



Review of Virginia Housing

Study questions

- Does Virginia Housing administer REACH* grants effectively and efficiently to create new housing opportunities for lower-income Virginians?
- Is Virginia Housing appropriately managed to accomplish its core functions?
- Is appropriate governance and oversight in place to ensure Virginia Housing carries out its statutory responsibilities efficiently and effectively?

*Resources Enabling Affordable Community Housing

Study Mandate: Commission resolution, November 2020

Research activities

- Interviews
 - Virginia Housing staff
 - Virginia Housing Board of Commissioners members
 - REACH grant recipients
- Survey of Virginia Housing staff
- Document review
 - REACH grant applications and status reports
 - Board of Commissioners meeting materials (FY19–FY21)
 - Employee job descriptions
 - Internal audit reports (FY19–FY21)
 - Human resources policies

In brief

Virginia Housing is generally appropriately staffed and well managed.

Virginia Housing effectively administers Community Outreach grants but does not collect or report sufficient information on grant outcomes.

Virginia Housing's board has taken an active role in advancing the authority's mission, but it has not received sufficient information about how programmatic decisions affect financial position.

Virginia Housing's board has not actively overseen the authority's internal audit function.

In this presentation

Background

Maximizing support for affordable housing

Management and operations

Role of the Board of Commissioners

Virginia Housing is state's housing finance agency

- Independent authority created by state to expand access to affordable housing for low- and middle-income Virginians
- Acts as a bank for affordable housing financing
 - Funds programs by sale of bonds and mortgage-backed securities
 - Provided \$3.0 billion in financing in FY21
- Finances affordable multifamily rental developments and allocates state's Low Income Housing Tax Credit (LIHTC)
 - Financed over 3,100 units in 2020
- Offers mortgages and assistance with upfront costs to help low- and middle-income Virginians purchase homes
 - Originated approximately 8,500 mortgages in FY21

Virginia Housing generates significant resources for state's affordable housing needs

- One of the largest net asset balances (\$3.7B) of any state housing finance authority
 - Has earned over \$100M in annual net revenue in recent years
- Virginia Housing receives no general fund appropriation and generates revenue primarily through
 - Single-family mortgage lending
 - Multifamily development lending

Virginia Housing has plans to implement most December JLARC recommendations

- Board has received updates on report, recommendations, and implementation status of recommendations
- Plans to address most recommendations
 - Adopt output and outcome measures for REACH
 - Contribute more to REACH by adjusting methodology
 - Increase REACH funds for multifamily development gap funding
 - Determine if mortgage rates can be lowered for some borrowers
 - Annually compare interest rates to the commercial market to ensure they are competitive
 - Require rent restrictions for workforce housing
 - Forecast key measures of authority's financial performance

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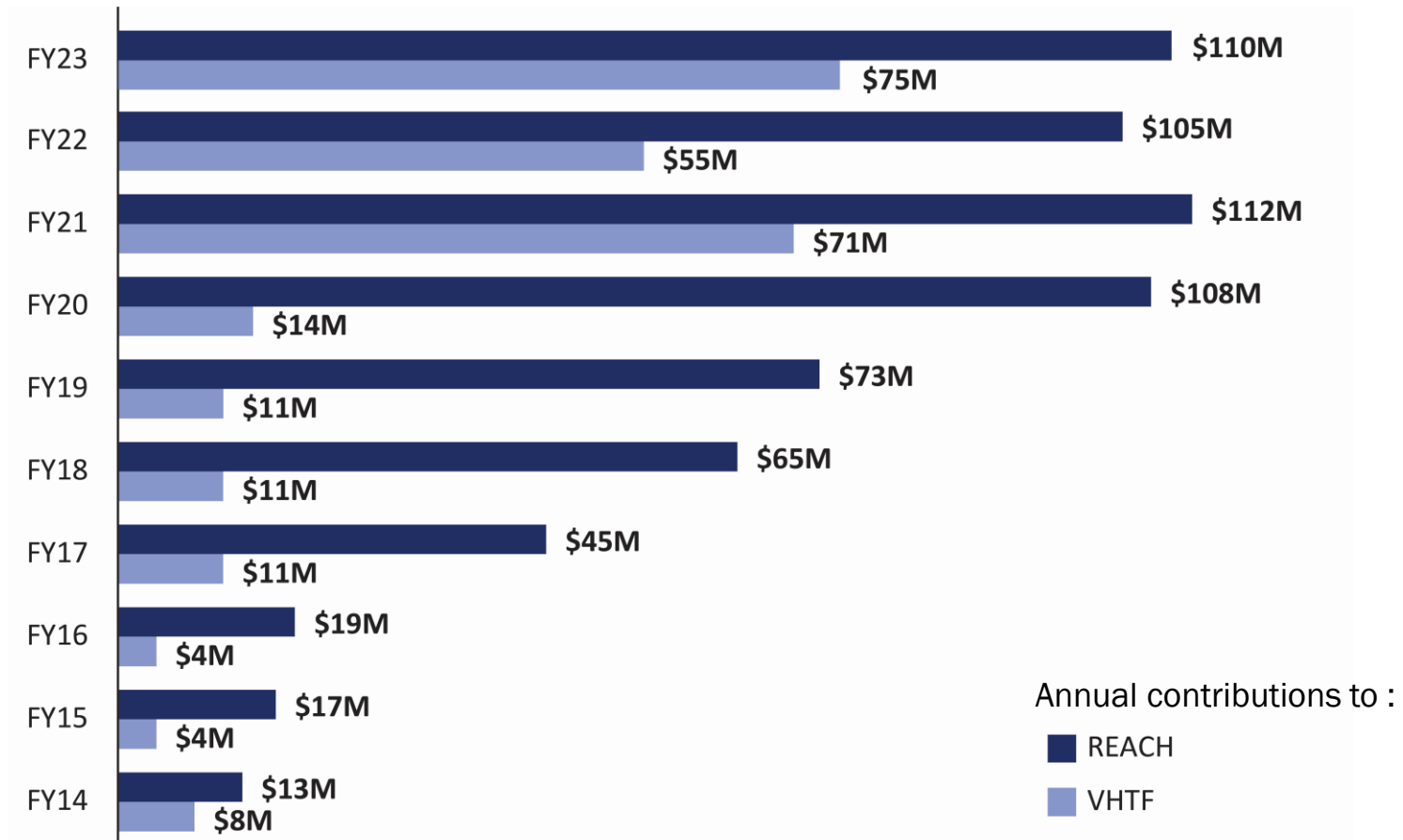
Role of the Board of Commissioners

Two state-level discretionary funds are available to expand affordable housing

- Virginia Housing Trust Fund (VHTF)
 - Administered by DHCD* and receives general funds
 - Statute requires fund provide affordable housing development financing (80%) & homelessness services grants (20%)
- Resources Enabling Affordable Community Housing (REACH)
 - Funded by a portion of authority's average annual net income
 - Board of Commissioners determines uses of the funds
 - Used for projects that enable homeownership, develop affordable rental housing, and provide community outreach

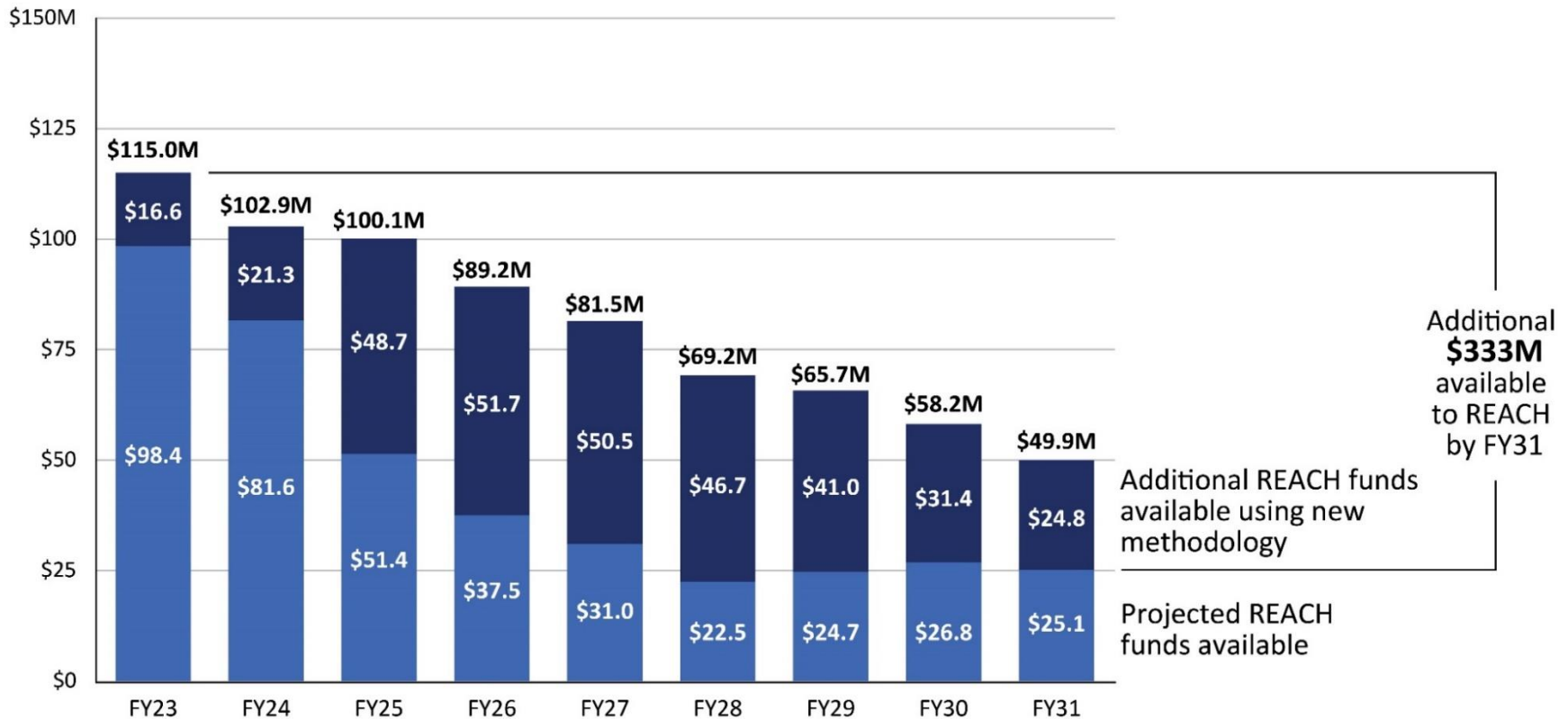
*Department of Housing and Community Development

REACH is a larger source for affordable housing than the VHTF



Note: REACH amounts include additional amounts associated with the Amazon HQ2 project in FY20–22.

JLARC's December recommendations could increase REACH contributions by \$333M in next decade



SOURCE: CSG Advisors.

NOTE: REACH declines because loan production is projected to decline from record production in 2019–2022. Net earnings are still projected to be positive in future years.

Virginia Housing board has taken action to increase REACH contributions for one year

- Virginia Housing board increased REACH contributions for one year but remains concerned about financial impact
 - Modified formula for calculating contributions for FY23 only
- JLARC consultant determined that increasing REACH contributions would still allow Virginia Housing to
 - Continue to increase the authority's net assets
 - Maintain the authority's bond rating
- JLARC staff will continue to follow board's actions on REACH contributions

REACH funds three types of activities



RENTAL DEVELOPMENT

Provide subsidies to housing developers to make affordable rental housing development financially feasible.

Examples of subsidies include:

- Reduced interest rate loans for affordable rental development
- Gap funding for affordable rental development



HOMEOWNERSHIP

Provide financial assistance to low- and moderate-income homebuyers.

Examples of assistance include:

- Down payment assistance
- Closing cost assistance



COMMUNITY OUTREACH GRANTS

Provide broad grant support to a variety of housing-related organizations throughout Virginia.

Examples of support include:

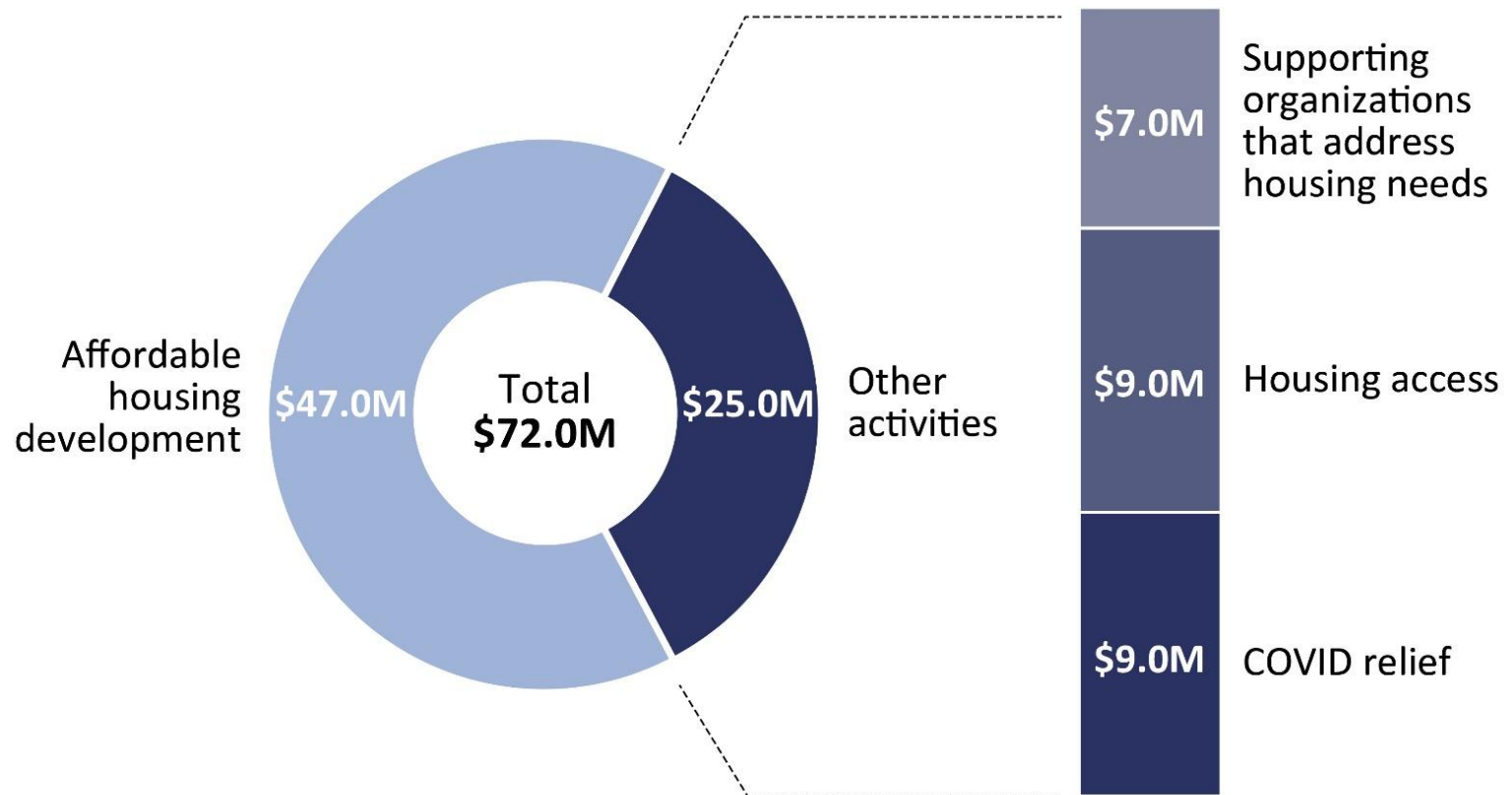
- Grants to regional planning district commissions to support affordable housing development
- Grants to non-profit housing organizations to develop strategic and succession plans

Other state HFAs* have funds similar to REACH, but few offer Community Outreach grants

- Many other state HFAs reinvest a portion of their earnings into affordable housing funds similar to REACH
- Virginia Housing's REACH fund is one of the largest HFA affordability funds in the country
- Most state HFAs use affordability funds for
 - Down payment assistance grants
 - Gap funding and interest rate subsidies for affordable rental housing developments
- One out of the 8 state HFA affordability funds reviewed** provides grants to organizations (Colorado)

*Housing Finance Agency **JLARC staff reviewed affordability funds in CO, FL, IA, MA, MD, MN, OH and WA

Virginia Housing uses Community Outreach grants to fund multiple activities



NOTE: Represents REACH funds committed to Community Outreach grants in FY19-FY21.

Finding

Community Outreach grants are well designed, but Virginia Housing does not measure or report on grant outcomes.

Community Outreach grants are well designed

- Community Outreach grants
 - have clear eligibility requirements and allowable uses
 - require grantees to develop and meet clear goals
 - are targeted to low- and moderate-income households
- Grant funds reimburse recipients for documented expenses, which avoids need for “clawbacks”
- Recent Community Outreach grant initiatives directly funded affordable housing construction or improvements
 - \$40 million for PDCs* to develop affordable housing**
 - \$46 million for public housing revitalization***

*Planning district commissions **Funds committed in FY21 ***Board has expressed intent to commit funds to this purpose in a future year, but funds have not yet been committed.

Virginia Housing does not collect information on how grants advance affordable housing goals

- Virginia Housing collects information to ensure that grant recipients comply with grant uses
 - e.g., whether a housing organization completes a strategic plan or obtains architectural drawings for a new development
- Does not collect information to show whether grant activities contribute to affordable housing, for example
 - Whether strategic plan positions a housing organization to expand or improve programming
 - Number of affordable units constructed in the new development designed using grant funds

Recommendations 1 and 2

Virginia Housing's Board of Commissioners should direct staff to develop clear outcome measures for each Community Outreach grant—or demonstrate a clear relationship between grant activities and Virginia Housing's strategic goals—and annually report to the board on how grants perform on those measures.

Board should annually assess REACH grant effectiveness, make programmatic adjustments to either improve or discontinue ineffective grant-funded activities, and prioritize grant funds for effective grant activities.

In this presentation

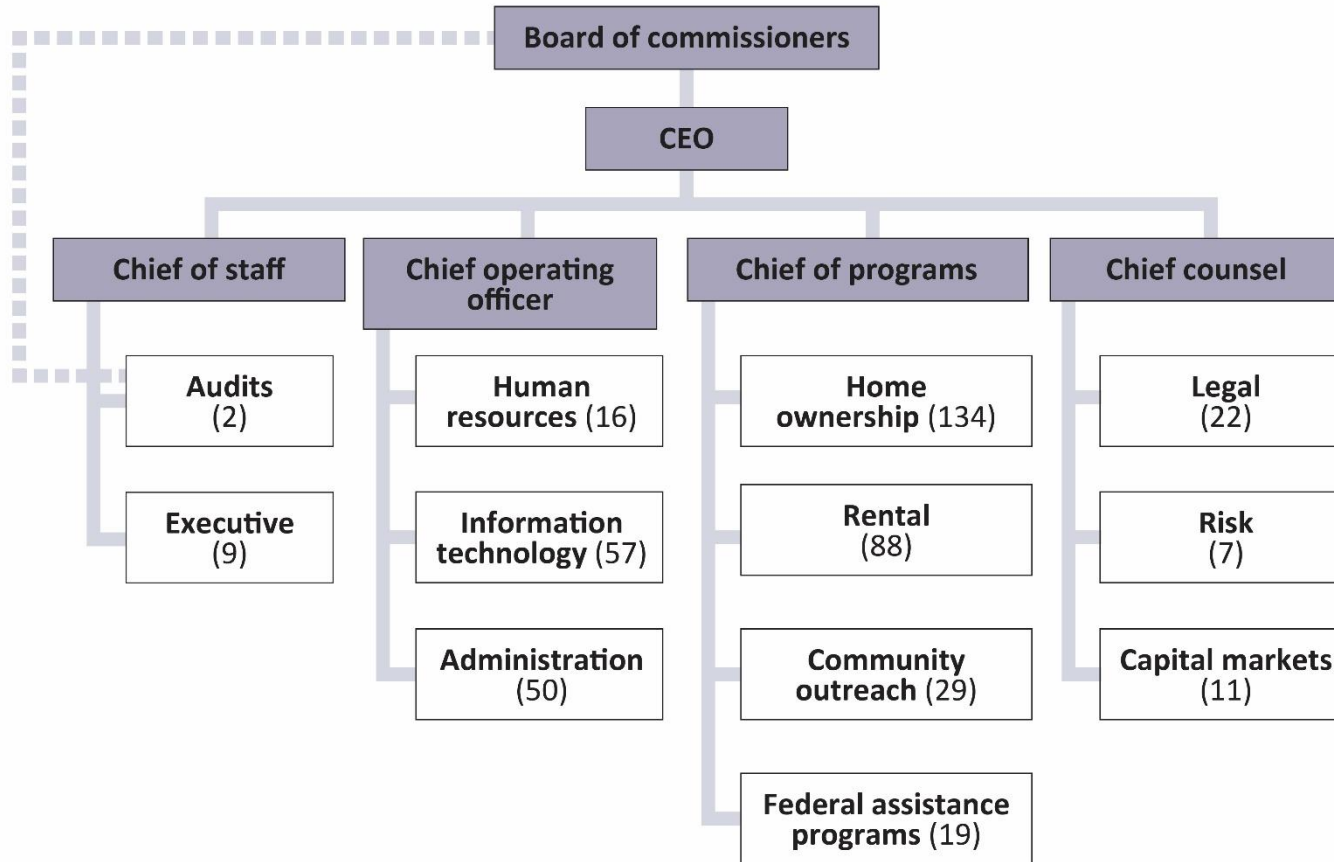
Background

Maximizing support for affordable housing

Management and operations

Role of the Board of Commissioners

Virginia Housing is managed by a CEO with a growing staff of over 450 employees



NOTE: As of February 2022, Virginia Housing had 455 employees. Virginia Housing's chief financial officer (CFO) is also the managing director of the Capital Markets division.

Examples of effectively operated Virginia Housing programs

- Single-family – Virginia Housing’s mortgage loss mitigation programs help homeowners avoid foreclosure
- Multifamily – Virginia Housing effectively administers the LIHTC* program
- REACH – Clear eligibility requirements and allowable uses
- Virginia Rent Relief Program – Administered the landlord application and deployed more emergency rental assistance funds than most other states

*Low Income Housing Tax Credit

Finding

Employees are generally satisfied with Virginia Housing, and its leadership and staffing appear adequate.

Virginia Housing employees are generally satisfied with authority's leadership and with their jobs



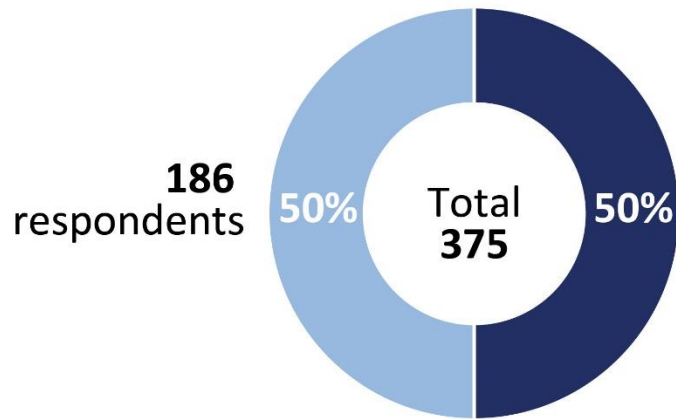
Employee turnover rates are relatively low

- Virginia Housing's turnover rate ranged between 7% and 9% in FY19–FY21
 - Average turnover rate for state employees was 12%
- Employees tend to have a relatively long tenure at Virginia Housing, average of 11 years in FY19–FY21
- Relatively few employees (< 10%) have active plans to leave Virginia Housing

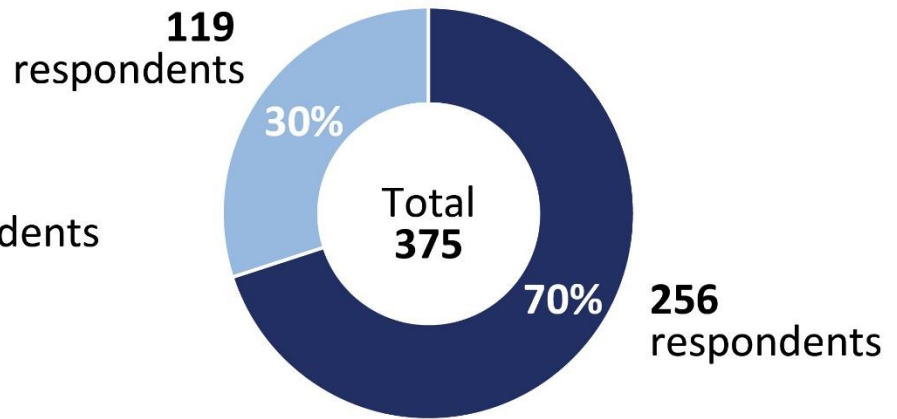
Virginia Housing employees have skills necessary to accomplish work

- Position descriptions clearly conveyed duties for each role and education and experience required
- 85% of survey respondents said their division staff had the skills necessary to accomplish their work
- 86% of survey respondents said that the complexity of work assigned to them is consistent with their skill level
- 85% of survey respondents had been recently offered job training or professional development opportunities, and most were satisfied with opportunities

Employees expressed concerns about workloads, but pandemic may be at least partly responsible



50% reported concerns about heavy workloads



70% reported working overtime at least periodically

- *“My workload increased significantly due to me working on the Rent Relief Program from Oct. 2020 to Jan 2022.”*
- *“Staffing and overall resource levels are more of a challenge in the current environment due to COVID.”*

Staff positions have been added to divisions with workload concerns

- Virginia Housing staffing levels have increased from 397 employees in FY19 to 455 in February 2022 (13% increase)
- Staffing growth occurred in divisions with increased workload (e.g., Homeownership, Community Outreach) or workload concerns (e.g., Information Technology)
 - Homeownership (11 new employees, 9% increase)
 - Community Outreach (9 new employees, 50% increase)
 - Information Technology (12 new employees, 27% increase)

In this presentation

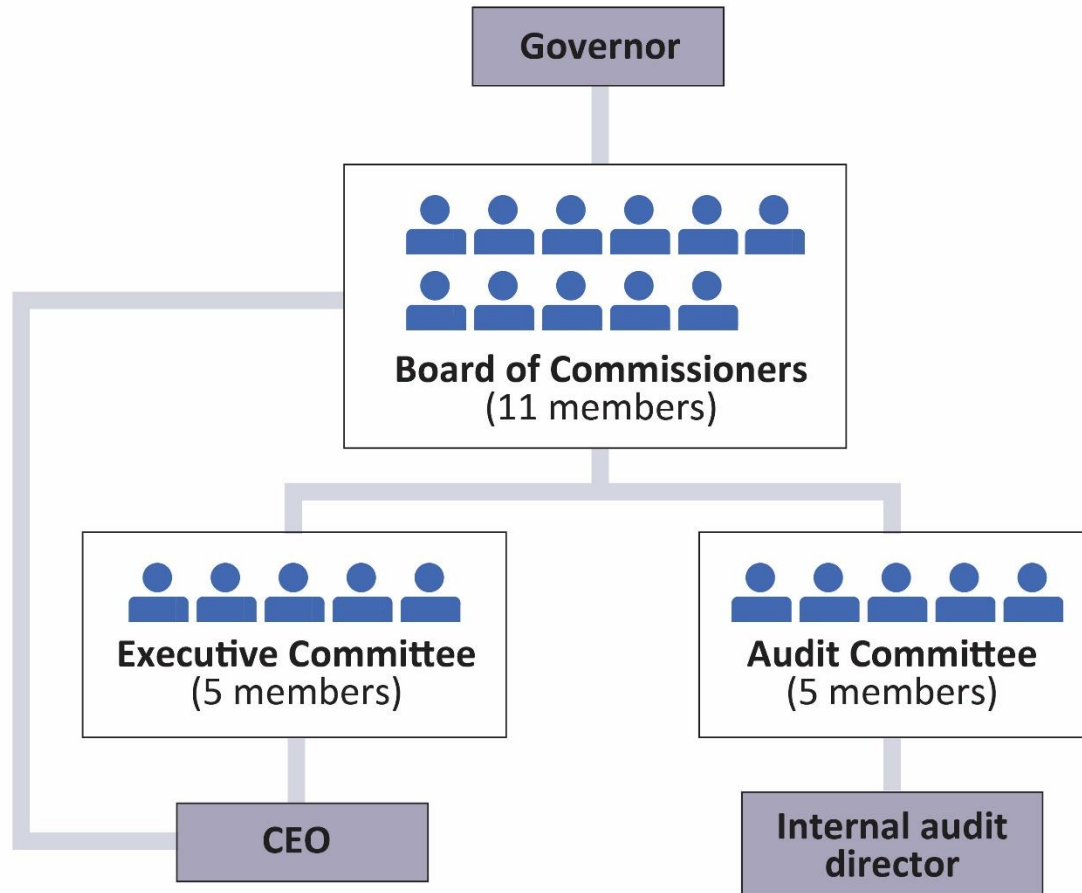
Background

Maximizing support for affordable housing

Management and operations

Role of the Board of Commissioners

Board of Commissioners is Virginia Housing's governing body and state's oversight mechanism



Finding

Board has taken an active role in advancing the authority's mission and is appropriately engaged in authority's operations.

Board has taken recent actions to improve its oversight and focus on affordable housing access

- 2025 strategic plan adopted by the board is designed to more effectively measure Virginia Housing's performance
 - Previous strategic plan lacked effective outcome measures for authority's operations
 - Board has also identified "SMART" metrics for Virginia Housing
 - specific, measurable, attainable, relevant, and time-bound
- Board adopted new metrics for the rental program that require funding developments to provide housing that is affordable at lower incomes (e.g., 30% or 50% AMI)
- Board has directed staff to devote REACH funds to public housing revitalization efforts

Board is engaged and generally well supported by staff

- Board dedicates adequate time and effort to overseeing the authority
 - Meets every other month, typically for two days
 - Meeting frequency consistent with other state HFAs* and other independent authorities in Virginia
- Board members report receiving mostly sufficient, high quality information from staff
- Board members engage with staff during meetings, generally feel their questions are answered

*Housing Finance Agency

Finding

Virginia Housing's board has not sufficiently evaluated how programmatic decisions affect the authority's financial position.

Board has not always received key financial information

- Most board members satisfied with information received from staff, but some said meetings focused on “good news” that filtered out information important for the board to know
- Board has not received key financial information in the past that credit rating agencies use to assign bond ratings*
 - Contributed to board being unaware that taxable bond lending growth could affect the authority’s credit rating
- December JLARC report recommended that Virginia Housing staff provide board with projections on key financial indicators

* See appendix for a more detailed explanation.

Virginia Housing is planning to improve financial information provided to the board

- Virginia Housing staff to routinely provide board projections that include a 3-year forecast of key financial performance metrics*
- Forecasts will require a review of: (1) historic revenues; (2) historic and planned loan production; (3) program and financial decisions; (4) credit rating agency risk adjustments; and (5) REACH allocation formula.
- Virginia Housing has hired an independent financial adviser to create and update the forecast model

NOTE: *Providing the board with projections, including key financial metrics, was a recommendation of the December JLARC report.

Board does not have a committee focused on Virginia Housing's finances

- Board has two committees
 - Executive committee for managing CEO, setting board agendas
 - Audit committee to oversee internal and external audits
- Dedicated finance committee could
 - Spend additional time with staff discussing financial indicators
 - Receive presentations directly from independent financial adviser
 - Develop expertise on financial status and strategy
 - Provide recommendations to the full board as needed

Recommendation 3

The Virginia Housing Board of Commissioners should establish a finance committee of the board that

- (i) reviews the authority's financial position,
- (ii) determines how business decisions affect the projected financial position, and
- (iii) provides recommendations to the full board as needed.

Option 1: Create a new finance committee.

Option 2: Combine with audit committee, which would carry out both finance and audit responsibilities.

Finding

Virginia Housing's board has not actively overseen the authority's internal audit function.

Internal audit helps boards understand how financial and operational risks are managed

- Internal audit staff provide boards with information on how organizations manage risks and the effectiveness of existing risk mitigation measures
- Best practices on board governance indicate that internal audit staff should report to an organization's board through an audit committee
 - Ensures that internal audit staff are not influenced or constrained by organizational management

Virginia Housing's internal audit division has experienced significant staff turnover

- Division's 3 auditors were reassigned to the Rent Relief Program during the pandemic and have since accepted other jobs in the authority
- Internal audit director retired in 2022
- Only 1 report issued over last 2 years
 - Previously averaged 4 per year
- New internal audit director hired in February 2022, who is actively recruiting for staff

Board could take a more active role in directing internal audit's work, clarify reporting structure

- Board does not actively direct internal audit's work
 - Minutes of Audit Committee indicate that it does not review internal audit's performance, budget, or structure
 - Committee does not have direct hiring, performance management, or compensation authority for internal audit director
 - Previous audit reports focused on compliance, but board could request reports focused on topics of greater value

Recommendation 4

The Virginia Housing Board of Commissioners and its Audit Committee should amend the Audit Committee charter to clarify that the committee

- (i) oversees Virginia Housing's Internal Audit division, which reports to the committee and not the CEO;
- (ii) hires the internal audit director;
- (iii) evaluates the performance of the internal audit director;
- (iv) oversees the budget and structure of internal audit;
- (v) develops and approves the annual internal audit work plan (with input from the internal audit director); and
- (vi) receives full reports for all reviews and audits conducted.

Finding

CEO's compensation is decided by a minority of board members.

Board recently adopted new approach to CEO performance review and compensation

- Board hired a consultant to redevelop the CEO performance evaluation and compensation system in 2019
 - Contains specific goals for the CEO
 - Informs board's CEO compensation decisions through assessment of how well CEO meets goals
 - Benchmarked compensation to public and private sector
- Full board evaluates CEO's performance
- Board delegated CEO compensation decisions to its Executive Committee to improve efficiency in April 2021
 - Five of 11 board members

By delegating CEO compensation decision, board risks eliminating important perspectives

- Executive Committee makes final compensation decision
 - Public sector members are not on the Executive Committee (DHCD director and state treasurer)
- Full board responsible for hiring CEO and evaluating CEO performance but not deciding compensation
 - All board members should contribute to compensation decisions based on their opinions of CEO's performance
- Executive compensation decisions for other agencies are made by the full board (e.g., VRS, Virginia 529)

Recommendations 5 and 6

The Virginia Housing Board of Commissioners should require that the Executive Committee include members with experience in both the public and private sectors, which could include ex officio members if no other members have public sector experience.

The Virginia Housing Board of Commissioners should require the full board to make the final decision on CEO compensation after considering the recommendation of the Executive Committee.

Key findings

Virginia Housing is generally appropriately staffed and well managed.

Virginia Housing effectively administers Community Outreach grants but does not collect or report sufficient information on grant outcomes.

Virginia Housing's board has taken an active role in advancing the authority's mission, but it has not received sufficient information about how programmatic decisions affect financial position.

Virginia Housing's board has not actively overseen the authority's internal audit function.

JLARC staff for this report

Tracey Smith, Associate Director

Stefanie Papps, Project Leader

Ellie Rigsby, Senior Legislative Analyst

Appendix: Key financial indicators for HFAs*

- Credit rating agency risk adjustments – Adjustments that rating agencies make to net assets based on perceived risk
- Risk-adjusted net assets – Net assets reduced based on credit agencies' perception of the HFA's risk exposure
- Risk-adjusted net asset parity ratio – Risk-adjusted net assets divided by outstanding debts; can impact borrowing costs

*Housing Finance Agency

Recommendations: Review of Virginia Housing

RECOMMENDATION 1

Virginia Housing's Board of Commissioners should direct staff to develop clear outcome measures for each Community Outreach grant—or demonstrate a clear relationship between grant activities and Virginia Housing's strategic goals—and annually report to the board on how grants perform on those measures.

RECOMMENDATION 2

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RECOMMENDATION 3

Virginia Housing's Board of Commissioners should establish a finance committee of the board that (i) reviews the authority's financial position, (ii) determines how business decisions affect the projected financial position, and (iii) provides recommendations to the full board as needed.

RECOMMENDATION 4

The Virginia Housing Board of Commissioners and its Audit Committee should amend the Audit Committee charter to clarify that the committee (i) oversees Virginia Housing's Internal Audit division, which reports to the committee and not the CEO; (ii) hires the internal audit director; (iii) evaluates the performance of the internal audit director; (iv) oversees the budget and structure of internal audit; (v) develops and approves the annual internal audit work plan (with input from the internal audit director); and (vi) receives full reports for all reviews and audits conducted.

RECOMMENDATION 5

The Virginia Housing Board of Commissioners should require that the Executive Committee include members with experience in both the public and private sectors, which could include ex officio members if no other members have public sector experience.

RECOMMENDATION 6

The Virginia Housing Board of Commissioners should require the full board to make the final decision on CEO compensation after considering the recommendation of the Executive Committee.

Agency responses

As part of an extensive validation process, the state agencies and other entities that are subject to a JLARC assessment are given the opportunity to comment on an exposure draft of the review. JLARC staff sent an exposure draft of this review to Virginia Housing, the chairman of the Virginia Housing Board of Commissioners, and the secretary of commerce and trade. Appropriate corrections resulting from technical and substantive comments are incorporated in this version of the report.

This appendix includes response letters from Virginia Housing and the chairman of the Virginia Housing Board of Commissioners.



June 7, 2022

Mr. Hal E. Greer, Director
Joint Legislative Audit and Review Commission
919 East Main Street, Suite 2101
Richmond, VA 23219

Dear Mr. Greer:

Virginia Housing (VH) has reviewed the Joint Legislative Audit and Review Commission's (JLARC) Review of Virginia Housing (Review). VH appreciates the professional manner in which the Review was conducted and the opportunity to have ongoing discussions with you and your staff.

As you know, Virginia Housing is celebrating its 50th anniversary this year. It has been a great public-private partnership that has achieved financial and programmatic success without any state tax dollars. As noted in JLARC's December report, VH is considered one of the highest performing housing finance agencies in the country with top producing programs in both multi-family rental units and single-family home loans. We take very seriously the recommendations from JLARC in the December report, and VH has retained a financial consulting firm to work with the Board and staff to address the recommendations in that report. Likewise, VH intends to use the recommendations in this Review in its ongoing efforts to continuously improve its service to the citizens of the Commonwealth.

VH is pleased this Review contained the following comments with respect to VH:

- VH effectively administers Community Outreach grants, which are well designed;
- VH is appropriately staffed and well managed and operates its programs effectively; and
- VH's board has taken an active role in advancing VH's mission and is appropriately engaged in VH's operations.

Regarding the study question whether VH is appropriately managed to accomplish its core functions, we appreciate that JLARC did not have any recommendations. We take our mission very seriously and strive to manage accordingly.

The following is our response to JLARC's recommendations to the other two questions in the study, which can be broadly grouped as follows:

Administration of REACH Virginia grants (Recommendations 1-2)

As noted in the Review, VH is self-supporting and receives no state budget appropriation. The Review also notes that through its effective management of its programs, VH contributed over \$463 million of its net revenues to REACH Virginia (Resources Enabling Affordable Community Housing in Virginia) over the five-year period ending in FY22. VH is extremely proud of the fact that it has increased the percentage of its net revenues allocated to REACH Virginia numerous times, from 15% at inception in 2005 to its current effective rate of 70% of net revenues. For FY23, VH has implemented JLARC's recommendations with respect to the REACH Virginia calculation methodology resulting in an allocation of \$95 million into REACH next year. The VH Board will continue to actively manage the REACH Virginia calculation for future years.

With respect to the Review's question whether VH administers REACH grants effectively and efficiently to create new housing opportunities for lower-income Virginians, we are pleased to see that JLARC finds that our Community Outreach grants are well-designed. However, as recommended by JLARC, VH can improve upon measuring outcomes of the Community Outreach grants. VH grant making activity is relatively new to VH compared to its other programs and VH has just recently increased the scale of its grant making activities. Given the nature of many of these grants, they have a long time horizon needed to measure their true impact and we appreciate that JLARC understands the difficulty in reporting immediate and quantitative outcomes. As noted in the Review, VH improved its metrics in its current strategic plan "Opportunity 2025" to more effectively measure VH's performance. Similarly, VH is committed to improving its metrics to measure the outcomes of its grant making activity. These metrics will be shared with the Board so that it can assess REACH grant effectiveness as recommended in the Review.

Board Oversight and Governance (Recommendations 3-6)

Recommendations 3-6 are largely within the purview of VH's Board of Commissioners. VH's Board Chairman, Bill Shelton, will respond regarding these recommendations; however, VH staff does wish to comment on two specific items – financial information provided to the Board and internal audit.

With respect to financial information provided to the Board, while we do give the Board significant financial information, we agree with JLARC that VH should improve financial information provided to the Board. VH has hired a financial consultant to develop an enterprise-wide economic model that will:

- Provide an overview of VH's forecasted financial resources;
- Assess the impact and sustainability of various REACH contribution amounts over time; and
- Evaluate future potential programmatic changes and their effect on future available resources.

VH is confident this model will assist the Board as recommended by the Review.

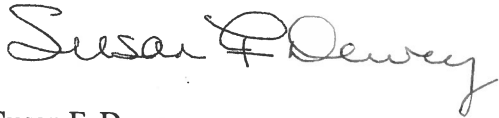
Regarding internal audit, VH takes this role very seriously. The years covered by the Review were an aberration for our internal audit department, mostly due to the pandemic. During the pandemic, at the request of the Governor's Office, VH ramped-up a landlord portal for Virginia's Rent Relief Program in a matter of weeks in the fall of 2020. All available bodies were thrown into the effort, including the staff of the internal audit group. As noted in the Review, the effort was highly successful as Virginia was the leader in the nation in providing rent relief to its citizens. Over the course of this effort, the internal audit staff assigned to the Rent Relief Program elected to pursue other career opportunities within VH and recruitment efforts to backfill these positions were slowed by both conditions caused by the pandemic as well as the announcement of the internal audit director's decision to retire. A new internal audit director has been hired by VH in February. She is currently screening candidates for a senior internal auditor role and internal auditor role with a target start date in July 2022 and has temporary resources assigned to her department until then. The internal audit department will return to being fully operational in a matter of months. It should also be noted that VH received clean audits from its external auditors (KPMG) for the years covered by the Review. VH will work with the Board to determine how to best implement the Review's recommendations on the audit committee's oversight of our rebuilt internal audit department.

VH will work with its Board to implement the substance of the remaining recommendations 3-6 with the Board as we continue to work with the Board and our financial consultant on the recommendations in the JLARC's December report.

Mr. Hal E. Greer, Director
June 7, 2022
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In summary, VH and JLARC are in general agreement on the future direction VH should take in continuing to improve its operations. Thank you for your work and for the opportunity to respond to the Review.

Sincerely,

A handwritten signature in cursive script that reads "Susan F. Dewey". The signature is written in dark ink and is positioned above the printed name and title.

Susan F. Dewey
Chief Executive Officer



June 7, 2022

Mr. Hal E. Greer, Director
Joint Legislative Audit and Review Commission
919 East Main Street, Suite 2101
Richmond, VA 23219

Dear Mr. Greer:

Thank you for giving me the opportunity to review the Joint Legislative Audit and Review Commission's (JLARC) Review of Virginia Housing (Review). I appreciate the professional manner in which the Review was conducted and JLARC's thoughtful interaction with the Commissioners of Virginia Housing (VH). As a member of the Board of Commissioners for the last 24 years and as its current Chairman, I can assure you that the Board takes its oversight responsibilities very seriously and will address the recommendations in the Review as part of VH's continuous improvement of its service to the citizens of the Commonwealth that I have witnessed over my time on the Board.

I am pleased the Review contained the following comments with respect to the Board of Commissioners:

- the Board has taken an active role in advancing VH's mission and is appropriately engaged in VH's operations;
- the 2025 strategic plan adopted by the Board is designed to more effectively measure VH's performance; and
- the Board is engaged and dedicates the requisite time and effort to overseeing VH.

VH has shown outstanding growth in its Community Outreach efforts which continued during the pandemic as shown by its remarkable support of the affordable housing efforts of the Planning District Commissions and Public Housing Authorities. However, the impact of this grant activity will require some time to measure their true outcomes. As noted in the Review, the Board recently approved metrics for the current strategic plan "Opportunity 2025" to more effectively measure VH's performance. Similarly, the Board and staff is committed to improving the metrics needed to better measure the outcomes of its grant making activity.

As noted by JLARC, VH is in the process of improving VH's financial information provided to the Board. VH has hired a financial consultant and is developing a model to assist the Board in reviewing VH's financial position as recommended by the Review.

Regarding Board committee structure, membership and responsibilities, I have witnessed several different committee structures used by the Board over the last 24 years. The Board and staff have always worked closely to conform Board structure to what works best for the current membership of the Board and for serving the needs of the VH mission. The Board will review and consider the best manner to proceed with the options presented in the recommendations in the Review, specifically regarding the Internal Audit and Financial Reporting functions.

Mr. Hal E. Greer, Director
June 7, 2022
Page 2

With respect to the CEO's performance review and compensation, the Board is committed to receiving input from all members of the Board, which is done through individual surveys and a closed session. While I continue to believe it is appropriate to delegate some functions to the Executive Committee, I will certainly discuss with the Board the additional ratification of the final compensation amount by the entire Board.

In summary, I agree with JLARC's key finding that VH is appropriately managed to accomplish its core functions and that the Board has taken an active role in advancing the mission of VH, but acknowledge there is always room for improvement. I have witnessed VH's efforts to continuously improve its programs over the years and I will work with the Board to incorporate the Review into those continuous improvement efforts. Thank you for the opportunity to respond to the Review.

Sincerely,

A handwritten signature in dark ink, reading "William C. Shelton". The signature is fluid and cursive, with the first name "William" being the most prominent part.

William C. Shelton
Chairman of the Board Commissioners,
Virginia Housing