”

The meeting was recessed at 12:00 PM for lunch. Commissioner Hicks-Whitaker left the meeting during this recess and did not return.

Chair Shelton reconvened the meeting at 12:25 PM. All of the Commissioners listed above as present at the meeting were present at that time and remained present throughout the remainder of the meeting on June 28, except Commissioner Hicks-Whitaker who had previously left the meeting, as noted above.

Mr. Fasulo presented a Board Brief entitled “Homeownership’s ‘New Normal’” addressing current high mortgage costs, limited for-sale inventory, the need for Virginia Housing to increase lending volume and to rebalance Virginia Housing’s portfolio risk, and opportunities to increase both income and sales price limits to address the needs of moderate-income borrowers while still serving low-income borrowers. Mr. Urban addressed staff recommendations to incrementally expand Homeownership program eligibility to serve households with income not to exceed 150% of applicable area median income and to also serve repeat buyers. Mr. Urban noted that feedback from Virginia Housing’s Homeownership Advisory Council and from other state housing finance agencies supported staff’s recommendation. The consensus of the Board was that Commissioners agreed with staff’s recommendations and timeline for expanding the Homeownership program.

Chair Shelton, on behalf of the Executive Committee, reported the following with respect to its meeting on May 31, 2023: (i) Ms. Watson provided the Committee with information on the compensation approach of comparable entities and the merit and bonus percentages included in recent Virginia Housing budgets; (ii) the Committee approved amounts to recommend to the Finance Committee and full Board to include in the FY24 operating budget for staff compensation and bonus; and (iii) the Committee and staff reviewed and discussed the Agenda for the Board meeting. Chair Shelton, on behalf of the Executive Committee, reported the following with respect to its meeting on June 27, 2023: the Committee discussed nominations for Chair and Vice Chair and nominated Commissioner Gibson for Chair and Commissioner Artus for Vice Chair. The full Board will vote in August.

Commissioner Schewel, on behalf of the Audit Committee, reported the following with respect to its meeting on June 28, 2023: (i) staff from Virginia Housing’s outside auditor, Clifton Larson Allen LLP (CLA), introduced the CLA team assigned to the audit, reported that there were no findings in the single audit results of three federal programs: Emergency Rental Assistance, Homeowner’s Assistance Fund and Mortgage Insurance Program, discussed CLA’s 2023 audit

plan, invited the Audit Committee to bring any questions and concerns they may have to CLA as part of “required communication with governance,” and discussed Governmental Accounting Standards Board (GASB) Statement No. 96; (ii) the Committee discussed the third-party report on Internal Audit and the Committee amended its Charter based on suggestions in the report; and (iii) Ms. Hii reported on recent audits performed by Internal Audit.

Mr. Henderson and Mr. Richardson reported on the financials and budget, specifically with respect to Virginia Housing’s financial statements as of April: (i) excess revenues over expenses (before GASB adjustment) of \$13.3 million for the month, which is \$8.1 million above budget but \$9.0 million below last year, (ii) year to date, Virginia Housing experienced \$31.1 million in excess expenses over revenue (before GASB Adjustments), which is \$20.9 million less than budget and \$82.4 million lower than last year; (iii) year to date net interest margin of \$176.3 million, which is \$38.1 million less than budget and \$5.4 million below last year; (iv) year to date programmatic expenses were \$26.3 million lower than budget due to lower than budgeted loan loss provision and expenses (\$15.8 million), lower financing costs (\$4.3 million), lower MSR amortization, loan acquisition and pooling (\$2.2 million) and lower than budgeted programs and partners expenses (\$4.1 million); (v) year to date administrative expenses are \$16.1 million lower than budget mostly due to lower than budget staffing costs (\$12.3 million), below budget projects and technology (\$1.6 million) and below plan services, insurance and other (\$1.4 million); (vi) total assets of \$9.3 billion, a decrease of \$334.0 million below last year; (vii) total liabilities of \$5.6 billion, a decrease of \$356.7 million below last year, with the average cost of debt at 3.15% versus 2.73% last year; (viii) annualized interest return of 1.36%, which is 1.42% below budget but equal to last year; (ix) total market value of investments (excluding cash) was \$2.3 billion, including a \$57.1 million decrease in GASB 31 market value adjustments, with 60.3% of investments held in money market instruments, 36.4% held in mortgage backed securities (“MBS”), 2.1% in U.S. Government Agencies and Treasury Obligations and 1.1% in U.S. Treasuries; (x) a net position of \$3.76 billion, an increase of \$22.7 million from last year; (xi) a total mortgage portfolio of \$13.7 billion (including loans serviced for the government sponsored entities (“GSEs”), a \$561.9 million increase over last year; and (xii) total assets and GSE servicing of \$16.1 billion, a \$108.9 million decrease over last year.

Mr. Richardson discussed the prior and anticipated bond issuance calendar and presented salient features memoranda for: (i) the Rental Housing Bonds, 2023 Series D-Non-AMT (tax-exempt) and Series E-Taxable, and (ii) the Commonwealth Mortgage Bonds, 2023 Series A-Non-AMT (tax-exempt) and Series B-Taxable.

Mr. Richardson reported that there were no additional updates since the April Board meeting on Virginia Housing’s progress on responses to the recommendations in the reports on affordable housing in Virginia and the operations of Virginia Housing prepared by JLARC.

On a motion duly made and seconded, the following were approved by the affirmative vote of the Commissioners then present: (i) minutes of the regional and regular meeting of the Commissioners held on April 23-25, 2023, in the form attached hereto, and (ii) a resolution entitled “Resolution Establishing Meeting Dates of the Board of Commissioners for Meetings from January 1, 2024, through December 31, 2024,” in the form attached hereto.

On a motion duly made and seconded, a resolution entitled “Resolution Approving the PHA Annual Plan for Virginia Housing for the Housing Choice Voucher Program,” in the form attached hereto, was approved by the affirmative vote of the Commissioners then present.

Chair Shelton thanked Commissioners Porter and Schewel for their service on the Board.

There being no further business, the meeting was adjourned at approximately 1:50 PM.

William C. Shelton, Chair

Fred Bryant, Assistant Secretary