

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE REGULAR MEETING OF THE COMMISSIONERS
HELD ON OCTOBER 24-25, 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 October 24-25, 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
Bryan Horn
Abigail Johnson
Carlos Larrazabal
David L. Richardson
Donald E. Scoggins
William C. Shelton
Sarah B. Stedfast

COMMISSIONERS ABSENT:

Dominique Hicks-Whitaker

OTHERS PRESENT:

Susan F. Dewey, Chief Executive Officer
Paul Brennan, Special Assistant to the CEO
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
David Bell, Quality Review Supervisor
DJ Benway, Senior Policy Analyst
Ron Brown, Senior Desktop Support Analyst
Woodrow Carter, Program Compliance Officer

Shannon Cribbs, Enterprise Portfolio Management Director
Keandra Davis, Fellow
Michelle De La Cruz, Fellow
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
Stephanie Flanders, Director of Tax Credits
Everett Gardner, Associate Deputy Counsel
Margaret Giron, Senior Claims/Recovery Officer
Iasia Goodson, Administrative Assistant
Cindy Hii, Internal Audit Director
Kierra Huff, Senior Program Officer
Michelle Jackson, Senior Executive Assistant
Tara Jenkins, Director of Executive Services
Salathia Johnson, Associate Chief
Morgan Littleton, Security Analyst
Jasmine Martin, Fellow
Chamara McCray, Senior Executive Assistant
Chris McNamara, Strategic Housing Officer
Peter Milana, Finance Reporting Accountant
Charles Miller, Fellow
Toni Moore, Talent Development Generalist
Michelle Prosser, Director of Talent Development
Maria Pruner, Associate Chief
Vashity Richardson, Mortgage Generalist
Grayson Roberts, Senior Staff Accountant
Brooke Rogers, Senior Human Resources Generalist
Mindy Sanders, Lead Internal Auditor
Keyron Scott, Internal Staff Auditor
Emily Shafer, Senior Web Designer
Becky Silva, Human Resources Generalist
Yilla Smith, Associate Chief
Jordan Tawney, Associate Development Officer
Nish Thanu, Quality Assurance Analyst
Jason Thompson, Associate Chief
Adrienne Whitaker, Director of Diversity, Equity and Inclusion
Tia Witiak, MERS Specialist
Steve Lawson, The Lawson Companies
Austin Pittman, The Lawson Companies

Chair Gibson called the annual meeting of the Board of Commissioners to order at approximately 3:48 PM on October 24, 2023. All the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting.

Ms. Dewey recognized the participants in the 2023 Emerging Leaders Program (ELP) that were in attendance. Ms. Dewey presented on Fall conferences, events and trainings and 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) the ULI Virginia technical assistance panel in Danville, (ii) HUD disaster preparedness and recovery counseling training, (iii) a grant spotlight on developer Faith Linton's Oracle City nonprofit, and (iv) an update on the Virginia Mortgage Relief Program with \$200.6 million disbursed through September 30 serving 12,539 households. On the topic of addressing unmet rental needs, Ms. Dewey discussed Virginia Housing's financial support for (i) the Ashlake Crossing and Ashlake Trails developments in Chesterfield County, (ii) the Braddock Terrace Apartments development in Loudoun County, and (iii) the Kindewood Community development in Charlottesville. On the topic of first-time homeownership, Ms. Dewey discussed (i) the post-call customer service survey showing customers responded favorably and were satisfied with their experience, (ii) the Virginia Mortgage Bankers and Virginia Realtors annual conferences, and (iii) the Home Builders Association of Virginia Summit. On the topic of delivering superior long-term financial and operational performance, Ms. Dewey discussed (i) the issuance of \$56.6 million in Rental Housing tax-exempt bonds, which closed October 12th, and (ii) the issuance of \$250 million of Commonwealth Mortgage Bonds, including \$100 million of tax-exempt bonds, which closed October 24th. On the topic of telling our story, Ms. Dewey discussed (i) a lifetime supporter award that Ms. Dewey presented to former Virginia Housing Commissioner Kit Hale at the Virginia Realtors annual conference, (ii) receipt by two Virginia Housing financed developments, Terwilliger Place and Lake Anne House, of *Affordable Housing Finance* Reader's Choice Awards, (iii) staff's participation in the Marbella development's ground breaking in Arlington, (iv) an adaptive reuse bus tour that staff conducted for Secretary Merrick, also attended by Commissioner Richardson, highlighting mixed-use rental developments in Richmond, (v) Ms. Neale's participation in the Virginia Association of Local Human Services Officials (VALHSO) Fall Conference, (vi) Virginia Housing's sponsorship of the Governor's Summit on Rural Prosperity, (vii) Advisory Council updates, (viii) reference to Virginia Housing's efforts to support modular construction to develop affordable homes in testimony before the Banking Subcommittee in Housing, Transportation and Community development, and (ix) Virginia Housing's receipt of two awards at the recent NCSHA Annual Conference. Ms. Dewey also recognized Mr. Brennan, who is retiring at the end of the month, and thanked him for his service to Virginia Housing.

Commissioner Horn provided his report on behalf of the Department of Housing and Community Development (DHCD), including DHCD's recent receipt of applications for funding from the Affordable and Special Needs Housing Program (ASNH), flood relief programs in Buchanan and Tazewell counties, and deployment of broadband funds to address broadband access, affordability, and adoption needs in the Commonwealth. Commissioner Shelton requested an update at a future meeting on the proposed state budget funding for the Virginia Housing Trust Fund.

Ms. Johnson, Ms. Anderson, and Ms. Smith presented on the Housing Choice Voucher Program (HCVP). The report included a discussion of (i) funding and governance of the program,

(ii) the roles of the parties and participants in the program, (iii) Virginia Housing's HCVP service area, (iv) the cost of the HCVP, (v) who is served by the program, (vi) the top ten reasons that voucher recipients leave the program, (vii) internal and external challenges and opportunities in operating the program, and (viii) next steps in improving the efficiency and effectiveness of the program.

On motion duly made and seconded and approved by the affirmative vote of the Commissioners noted above as present at the meeting, the Board convened in closed session for discussion of (i) Ms. Dewey's compensation for fiscal year 2023, and (ii) selection of an Interim CEO in accordance with Section 2.2-3711.A.1 of the Code of Virginia and further provided that Ms. Watson and Mr. Bryant, who were deemed necessary to be present or would reasonably aid the Board in its consideration of the aforesaid topic, be present during the closed session. At the conclusion of the closed meeting, the Commissioners reconvened in an open meeting. Each Commissioner present certified, by roll-call vote, that to the best of his or her knowledge, only public business matters lawfully exempted from open meeting requirements under the Freedom of Information Act and only such public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed, or considered in the closed meeting by the Commissioners.

On a motion duly made and seconded and approved by the affirmative vote of the Commissioners noted above as present at the meeting, the Board awarded Ms. Dewey a bonus equal to 28% of her current base salary.

On a motion duly made and seconded and approved by the affirmative vote of the Commissioners noted above as present at the meeting, the Board selected, effective immediately after Ms. Dewey's retirement, Ms. Wigglesworth as Interim CEO and determined that she will be entitled to a 10% increase of her current base salary during her time in the role of Interim CEO.

Chair Gibson gave an update on the recruitment of the new CEO, including (i) that Heidrick & Struggles (Heidrick) has been selected as the executive search firm to conduct the CEO search, (ii) an overview of the preliminary timeline for the search, and (iii) that Heidrick would be reaching out to each Commissioner for a brief call and to complete a short, written survey. Chair Gibson also mentioned that the Board would be moving forward with a scope of work with Mercer for fiscal year 2024 (FY24) CEO performance and compensation consulting services.

The meeting was recessed at approximately 5:21 PM.

Chair Gibson reconvened the meeting at approximately 9:45 AM on October 25, 2023. All the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting.

Chair Gibson opened the floor for public comment. Mr. Lawson and Mr. Pittman spoke in favor of the Board making Housing Opportunity Tax Credit (HOTC) awards to their 700 West 44 - 4% and The View at Belle Isle developments. There being no further individuals wishing to make public comments, Chair Gibson closed the public comment period.

Ms. Flanders presented an overview of the 2023 HOTC application round and final rankings. Ms. Flanders noted that two applications (Essex Point at Mount Clement Senior and Essex Point at Mount Clement Family) had been withdrawn due to failure to obtain zoning approval and that there was the potential for the return of credits from a 2022 HOTC development that was having issues moving forward. Staff recommended funding the remaining seven developments, including the 700 West 44 - 4% and The View at Belle Isle developments, and utilizing a pre-allocation of 2024 HOTC to fully fund the developments. On motion duly made and seconded and approved by the affirmative vote of the Commissioners noted above as present at the meeting, the Board authorized staff to proceed with the reservation of credits in accordance with their recommendations for the 2023 HOTC final rankings, including the 700 West 44 - 4% and The View at Belle Isle developments. Ms. Flanders next addressed staff's plans for awarding the 2024 HOTC. The 2024 HOTC awards are expected to be made according to the same priorities and process as the 2023 HOTC awards, except that the statutorily mandated priority for developments in jurisdictions having less than 35,000 in population will be applied to only \$2 million in 2024 HOTC, as is set forth in the HOTC statute.

Mr. Fasulo presented Board Brief #12: Housing as an Economic Development Strategy in Virginia. The presentation addressed linkages between housing and economic development and the forthcoming report that Virginia Housing has commissioned to be prepared by Chmura Economics & Analytics on the subject.

Mr. Urban discussed the upcoming expansion of Virginia Housing's Homeownership program. Changes for this expanded program, which is not funded with tax-exempt bonds, include increasing the applicable maximum gross household income limits, permitting repeat buyers and eligible refinances, and no applicable sales price/loan limits. Mr. Urban also noted that borrowers participating in the expanded program can take advantage of Virginia Housing's Plus Second Mortgage to help with the down payment requirements, but that REACH *Virginia* resources will not be available for the expanded program. Mr. Urban also described increases to the sales price/loan limits for the standard bond program that will be announced simultaneously with the expanded program and that such announcements are anticipated to be in mid-December.

Chair Gibson opened the floor for discussion of other Board matters. Commissioner Artus mentioned several recent awards presented to Ms. Dewey, including a lifetime achievement award at the NCSHA Annual Conference, and plans for a retirement celebration on December 12th. Ms. Dewey gave an overview of Virginia Housing's actions to support the Governor's Make Virginia Home, Compete to Win, Partnership for Petersburg, regulatory reduction, and government transformation initiatives. Commissioner Shelton urged staff to emphasize in communication of the expanded homeownership program that such expansion is additive and the core first-time homebuyer program is continuing without being diminished by the expansion.

Chair Gibson, on behalf of the Executive Committee, reported that the Committee took the following actions in its meeting on October 24, 2023: (i) reviewed and discussed the Agenda for the October Board Meeting, (ii) approved the minutes of the Committee's September 5th meeting, (iii) met with the team from Heidrick, the executive search firm selected to conduct the CEO search, reviewed a preliminary timeline for the recruitment, and discussed that the next steps in the process are for Heidrick to have brief individual calls with each Commissioner and also send

a short, written survey; (iv) discussed the contract with Mercer for services related to CEO performance management and compensation, with the consensus of the Committee being to continue the engagement with Mercer and develop a new scope of work with Mercer for FY24, and (v) met in two closed sessions to discuss recommendations to the full Board regarding (a) Susan's FY23 bonus with an ultimate recommendation to the Board of a 28% bonus and (b) an Interim CEO effective upon Susan's retirement with an ultimate recommendation that Ms. Wigglesworth serve in that role and be awarded a 10% increase in salary during such period of service.

Commissioner Stedfast, on behalf of the Audit Committee, reported that the Committee took the following actions in its meeting on October 25, 2023: (i) approved the minutes of the Committee's June 28th meeting; (ii) received a report from Ms. Gaby Miller, Signing Director, CliftonLarsonAllen LLP (CLA), Virginia Housing's external auditors, on the annual independent audit prepared by CLA of Virginia Housing's financial statements for the year ended June 30, 2023, specifically that (a) there were no findings regarding the financial statements and no management letter comments and (b) the deadline for what comes next, including the single audit, is March 31, 2024, but CLA's goal is to complete such work before December 31, 2023; (iii) Ms. Hii reported results of three recent audits completed by Internal Audit since the Committee's last meeting: (a) Rental Housing construction loan draws, (b) the Office Cast system, and (c) the Bottomline system; and (iv) Ms. Hii also presented (a) updates on other Internal Audit activities, including setting up a new audit management system, (b) the FY24 Annual Risk-Based Audit Plan, which identifies areas for auditing in FY24, and (c) proposed edits to the Internal Audit Charter, which were approved by the Committee.

Mr. Henderson reported on the financials and budget, specifically with respect to Virginia Housing's financial statements as of August: (i) excess revenues over expenses (before GASB adjustment) of \$8.9 million for the month, which is \$6.0 million above budget and \$2.3 million above last year, (ii) year to date, Virginia Housing achieved \$15.7 million in excess expenses over revenue (before GASB Adjustments), which is \$10.1 million better than budget but \$2.5 million lower than last year; (iii) year to date net interest margin of \$46.2 million, which is \$1.0 million above budget and \$5.1 million above last year; (iv) year to date programmatic expenses were \$0.3 million higher than budget due to higher than budgeted Housing Choice Voucher program net (income)/expense (\$0.3 million), more than budgeted housing relief program expense (\$1.8 million) offset by lower than budgeted loan loss provision and expense (\$0.7 million) and lower than budgeted financing (cost of issuance) expense (\$1.1 million); (v) year to date administrative expenses are \$1.6 million lower than budget mostly due to lower than budget staffing costs (\$1.4 million); (vi) total assets of \$9.4 billion, a decrease of \$236.4 million below last year; (vii) total liabilities of \$5.6 billion, a decrease of \$271.5 million below last year, with the average cost of debt at 3.40% versus 2.93% last year; (viii) annualized interest return of 4.43%, which is 0.06% above budget and 1.95% higher than last year; (ix) total market value of investments (excluding cash) was \$2.1 billion, including a \$80.3 million decrease in GASB 31 market value adjustments, with 59.9% of investments held in money market instruments, 37.7% held in mortgage backed securities ("MBS"), 2.3% in U.S. Government Agencies and Treasury Obligations; (x) a net position of \$3.79 billion, an increase of \$35.1 million from last year, an annualized increase of 0.9%; (xi) a total mortgage portfolio of \$14.0 billion (including loans serviced for the government sponsored entities ("GSEs"), a \$644.9 million increase over last year; and (xii) total assets and

GSE servicing of \$15.5 billion, a \$215.4 million increase over last year. Mr. Henderson noted a new row in his internal report showing interest subsidy costs of \$1.5 million, which row is added to reflect the cost to Virginia Housing for REACH *Virginia* loan subsidies.

Mr. Richardson (i) discussed the prior and anticipated bond issuance calendar; (ii) presented salient features memoranda for (a) the Rental Housing Bonds, 2023 Series F-Non-AMT (tax-exempt) and (b) Commonwealth Mortgage Bonds, 2023 Series C-Non-AMT (tax-exempt), Series D-Taxable and Series E-Non-AMT (tax-exempt); and (iii) reviewed a chart showing Virginia Housing’s Private Activity Bond Allocation as of October 12, 2023.

Mr. Brennan reported on Virginia Housing’s response to the recommendations in JLARC’s study of affordable housing in Virginia and JLARC’s review of Virginia Housing, specifically that Virginia Housing has adopted, in whole or in part, substantially all of the recommendations. Mr. Brennan noted that he will be filing similar updates in JLARC’s online portal once it opens.

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 then present: (i) minutes of the special meeting of the Commissioners held on August 22, 2023, (ii) minutes of the annual meeting of the Commissioners held on August 22-23, 2023, (iii) a resolution entitled “Resolution in Recognition and Appreciation of Thirty Years of Service by E. Bennett Atwill,” and (iv) a resolution entitled “Resolution in Recognition and Appreciation of Thirty Years of Service by Michelle Hatchett.”

There being no further business, the meeting was adjourned at approximately 11:30 AM.

Thomas A. Gibson, IV, Chair

Fred Bryant, Assistant Secretary