

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE
HELD ON OCTOBER 14, 2020

Pursuant to the call of the Committee 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 October 14, 2020.

COMMITTEE MEMBERS PRESENT:

Shekar Narasimhan, Chairman
William C. Shelton, Vice Chairman
Thomas A. Gibson, IV
Abigail Johnson

OTHER COMMISSIONERS PRESENT:

Barbara Blackston
Erik Johnston
Lisa Porterl

OTHERS PRESENT:

Susan F. Dewey, Chief Executive Officer
Patrick J. Carey, Chief of Programs
Tammy Neale, Chief of Staff
Janet Wigglesworth, Chief of Operations
Lisa Watson, Managing Director of Human Resources
Courtney Insley, Senior Executive Assistant
Myriam Michaels, Korn Ferry

The meeting of the Executive Committee was called to order by Chairman Narasimhan via WebEx at approximately 4:00 p.m. on October 14, 2020. The Committee met by electronic communication means (WebEx) as permitted by the Governor’s declared state of emergency due to novel coronavirus (COVID-19) that made it unsafe to assemble in a single location. The members of the Committee listed above as being present at the meeting were present at that time and remained present throughout the meeting.

Ms. Michaels reviewed with the Committee her documentation of the CEO Executive Compensation Philosophy and Strategy approved by the Board of Commissioners in May 2019, which would be used in the orientations of new members to the Board of Commissioners. Ms. Michaels also presented the results of a survey that focused on six areas of board effectiveness and compared the results between internal and external participants, from which she identified strengths and opportunities for cultivating the effectiveness of the Board.

Mr. Brennan provided an update on the status of the building permit for the expansion of the headquarters building.

The Commissioners and staff reviewed and discussed the agenda for the meeting of the Board of Commissioners.

There being no further business, the meeting was adjourned at approximately 5:52 p.m.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE REGULAR MEETING OF THE COMMISSIONERS
HELD ON OCTOBER 15, 2020

Pursuant to the call of the Chairman and notice duly given, the regular meeting of the Commissioners of the Virginia Housing Development Authority (the “Authority”) was held on October 15, 2020, at the Authority’s offices at the Virginia Housing Center, 4224 Cox Road, Glen Allen, Virginia.

COMMISSIONERS PRESENT:

Shekar Narasimhan, Chairman
William C. Shelton, Vice Chairman
Nathalia Artus
Barbara Blackston
Abigail Johnson
Erik Johnston
Manju Ganeriwala
Carlos Larrazabal
Lisa R. Porter
Michael J. Schewel

COMMISSIONERS ABSENT:

Thomas A. Gibson, IV

OTHERS PRESENT:

Susan F. Dewey, Chief Executive Officer
Paul M. Brennan, Chief Counsel
Patrick J. Carey, Chief of Programs
Janet Wigglesworth, Chief of Operations
Tammy Neale, Chief of Staff
J. Michael Hawkins, Managing Director of Community Outreach
Arthur N. Bowen, Managing Director of Rental Housing
Toni Ostrowski, Managing Director of Homeownership
Hil Richardson, Managing Director of Capital Markets
Llewellyn C. Anderson, Deputy Chief of Programs
Lisa Watson, Managing Director of Human Resources
Fred Bryant, Deputy Chief Counsel
Herman Aparicio, Managing Director of Information Technology
David Henderson, Managing Director of Finance and Administration
Fabrizio Fasulo, Director of Policy and Planning
DJ Benway, Policy Analyst
Barry Merchant, Contractor
Sandy Edwards, Assistant to the Chief Executive Officer
Courtney Insley, Senior Executive Assistant
Myriam Michaels, Korn Ferry
Ryne Johnson, Astoria

Chairman Narasimhan called the regular meeting of the Board of Commissioners to order at 10:30 a.m. on October 15, 2020. All of the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting. Commissioners Blackston, Johnson, Larrazabal, Porter and Schewel participated in the meeting via electronically for medical reasons from separate locations in Richmond, Williamsburg, Fairfax, Bristol and Richmond, respectively, as per the Authority's electronic participation policy.

No members of the public requested an opportunity to make comments during the public comment period of the meeting.

Ms. Dewey presented a report on the activities and operations of the Authority in which she advised the Commissioners on the Authority's efforts in (i) responding to the impact of COVID pandemic; (ii) addressing state housing needs; (iii) addressing unmet rental needs; (iv) strengthening first-time homeownership; (v) financial performance; (vi) internal and operational initiatives; and (vii) telling our story. On the topic of responding to the impact of the COVID pandemic, Ms. Dewey provided updates on (i) the number of grants provided to the housing delivery network and the number of rental mortgage loans and homeownership loans in forbearance, as well as the percentages such loans represent in the Authority's loan portfolios; and (ii) the Authority's partnership with the Department of Housing and Community Development as one of the grantees administering the landlord approach under the Commonwealth's Rent and Mortgage Relief Program. On the topic of addressing state housing needs, Ms. Dewey discussed (i) the results of a housing survey funded by a Community Impact grant provided to Franklin County that identified the lack of available housing within the County; and (ii) the status of the HB810 housing study requested by the General Assembly, which was delivered with recommendations for the most effective way to administer a Virginia housing opportunity tax credit program. On the topic of addressing unmet rental needs, Ms. Dewey discussed (i) Piper Square, a public housing transformation effort in Hopewell; (ii) Model Tobacco, a former tobacco factory that will undergo renovations to become a mixed-use, mixed-income development in Richmond; (iii) East End Mobile Home Park, which will preserve 60 affordable housing units in Manassas; and (iv) the timeline for updating the Qualified Allocation Plan. On the topic of first-time homeownership, Ms. Dewey discussed (i) the Authority's podcast that will feature three bank loan officers discussing how the Authority's loan programs help first-time homebuyers; (ii) the launch of a securitization program with Freddie Mac on September 9, 2020; (iii) the expansion of the Acquire Renovate Sell program to allow for a rent-to-own pilot; and (iv) the numerous conferences in which the Authority had participated in since the last meeting of the Board of Commissioners. On the topic of financial performance, Ms. Dewey discussed (i) the clean audit opinion for fiscal year 2020 from KPMG; and (ii) the growth of the Authority's total assets and net position. On the topic of internal and operational initiatives, Ms. Dewey provided an update on the comprehensive website redesign. On the topic of telling our story, Ms. Dewey discussed (i) the Authority's insert published in the September issue of Virginia Business; (ii) a feature in the Eastern Shore Post on tips for renting a home; (iii) the September issue of Virginia Town and City magazine featuring the revitalization work in Pulaski financed by the Authority; and (iv) virtual events that the Authority participated in with FAHE, VA Association of Counties and National Association of Home Builders.

The following items, in the forms attached hereto, were approved by the affirmative vote of each of the Commissioners then present at the meeting on a motion to approve the consent agenda: (i) the minutes of the annual meeting of the Commissioners held on August 24-25, 2020;

and (ii) the resolution entitled “Resolution of Board of Directors and Certificate of Authorized Signatures” dated October 15, 2020.

Mr. Carey presented a report on the Authority’s investment policy. In this report, Mr. Carey reported on (i) the legal authority governing the investment of Authority funds; (ii) the investment objectives of the policy; (iii) the characteristics of the investment portfolio as of June 30, 2020; and (iv) a scenario of the potential impact on the Authority’s investment balances if the Authority were to invest a portion of the investment portfolio in equities. Mr. Carey also updated the Board on the near completion of the underwriting on a potential \$1.5 million investment in indieDwell that would bring a modular housing production factory to Virginia.

Ms. Anderson presented a report on REACH *Virginia* for the fiscal year-to-date ending August 31, 2020, detailing approximately \$9.7 million in the reservations and commitments under the programs that utilize REACH *Virginia* funds.

Chairman Narasimhan presented a plan to pair Commissioners with each of the strategic goals of Opportunity 2024 to act as liaisons with staff in the advancement of the goals. Ms. Neale provided an overview of the preamble to Opportunity 2024. Mr. Fasulo presented (i) the timeline for further development of Opportunity 2024; (ii) the structure of the Opportunity 2024 plan; (iii) the strategies, objectives and desired outcomes for each of the strategic goals in Opportunity 2024; and (iv) next steps in developing activities to further the goals of the plan and metrics to measure progress. On motion duly made and seconded, a motion to approve the strategic plan, Opportunity 2024, was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Ms. Michaels reviewed with the Commissioners the documentation for the CEO Executive Compensation Philosophy and Strategy approved by the Board of Commissioners in May 2019. Ms. Michaels also presented the results of a survey that focused on six areas of board effectiveness and compared the results between internal and external participants, from which she identified strengths and opportunities for cultivating the effectiveness of the Board.

Chairman Narasimhan, on behalf of the Executive Committee, reported that Commissioner Johnson would fill the opening on the Executive Committee and Commissioner Schewel had joined the Audit Committee; and that the Committee reviewed and discussed (i) the materials presented to the Board by Ms. Michaels; and (ii) the agenda for the meeting of the Board. Mr. Brennan provided an update on the status of the building permit for the expansion of the headquarters building.

Commissioner Shelton, on behalf of the Audit Committee, reported that, at its meeting on September 30, 2020, the Committee had received and discussed with representatives of KPMG their audit of the Authority’s financial statements for fiscal year 2020 and that KPMG had issued its unqualified opinion that such financial statements present fairly, in all material respects, the financial position of the Authority and that KPMG did not identify any deficiencies in internal controls that KPMG considered to be material weaknesses. KPMG has not yet issued its single audit report, because it is waiting for the issuance of the Compliance Supplement Addendum from the Office of Management and Budget prior to completing its review. Commissioner Shelton also reported that the Committee received a report that Internal Audit has completed its internal review of its compliance procedures and provided the required annual attestation

confirming ongoing conformance with the Institute of Internal Auditors' established professional standards and code of ethics.

Mr. Carey gave a report on how (i) the issuance of bonds and the securitization of mortgage loans affect the Authority's balance sheet; and (ii) changes in interest rates affect the value of the Authority's securities. Mr. Richardson advised the Commissioners on the salient features of the Authority's proposed Rental Housing Bonds, 2020 Series I-Non-AMT and Series J-Taxable with a maximum issue size of \$260 million that provide financing for up to 15 multi-family housing developments. Mr. Richardson also briefly reviewed the Commonwealth's allocation of tax-exempt private-activity bonds and how the Authority uses the allocation for its rental and single-family loan production.

Mr. Henderson reported on the Authority's financial results for the fiscal year-to-date ending August 31, 2020. In his report, Mr. Henderson noted the following: (i) the Authority's net interest margin of \$33.2 million was \$6.4 million under budget; (ii) total expenses were \$12.25 million less than budget, mostly due to the loan loss provision being evenly distributed in the budget throughout the fiscal year and losses are expected to come later in the fiscal year; (iii) excess revenues over expenses (before GASB adjustment) of \$17.8 million was \$11.2 million higher than budget, again mostly due to the manner in which the loan loss provision is budgeted; (iv) total liabilities and net position (total assets less total liabilities) was approximately \$8.6 billion, approximately \$1.2 billion greater than last fiscal year; (v) the Authority's total mortgage portfolio was \$12.2 billion, a \$940.2 million increase over last year; and (vi) the combined assets and serviced loans of the Authority totaled \$14.6 billion; a \$1.8 billion increase over last fiscal year. Mr. Henderson also reviewed the trend of the Authority's net position over the last 5 years and the Authority's investment balances.

Commissioner Johnston reported on recent activities of the Department of Housing and Community Development, including the following: (i) the upcoming meeting of the Board of Housing and Community Development to finalize the building code update, which will include provisions on energy efficiency, resiliency and innovation; (ii) DHCD's focus on short-term issues that require CARES Act funds to be spent by year-end in the Virginia Rent and Mortgage Relief Program; to non-congregate shelters for the homeless and for the expansion of broadband availability; (iii) DHCD's focus on longer-term issues with possible increases in the state budget that includes, increasing the Virginia Housing Trust Fund from \$7.5 million to \$55 million, \$3.3 million for an eviction diversion pilot program and an increase in funding for the last mile of broadband from \$19 million to \$50 million; (iv) an additional funding source from a regional greenhouse initiative that focuses on energy efficiency to benefit low income Virginians that will create an estimated \$50 million annually to be distributed to DHCD for housing.

Ms. Dewey invited the Commissioners to participate in three virtual conferences: (i) National Council of State Housing Agencies' annual conference to be held on October 26 - 29, 2020; (ii) the National Conference of State Housing Boards' annual Educational & Development Workshop to be held on November 12, 2020; and (iii) the Governor's Housing Conference to be held on November 18 - 20, 2020

There being no further business, the meeting was adjourned at approximately 3:09 p.m.

Shekar Narasimhan, Chairman

Paul M. Brennan, Assistant Secretary