VERMONT HOUSING FINANCE AGENCY

January 14, 1994

Ms. Marie Carpenter
Department of Administration
Secretary of Administration's Office
Pavilion Office Building
109 State Street
Montpelier, VT 05602

Dear Ms. Carpenter:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Thursday, January 27, at 1:30 p.m., at the office of the Department of Banking, Insurance and Securities, 89 Main Street, Montpelier, Vermont.

If you have any questions, please do not hesitate to contact me at 864-5743, ext. 255.

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director ASH

DATE: December 28, 1993

RE: SITUATIONAL ANALYSIS REVIEW AND BOARD MEETING RESCHEDULE/RELOCATION

Due to scheduling difficulties, the date of the meeting to discuss the outcome of the Strategic Planning Situational Analysis and the regular monthly Board meeting has been changed. **The meeting will take place on Thursday, January 27th.** The morning session to discuss strategic planning will be held from 9:45 (with coffee at 9:30) to noon with members of VHFA's senior staff. Following a lunch break, the Board meeting will begin at 1:30.

We are still searching for a suitable site in the Montpelier area. You will be notified as soon as one is located.

Please mark your calendars for January 27th; let me know as soon as possible if you cannot attend any part of the day. I can be reached at Extension 221; or, you may leave a message with Cathleen Gent at Extension 224.

Thank you for your attention.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: December 21, 1993

RE: SITUATIONAL ANALYSIS REVIEW AND
BOARD MEETING RESCHEDULE/RELOCATION

As was suggested at the December 16 Board meeting, we are trying to schedule a meeting with members of VHFA's senior staff and the Board to discuss the outcome of the Situational Analysis, to be followed by the regular monthly Board meeting. However, I will be attending the National Home Builders' Association meeting and will not be available January 20.

I would like to propose that we reschedule the Board meeting to Tuesday, January 18. Since the January meeting was to be held in Montpelier, we could have the Situational Analysis review and Board meeting at the Lague Inn in Berlin. If we set schedule the Situational Analysis from 10:00-12:30 and plan for a lunch break, the Board meeting could begin at 1:30.

Please let me know by Tuesday, January 4, if you will be available for the morning session and the afternoon Board meeting. I can be reached at Extension 221; or, you may leave a message with Cathleen Gent at Extension 224.

HAPPY HOLIDAYS!

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director ASH

DATE: January 21, 1994

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:30 p.m. Thursday, January 27, at the office of the Department of Banking, Insurance and Securities, 89 Main Street, Montpelier, Vermont.

Attached is the agenda and Board packet. The master copy of the Board minutes kept on file here at the Agency includes any attachments that may be referenced in the minutes; copies will be made available should any Board members be interested in reviewing them.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier at 1:30 January 27!

REMEMBER: The Strategic Planning meeting will be held that morning (9:30-12:00) at the New England Culinary Institute's conference center in Montpelier. We have tried to allow sufficient time for everyone to relocate before the start of the Board meeting!

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EQUAL HOUSING OPPORTUNITY

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VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director Allan

DATE: January 21, 1994

RE: PROPOSED BOARD MEETING SCHEDULE FOR 1994 - REVISED

Due to scheduling conflicts on the part of Chairman White, I would like to propose the following *revised* schedule for Board meetings during 1994:

	January 20	1:30	Montpelier
	February 17	1:30	Burlington
*	March 24	1:30	Montpelier
**	April 21	1:30	Montpelier
	May 19	1:30	Burlington
*	June 23	1:30	Burlington
	July 21	1:30	Montpelier
	August 18	1:30	Montpelier
	September 22	1:30	Burlington
	October 20	1:30	Montpelier
	November 17	1:30	Montpelier
	December 15	1:30	Burlington

* Revised date

** Chairman White unavailable 04/21 or 04/28; Vice Chairman Ruse would need to conduct the meeting.

These dates may change again due to further scheduling conflicts, but we will try to give you sufficient notice in order to avoid rescheduling difficulties.

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VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA
Office of the Department of Banking, Insurance and Securities
89 Main Street
Montpelier, Vermont

Thursday, January 27, 1994 at 1:30 p.m.

1. Review and approval of minutes of December 16, 1993

2. Administration
   - Executive Director's Report **[Hunt]**
   - Mid-Year Business Plan Update **[Francis//Enclosure]**

3. Operations
   - Series 1, 2 & 3: Mortgages not Purchased and Remaining in Lenders Portfolio **[Lothrop//Enclosure]**
   - Activity by Lender for Calendar 1993 **[Lothrop//Enclosure]**
   - MOVE/Mortgage Plus Updates/ Delinquency Report **[Lothrop//Enclosure]**

4. Multi-Family Management
   - Energy Loan Program Update **[Falzone//Enclosure]**

5. Development
   - Pinecrest Village (Williston) Resolution re: Second Mortgage **[Jenkins/Crady//Encl.]**
   - Westview Court (Rutland) Resolution of Interest **[Jenkins/Crady//Encl.]**
   - Kirby Heights (South Burlington) Resolution of Interest **[Jenkins/Crady//Encl.]**
   - Southeast Summit Resolution of Interest **[Jenkins/Crady//Encl.]**
   - City Center Apartments (Burlington) Resolution re: Renovation Funding **[Jenkins/Erdelyi//Encl.]**

6. Finance
   - Single Family Bond Financing (Series 5) **[Schoenbeck//Encl.]**

7. Legal
   - Mobile Home Lending Issues **[Jarrett//Encl.]**
   - Legislative Update **[Jarrett]**

8. Other old or new business to come before the Board

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VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont

Thursday, December 16, 1993

PRESENT: Chairman White; Commissioners Seelig, Randall, Candon (designee of Costle), Mullikin Drake (designee of Shouldice), Myette (via speakerphone)

Agency Staff: Mr. Hunt, Mr. Schoenbeck, Mr. Francis, Mr. Lothrop, Mrs. Parker, Mr. Jarrett, Ms. Jenkins, Ms. Hope, Ms. Gent, Mr. Falzone, Ms. Crady, Ms. Gent, Ms. Rinn

Guests: Mr. Roberts (Twin Pines Housing Trust); Mr. Milot (re: Southeast Summit); Mr. Gurley (PaineWebber)

The meeting was called to order by the Chairman at 1:35 p.m. The minutes of the November 18, 1993, meeting were reviewed, and Mr. Seelig made a motion to clarify the discussion of the Graystone Village project on Page 2 to indicate that the local partner for this Housing Vermont project will serve as clerk of the works. Upon a motion duly made by Mr. Seelig and seconded by Ms. Mullikin Drake, the minutes of the November 18 meeting were unanimously accepted as amended.

Mr. Hunt began his Executive Director's report with a recap of meetings that had taken place with representatives of the Governor's office regarding the Agency's assistance in addressing the State's budget problems. Chairman White reported that Mr. Sorrell, the Secretary of Administration, was originally seeking an amount in excess of $7 million from the Agency's reserves to be used to purchase loans from the VHCB or other entities. However, Mr. Sorrell appears to have taken into consideration the impact that such a reduction in reserves would have on the Agency's ability to continue certain affordable housing programs. Responding to the Agency's concerns, Mr. Sorrell has now indicated that the State would be willing to consider an amount closer to $2.5 million. Chairman White reminded the Board that these discussions are still continuing, with a meeting scheduled December 17, at which Governor Dean and Mr. Sorrell will be present. During that meeting, Chairman White and Mr. Hunt will attempt to ensure that Governor Dean understand the effects on the Agency's programs caused by utilization of $2.5 million from the Agency's reserves. Indications are that if the reserves are reduced by $2.5 million the Agency's ability to pay bonds would not be impaired. Mr. Seelig the aware of the impacts a reduction of reserves would have on programs the Agency has undertaken in the past, as well as how future programs might be affected. Concurring, Ms. Mullikin Drake observed that it would be useful to point out to the Governor programs that are on the horizon, such as lead based paint hazards and mobile home park infrastructure, that would need to be rethought based on the Agency's reserve reductions; she also stressed the importance of confirming that such a contribution from the Agency is, in fact, really needed to address the State's budget problems. Following a brief discussion, a motion was made by Mr. Candon and seconded by Ms. Mullikin Drake that today's meeting would adjourn after all items on the agenda had been addressed, but that the meeting would reconvene at 3:00 Friday, December 17, via conference call, to discuss the results of the meeting with the Governor.

In addition to discussions concerning the Agency's reserves, the Administration has also suggested the utilization of approximately $3 million in reserves from VHMGB, while ensuring that such a reduction would not result in insolvency. The Administration has also asked the Agency to consider the pros and cons of some consolidation of functions between the Agency and VHMGB. Mr. Hunt reported that there have been some discussions between the Administration, Ms. Canavan, Executive Director of VHMGB, and Ms. Costle, Chairman of VHMGB's board. While there is no need for the Board to take action at this time, Mr. Hunt did want the Board to be aware of the Administration's proposal. Mr. Candon noted that one of Ms. Costle's concerns is Fannie Mae's continued participation in future programs if the Agency and VHMGB merge, and whether the Agency is prepared to provide programs or funds to continue any programs that might be lost as a result of Fannie Mae's withdrawal. Mr. Hunt responded that there might be an incremental loss to the state in affordable housing, since the Agency would have less flexibility than Fannie Mae in some areas of its mortgage programs. Chairman White observed that the Administration is looking for cost-sharing rather than asking the Agency to assume any risks or losses that might result from a merge between the Agency and VHMGB.

In concluding his report, Mr. Hunt advised the Board that he had been invited by Mr. Glunt, the president of the National Association of Home Builders, to address their national meeting in January, to discuss Dalton Drive and its application to other existing military housing. Expressing his surprise and pleasure at being called directly, Mr. Hunt stated that he had advised Mr. Glunt that he would participate, subject to any legislative commitments. Chairman White noted that it reflects well on the Agency to have Mr. Hunt so recognized, and the Board agreed that it would be entirely appropriate for Mr. Hunt to participate in this national meeting.

Mr. Francis reviewed his memo of December 9, included in the Board packet, regarding "VHFA's TEAM Program." The Tenant Education and Assistance Model, or TEAM, was initiated in 1988 with funding support from the Robert Wood Johnson

Foundation, and was expanded in 1990 through funding support from the federal Administration on Aging (AoA). Under the AoA initiative, the Agency hired supportive serve coordinators to provide direct service coordination at a number of developments throughout Vermont. A comprehensive evaluation of TEAM conducted in 1992 determined that it while the services being provided were very valuable to the residents of the participating developments, the method of providing those services could be better carried out by more locally-based organizations with experience in the provision of supportive service. As a result of this study, the Board agreed with staff that TEAM should transition to regional "host" organizations; this transition was completed earlier this year. Mr. Francis reintroduced Ms. Rinn, TEAM supervisor, who recently accepted a position with the Vermont Multiple Sclerosis Society. Addressing the Board, Ms. Rinn expressed her thanks to the Agency for having taken on this important initiative. Ms. Rinn also encouraged the Agency to continue, through the Multi-Family Management department, to provide support for developments that do family or elderly housing, and to consider the special needs housing community as well. Ms. Mullikin Drake suggested that the infrastructure created as a result of the transition could be utilized for any housing projects handled by the Agency; Mr. Francis noted that would primarily be a factor of the budget for each individual housing development. Mr. Francis also pointed out that the successful evolution of the program is testimony to the fact that service coordination is an essential part of the housing provider system. According to Ms. Rinn, an ongoing challenge is to reach housing managers and have them include service coordination in the budget. Ms. Mullikin Drake observed that host organizations should be encouraged to connect with local housing developers. No Board action was necessary.

The "Strategic Planning—Situational Analysis" was reviewed by Ms. Hope, as further detail to her memo of December 9, included in the supplemental Board packet. Ms. Hope thanked the Board for the opportunity to work on this project and to learn from it. Noting that the process is timely, Ms. Hope stressed the need for the Agency to be proactive and to make deliberate choices about the future. At the December 10 meeting of the Advisory Committee, the consultants helped those attending to review survey data and determine common themes. The next meeting of the Advisory Committee is scheduled for February 4, and will probably be the last meeting of that group. Ms. Hope suggested that a separate two or three hour meeting of the Board and certain members of the staff should be scheduled before February, to allow for a frank discussion of the situational analysis by the Board and staff. Those Board members who had attended the Advisory Committee meeting expressed interest in participating again in any subsequent meeting with staff. Mr. Seelig requested that those Board members who had not participated in the December 10 meeting receive copies of the survey results for review, and also observed that it would be helpful for the staff to review the top five suggestions from that session, along with the lead based paint hazard issue and the clean water act, to discuss the effects of those actions on the housing delivery system. Ms. Mullikin Drake concurred, and further suggested that the situational analysis be distributed to the entire staff, as it would be a useful tool to gain a sense of the Agency's history. Staff agreed to determine a date in January (perhaps the morning of the next Board meeting) for a three hour meeting with certain members of the staff, the Board, and the consultants to discuss the situational analysis. No Board action was necessary.

Ms. Hope then turned the discussion to the "Results of 1993 Marketing Campaign and Market Research" as detailed in her memo of December 13, included in the Board packet. According to Ms. Hope, aggressive marketing goals had been set for 1993 due to the availability of loan funds and the need for them to be purchased by February 1994. Thanks to the efforts of Claire Frascino, a consultant who has handled much of the advertising for the Agency, marketing and promotional activities seem to have proved worthwhile. At the end of November, $42 million had been reserved, against a projected reservation total of $47.5 million. Ms. Hope emphasized that a vast majority of the funds spent for promotion go directly to cover advertising costs, rather than procuring services. Ms. Gent discussed the various surveys that have been conducted throughout 1993, which included a second statewide renter survey, a lender survey and a new homeowner survey. The renter survey again points to major financial barriers against homeownership; while a vast majority of renters are interested in homeownership, they often lack down payment and closing costs. Most expressed very strong interest in buying homes this year, but about half of the renters surveyed say they have no down payment funds available. Ms. Gent noted that there was a significant increase in VHFA name recognition, especially in the southern part of the state, where more media advertising dollars have been targeted. No Board action was necessary.

{During this discussion, Chairman White was called out of the meeting to address representatives of the press; Mr. Seelig assumed vice chairman responsibilities.}

Mr. Lothrop reviewed the MOVE update as included in the Board packet. While interest rates in the conventional market have risen slightly, no tremendous movement in rates is expected in either direction. Sales activity for real estate owned as a result of foreclosure action is getting stronger. There are currently four REO properties under contract, with another in negotiation and two more sold earlier in December. The use of attorneys located in various regions of the state should speed foreclosure action, and efforts are underway to have the maintenance of REO properties conducted on a regional basis. There was no required Board action.

{Chairman White returned to the meeting at the end of this discussion.}

The "Multi-Family Energy Loan Program," as described in his memo of December 8, included in the Board packet, was reviewed by Mr. Falzone. Many of the multi-family properties developed under HUD's Section 8 program were built with electric heat and hot water, as this was the least expensive system to install at the time of construction. However, over the past 12 years electric utility rates have escalated dramatically and most property owners are now interested in pursuing energy conversions to a fuel-fired system. According to Mr. Falzone, the Agency has encouraged this activity and, on a case-by-case basis, has made loan funds available where needed to facilitate these conversions. The Agency's General Fund is the probable source for these loans, but staff acknowledges that any Board action would be subject to a resolution of the State's contemplated action regarding the Agency's reserves. Mr. Hunt reminded the Board that the Evensen Dodge financial study indicated that the Agency has some funds that should be invested for terms such as ten years; energy conversion loans would appear to be an effective utilization of these funds.

It is estimated that approximately 450 to 500 rental units would be affected by the proposed energy conversions, which would require that owners take advantage of any demand-side program funding that may be available from their local utility company. Conversion costs have ranged from $1,500 to $5,000 per unit, according to Mr. Falzone, with the $5,000 maximum including the total cost of the conversion per unit. In 1993, 225 units were converted; some funding came from the utility companies, while other funding came from project fund sources. Mr. Falzone assured the Board that a report on energy conversion activity would be prepared prior to the next Board meeting. Ms. Mullikin Drake suggested that through the strategic planning effort it would be useful to develop a list of prioritized initiatives, and recommended delaying any immediate action. Mr. Hunt pointed out that there are other ways to fund this program, such as through private placement bonds or funds from the Federal Home Loan Bank, but those methods would not allow the Agency to maximize on already available fund balances. Mr. Falzone agreed to provide the Board in January with a list of projects that need financial assistance to perform energy conversions. As the lead time for an energy conversion project is approximately six months, postponing a Board decision until January would only cause a minimal delay in scheduling the preliminary energy studies. Mr. Falzone also explained that the Agency works closely with the Vermont Energy Investment Corp. (VEIC) on planned conversions, and takes into consideration any recommendations for both traditional and alternative heating systems. VEIC's energy audit considers heating systems that can handle maximum flexibility in terms of cost or availability of fuels. No Board action was taken.

Ms. Crady reviewed the "Twin Pines Housing Trust/Starlake Village—Loan Extension" request as described in her memo of December 8, included in the Board packet, and reintroduced Mr. Wally Roberts, Executive Director of Twin Pines Housing Trust (TPHT). In September 1992 the Board approved a loan to TPHT in the amount of $500,000, to finance the site development and construction of 14 single family homes at Starlake Village, located in Norwich, Vermont. As originally planned, all 14 units will be perpetually affordable through a ground lease and housing subsidy covenant. The loan closed in October 1992 and matures December 31, 1993. TPHT is requesting an extension of the loan until September 30, 1994. There have been seven units completed out of 14 planned; all of these units are cape style and of modular construction.

Ms. Jenkins emphasized that the request is not for an increased loan amount, only for an extension of the existing loan term. The main concern is the ability of the developer to sell the remaining units at the required price with the restrictions in place, given the earlier sales at lower costs. At this point, Mr. Roberts addressed the Board, agreeing that a good marketing job would be required; the most important component would be a strategy to cover the budget deficit so that the price per unit can remain the same. One option would be to identify a source of financing for the land, which would allow TPHT to repay the loan over a longer period of time, perhaps even when the units are resold. Other sources are also being considered, such as direct grants, foundation grants, or funding from Dartmouth College or other socially-responsible lenders in the area. However, Mr. Roberts informed the Board that the present owners of the seven completed units have been advised that future units might be sold without the equity restrictions, and at the time of purchase those owners also signed an agreement acknowledging that fact. Another area of concern is the cost of construction of the model home and the proposed timeline for completion of the project. Mr. Seelig suggested that it might be best to eliminate the schedule from the resolution, allowing staff and TPHT to develop an appropriate timeline; this would avoid having to bring the matter back before the Board if there were unforeseen difficulties in meeting the work schedule; this would give staff more discretion and flexibility. A motion was then made by Mr. Candon and seconded by Ms. Randall to amend the "Resolution Pertaining to Extension of Term of Loan re: Starlake Village/Twin Pines Housing Trust Development" as attached to these minutes, eliminating the detailed schedule for completion; this motion carried unanimously. Following the vote, Mr. Roberts left the meeting.

Next, the "Southeast Summit (Dorset Street, South Burlington) Development Proposal," as described in her memo of December 15, was reviewed by Ms. Jenkins. The permitting process for a 202 acre development site that would include 161 single family and 60 multi-family units on the west side of Dorset Street, between Swift and Barstow Streets, is being completed by Mr. Gerry Milot and his current partners. Presently, the site is vacant except for a recently constructed dairy barn that could be adapted for reuse in connection with the proposed development. Ms. Jenkins explained that in any partnership for this project the Agency's participation would occur via an entity like Dalton Drive Neighborhood, Inc.; the Agency would also be the construction lender in participation with either Vermont National Bank, which currently holds the land loan, or another bank. Potential sources of funds for this project would consist of another lender on the land, the sellers (Mr. Milot and his current partners) and the Agency for a small part of the site acquisition and for the infrastructure and initial construction costs. The project as anticipated would require four years for completion, with a projected outstanding loan balance overall of not more than $4.1 million at the end of Phase I, of which $1.2 million would be from the Agency; by the end of Phase II, the project would have $3.9 million outstanding, of which $1.5 million would be from the Agency. The projected loan amount outstanding at the end of Phases II and III could be lower if the multi-family units begin during Phase II. Currently, the projected start date is spring of 1994, with completion of the total project expected by the summer of 1998. Mr. Milot noted that Vermont National seems excited about the concept of this project, and would like to participate. Some discussion followed, during which Mr. Seelig suggested that Mr. Milot and staff further review the site plan for Phases III and IV to avoid overcrowding the site, explaining that his concern is not with the size of the lots, but the number of units to be built; some open space within Phase III would allow residents access to something other than a sidewalk or the bike path. The Board asked Ms. Jenkins to present a formal proposal at the January meeting, including sketches of the proposed housing; no formal Board action was requested or taken. Ms. Mullikin Drake noted that the proposed development appears to be consistent with high profile project plans that were discussed during strategic planning efforts. Suggestions were made that staff discuss the project with Gina Campoli, of the Vermont Agency of Natural Resources, or Beth Humstone, a land use planning consultant.

Ms. Crady reviewed the "Single Family Program Changes" as described in her memo of December 9, included in the Board packet. As staff is in the process of planning for a new bond issue for sale in January to continue the funding of the MOVE and HOUSE programs, changes to the program targeting, features and fees have been proposed. At present, there are no contemplated changes to the program's targeting strategy, income or purchase price limits. As for program features, staff is recommending that the Stepped Rate Feature be eliminated, provided that the Agency can attain a mortgage rate of a minimum of 50 basis points below conventional fixed rates, with an option to re-introduce the stepped rate feature if conventional fixed rates drop below the Agency's mortgage rate plus 50 basis points. No changes are proposed for the current two point/no point option for the MOVE program. Staff recommended that a no point option be added for the HOUSE program as well. A recommended change for energy efficiency requirements is to require for new construction the equivalent of a FOUR STAR rating as determined by Energy Rated Homes of Vermont. However, Mr. Jarrett pointed out that new regulations may be necessary to allow the single family program to require the FOUR STAR rating. Mr. Seelig inquired whether HOUSE loans that are in process could take advantage of the "no point" option; however, as loans made under the HOUSE program are from a different source of funds, staff would need to determine if those funds could used for no point loans. While new cash flows would not be needed, Mr. Schoenbeck noted that some recalculations would need to be performed. Lenders would need to sign new contracts incorporating the changes. A motion was made by Mr. Seelig and seconded by Mr. Candon giving staff authority to proceed with the proposed program changes, if the energy efficiency requirements are determined to be in accordance with regulations; further, the motion gave staff the discretion to explore adjusting the points for HOUSE to be applied to new loans for which reservations have not been received. This motion carried unanimously.

The Board then reviewed the "Supplemental Resolution re: Graystone Village (Hartford) Development" distributed by Ms. Jenkins, who explained that since Housing Vermont plans to acquire the project and turn it over to a limited partnership, this resolution would allow the Agency to make a loan to Housing Vermont which would then assign the loan to the limited partnership. The supplemental Resolution also incorporated other technical changes. Following a motion made by Ms. Mullikin Drake and seconded by Mr. Seelig, the resolution as attached to these minutes was unanimously adopted.

Mr. Jarrett then explained that his memo on "1994 Session Legislation," as included in the Board packet, did not require any action. The Board then reviewed Mr. Jarrett's memo on "Private Activity Bond Volume Cap" as included in the Board packet, and a motion was made by Mr. Seelig and seconded by Ms. Randall to adopt the "Resolution Relating to VHFA's Election to Allocate and Carryforward 1993 Private Activity Bond Volume Cap Allocation" as attached to these minutes. This motion carried unanimously.

Mr. Schoenbeck reminded the Board that plans for the next Single Family financing have been suspended while the State's budget deficit discussions continue. The most recent mortgage rate being mentioned is 6.7 percent; this rate would eliminate the contribution that the Agency would be required to make on the proposed financing. According to Mr. Schoenbeck, the rate also takes into account the pre-bond sale period, when the program would be offered to borrowers, but the risk involved is still being quantified. Currently, staff is considering a bond sale that would occur by the end of January; more details will be available at the January Board meeting.

Ms. Mullikin Drake then read the "Resolution Recognizing the Contributions of Hollis Hope During Her Tenure At VHFA," and a motion was made by Mr. Candon and seconded by Mr. Seelig to adopt this resolution, as attached to these minutes. The motion carried unanimously, and Ms. Hope thanked Mr. Hunt and the Board for the opportunities provided to her by the Agency.

Turning to other business, Mr. Seelig observed that priorities listed in the State's Comprehensive Housing Affordability Strategy (CHAS) document do not call for support of affordable homeownership, and encouraged the Board to consider a motion that the Agency recommends the CHAS ought to include helping renters become homeowners, thus encouraging the State to recognize what the Agency does as a priority. Mr. Candon seconded the motion, and it carried unanimously.

The next meeting was scheduled for Thursday, January 20, in Montpelier *{later rescheduled to Thursday, January 27, in Montpelier due to the proposed retreat with staff and the Board to discuss the results and implications of the situational analysis}*. There being no further business and following a motion duly made and seconded, the meeting was adjourned at 4:30 p.m., to be reconvened at 3:00 Friday, December 17.

The meeting was reconvened by the Chairman at 3:00 p.m. Friday, December 17. Participants were identified by roll call: (Via speakerphone) Chairman White; Commissioners Seelig, Randall, Candon (designee of Costle), Mullikin Drake (designee of Shouldice), Myette; Agency staff: Mr. Hunt, Mr. Schoenbeck, Mr. Francis, Mr. Lothrop, Mrs. Parker, Mr. Jarrett.

Mr. Hunt reported that he and Chairman White had met that morning with Governor Dean; Mr. Sorrell, the Secretary of Administration; Ms. Costle, Commissioner of Banking, Insurance and Securities Costle; and the Governor's legal counsel. During this meeting with the Administration, discussions centered on the Agency's proposed purchase of loans from the Vermont Housing and Conservation Board (VHCB). The issues of mobile home infrastructure, the no down payment program, and lead-based paint hazards were also discussed. Gov. Dean acknowledged the importance of the no down payment program and suggested that if the Agency could not continue this program due to the pending purchase of VHCB loans, he would support the Legislature allowing VHMGB to guarantee 100 percent financing. Chairman White noted that it appears the State will ask the Agency to purchase no more than $2.5 million in loans from the VHCB with the Agency's fund balances, as Gov. Dean wants to allow the Agency the ability to continue to provide no down payment loans. According to Mr. Hunt, Ms. Costle acknowledged a strong message from the Governor about providing more no down payment loan guarantees.

Gov. Dean also is anxious to facilitate the consolidation of functions between the Agency and VHMGB, and offered his view that there are too many housing agencies in the state. Although Ms. Costle expressed some concerns regarding the merger of the Agency and VHMGB, Gov. Dean apparently did not find them to be compelling arguments. Plans call for Mr. Hunt to meet with Ms. Costle, Mr. Candon and Ms. Canavan of VHMGB to review the proposed consolidation and determine any potential cost savings. The Governor indicated concern about a possible negative reaction from lenders should he access a proposed $3 million from VHMGB's fund balances. Gov. Dean understands that a fund balance reduction of that amount might affect Fannie Mae's continued involvement with affordable housing in Vermont.

Mr. Hunt read the "Resolution Authorizing the Purchase of a Participation in Certain Loans Held by the VHCB" which had been drafted by Mr. Jarrett. Mr. White suggested that the Resolution be amended to indicate that the Agency would work with VHMGB to assure that the Agency would be able to continue to offer a number of no down payment loans during the next fiscal year. A motion was made by Mr. Myette and seconded by Mr. Candon to adopt the resolution with the amendment described, as attached to these minutes. This motion carried, with Mr. Seelig abstaining.

Following the adoption of the Resolution, Mr. Seelig proposed that the Chairman be directed to write a letter to the Governor confirming the Board's actions; reviewing the types of investments that the Agency has made in the past using its reserves; advising the Governor that the decision to invest the reserves for VHCB's loans will affect the Agency's ability to address other necessary affordable housing; and showing appreciation for the Governor's expected commitment that this is the maximum contribution to the state's budget deficit that the Agency is able to make at this time. This motion was seconded by Ms. Randall and carried unanimously.

There being no further business and following a motion duly made and seconded, the meeting was adjourned at 3:30 p.m.

Respectfully submitted,

Allan S. Hunt,
Secretary

RESOLUTION PERTAINING TO EXTENSION OF TERM OF LOAN
RE: STARLAKE VILLAGE/TWIN PINES HOUSING TRUST DEVELOPMENT

WHEREAS, a proposal has been presented to the Agency by Twin Pines Housing Trust, a non-profit corporation located in Lebanon, New Hampshire (the "Sponsor"), involving the construction of 14 homes on a 14.9 acre site in Norwich (the "Development"); and

WHEREAS, the Development has been the subject of previous resolutions of the Agency on November 18, 1992, September 24, 1992, May 20, 1992 and June 26, 1991; and

WHEREAS, the Agency made a loan on October 26, 1992 of up to $500,000 for infrastructure work and construction (the "Loan"); and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible and that extending the construction loan is appropriate in carrying out and effectuating the purposes and provisions of the Vermont Housing Finance Agency Act; and

WHEREAS, the Sponsor has requested an extension of the repayment of the Agency's Loan from December 31, 1993 to September 30, 1994 and may request the Agency's permission to build a model home.

NOW, THEREFORE, it is hereby DETERMINED:

1. The Determinations made in the Agency's prior resolutions relating to this Development are reaffirmed.

2. The construction of a model unit may be beneficial to the marketing of the Development.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director shall extend the maturity of the Sponsor's Loan from the Agency from December 31, 1993 to September 30, 1994 by entering into a modified loan agreement. The modified loan agreement shall indicate that all units must be developed and constructed in accordance with a schedule to be developed by Agency staff.

   Failure to meet any of the conditions in the modified loan agreement shall constitute an event of default under said modified loan agreement and the Sponsor shall, at the Agency's request, promptly deliver a deed in lieu of foreclosure to the Agency.

2. In the event that the cost of construction is increased so that it becomes evident to the Agency that the funds available to the Sponsor are insufficient to pay the full cost of construction in accordance with the approved budget and cash flow, the Sponsor, upon request of the Agency, shall advance sufficient funds to the construction account to provide for the full cost of construction, or give the Agency a deed in lieu of foreclosure for the Development.

3. The Executive Director may, in his discretion, provided the Sponsor meets the conditions of the modified loan agreement, authorize construction of a model unit that is not the subject of a purchase and sales contract and a commitment to a buyer for financing.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on December 16, 1993.

Allan S. Hunt

Allan S. Hunt
Executive Director and Secretary
Vermont Housing Finance Agency

SUPPLEMENTAL RESOLUTION RE:
GRAYSTONE VILLAGE (HARTFORD) DEVELOPMENT

WHEREAS, Vermont Housing Finance Agency adopted a resolution on November 18, 1993 authorizing the issuance of a commitment letter for a loan not to exceed $480,000 in connection with the acquisition of the captioned development (the "Funding Resolution"); and,

WHEREAS, the parties have proposed certain changes to the transaction which are agreeable to the staff of the Agency;

NOW THEREFORE, the Funding Resolution is amended in the following respects:

I. The third and fourth paragraphs of the Funding Resolution are amended to read in their entirety as follows:

"WHEREAS, the proposal contemplates that the Development will constitute "residential real property" within the meaning of former section 103(b)(4) of the Internal Revenue Code of 1954, as amended; and"

"WHEREAS, Housing Vermont is a housing sponsor within the meaning of the Act and the limited partnership which will take title from Housing Vermont shall qualify as a housing sponsor within the meaning of the Act; and"

II. The first and second numbered paragraphs after the determinations of the Agency as set forth in the Funding Resolution are amended to read in their entirety as follows:

"1. The Executive Director is authorized, in his discretion, to issue a Commitment Letter (the "Commitment Letter") to provide an additional loan for acquisition of the Development in an amount to be determined by the Executive Director but not to exceed $472,000.00, and to permit the assumption of the underlying mortgage loan by Housing Vermont. The Commitment Letter shall require the rehabilitation of the Development with equity funds, and the rehabilitation shall include conversion to a new energy system.

"2. The Commitment Letter shall be issued to Housing Vermont. Consistently with the equity plan presented to the Agency, the Commitment Letter shall authorize and require the transfer of the Development to a limited partnership (the "Limited Partnership"), which shall include a wholly-owned subsidiary of Housing Vermont as general partner, and the assumption on a non-recourse basis by the Limited Partnership of all obligations under the additional loan and the original mortgage loan. Prior to disbursement of any proceeds of the additional loan, the Limited Partnership shall be required to qualify as an "eligible housing sponsor" within the meaning of the Rules applicable to Loans to Multi-Family Housing Sponsors (the "Regulations").

III. **As a condition of the Agency's** commitment, Housing Vermont as the sole owner of the general partner of the Limited Partnership shall be required to assure that a representative of White River Area Housing Development Corporation ("WRAHDC") shall be appointed to a seat on the board of directors of the general partner at all times while the Limited Partnership holds title to the Development.

IV. As a further condition of the Agency's commitment, the Limited Partnership shall be required to grant to White River Area Housing Development Corporation an option to purchase the Development at the end of the "compliance period" for all of the buildings in the Development, all within the meaning of 42(i)(1) of the Internal Revenue Code of 1986, as amended (the "Code").

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on December 16, 1993.

Allan S. Hunt

Allan S. Hunt
Executive Director and Secretary
Vermont Housing Finance Agency

RESOLUTION AUTHORIZING THE PURCHASE OF A PARTICIPATION IN CERTAIN LOANS HELD BY THE VERMONT HOUSING AND CONSERVATION BOARD

WHEREAS, the Agency has been requested by the State to purchase approximately $2.5 million in mortgage loans, or a participation interest therein, (the "Loans") held by the Vermont Housing and Conservation Board ("VHCB"); and

WHEREAS, the Chairman and the Executive Director have met with the Governor to discuss the soundness of that request in light of the constraints it would place upon the Agency, but have been apprised of the gravity of the situation facing the State; and

WHEREAS, the Loans are secured by developments for which the Agency provided the principal financing and has previously made findings regarding the qualifications of the developments; and

WHEREAS, monies in the Agency's general fund can be utilized to purchase the Loans, but those monies may have to be augmented by funds in certain of the Agency's bond programs, but the use of such funds would not impair the Agency's ability to make required payments on its debt; and

WHEREAS, the Agency wishes to assist the State in ameliorating the effects of the current budgetary problems the State is facing;

NOW, THEREFORE, it is hereby DETERMINED:

1. The Agency appreciates the magnitude of the fiscal problems the State is confronting.

2. The Agency, through the Chairman and the Executive Director, have met with the Governor and explained the negative effects on Agency programs that such a loan purchase would have.

3. The Agency determines that the properties securing the mortgage loans are all primarily for occupancy by persons and families of low and moderate income.

4. The Agency authorizes pursuit of the purchase of the Loans, or a participation therein, in the maximum amount of $2.5 million.

WHEREFORE, it is hereby RESOLVED:

1. The Agency will pursue the purchase of mortgage loans, or a participation therein, from the Vermont Housing and Conservation Board in an amount not to exceed $2.5 million. The Loans will be purchased at par. The loans will be on some or all of the following developments. The amounts listed are the outstanding principal balances of the Loans.

Highgate	$950,000
Heineberg	$625,000
Pine Meadow	$270,635
Otter Creek MHP	$266,000
Fernwood MHP	$255,000
Whitney Hill	$250,000
Upper Welden	$175,000
Total	$2,791,635

2. The Executive Director is authorized to enter into such contracts and agreements as may be required to effectuate the loan purchase, including, but not limited to, agreements concerning servicing of the Loans and the power, between the Agency and VHCB, to make decisions regarding the Loans.

3. The Executive Director will continue to communicate with the State to ease the impact of the purchase of the mortgage Loans, or a participation therein, on the Agency's programs, including, but not limited to, the no down payment program for single family mortgages.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on December 16, 1993.

Allan S. Hunt
Executive Director and Secretary
Vermont Housing Finance Agency

RESOLUTION RELATING TO VERMONT HOUSING FINANCE AGENCY ELECTION TO ALLOCATE AND CARRYFORWARD 1993 PRIVATE ACTIVITY BOND VOLUME CAP ALLOCATION

WHEREAS, the Vermont Housing Finance Agency (the "Agency") has been allocated $26,000,000 in 1993 private activity bond volume cap by the State of Vermont and the Agency has not yet allocated any of the 1993 volume cap allocated to it by the State of Vermont between qualified mortgage bonds and mortgage credit certificates on the one hand and exempt facility bonds on the other; and

WHEREAS, the Agency may be allocated additional volume cap by the State of Vermont before the end of the calendar year; and

WHEREAS, the Agency desires to elect to utilize any additional volume cap for qualified mortgage bonds and mortgage credit certificates; and

WHEREAS, the Agency desires to carry forward any of its unused volume cap pursuant to section 146 of the Internal Revenue Code of 1986;

NOW, THEREFORE, it is hereby RESOLVED:

1. The Agency hereby allocates $26,000,000 of 1993 private activity bond volume cap to issue qualified mortgage revenue bonds and mortgage credit certificates.

2. If the Vermont Housing Finance Agency is allocated any additional volume cap by the State of Vermont on or after December 1, 1993, it elects to allocate all of such additional volume cap for the purposes of issuing qualified mortgage bonds or mortgage credit certificates.

3. The Vermont Housing Finance Agency elects to carry forward all of its unused volume cap pursuant to section 146 of the Internal Revenue Code of 1986 for the purposes of issuing qualified mortgage bonds or mortgage credit certificates.

4. The Executive Director, Director of Finance, and the Director of Operations are directed, and each of them is authorized, to take all steps necessary to carry forward the Agency's unused volume cap, including, but not limited to preparation, execution, and delivery of a Carryforward Election of Unused Private Activity Volume Cap in such form as may be required by the Internal Revenue Service and consistent in content and effect with this Resolution.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on December 16, 1993.

Allan S. Hunt
Executive Director and Secretary
Vermont Housing Finance Agency

SUPPLEMENTAL RESOLUTION RE:
GRAYSTONE VILLAGE (HARTFORD) DEVELOPMENT

WHEREAS, Vermont Housing Finance Agency adopted a resolution on November 18, 1993 authorizing the issuance of a commitment letter for a loan not to exceed $480,000 in connection with the acquisition of the captioned development (the "Funding Resolution"); and,

WHEREAS, the parties have proposed certain changes to the transaction which are agreeable to the staff of the Agency;

NOW THEREFORE, the Funding Resolution is amended in the following respects:

I. The third and fourth paragraphs of the Funding Resolution are amended to read in their entirety as follows:

"WHEREAS, the proposal contemplates that the Development will constitute "residential real property" within the meaning of former section 103(b)(4) of the Internal Revenue Code of 1954, as amended; and"

"WHEREAS, Housing Vermont is a housing sponsor within the meaning of the Act and the limited partnership which will take title from Housing Vermont shall qualify as a housing sponsor within the meaning of the Act; and"

II. The first and second numbered paragraphs after the determinations of the Agency as set forth in the Funding Resolution are amended to read in their entirety as follows:

"1. The Executive Director is authorized, in his discretion, to issue a Commitment Letter (the "Commitment Letter") to provide an additional loan for acquisition of the Development in an amount to be determined by the Executive Director but not to exceed $472,000.00, and to permit the assumption of the underlying mortgage loan by Housing Vermont. The Commitment Letter shall require the rehabilitation of the Development with equity funds, and the rehabilitation shall include conversion to a new energy system.

"2. The Commitment Letter shall be issued to Housing Vermont. Consistently with the equity plan presented to the Agency, the Commitment Letter shall authorize and require the transfer of the Development to a limited partnership (the "Limited Partnership"), which shall include a wholly-owned subsidiary of Housing Vermont as general partner, and the assumption on a non-recourse basis by the Limited Partnership of all obligations under the additional loan and the original mortgage loan. Prior to disbursement of any proceeds of the additional loan, the Limited Partnership shall be required to qualify as an "eligible housing sponsor" within the meaning of the Rules applicable to Loans to Multi-Family Housing Sponsors (the "Regulations").

III. **As a condition of the Agency's** commitment, Housing Vermont as the sole owner of the general partner of the Limited Partnership shall be required to assure that a representative of White River Area Housing Development Corporation ("WRAHDC") shall be appointed to a seat on the board of directors of the general partner at all times while the Limited Partnership holds title to the Development.

IV. As a further condition of the Agency's commitment, the Limited Partnership shall be required to grant to White River Area Housing Development Corporation an option to purchase the Development at the end of the "compliance period" for all of the buildings in the Development, all within the meaning of 42(i)(1) of the Internal Revenue Code of 1986, as amended (the "Code").

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on December 16, 1993.

Allan S Hunt

Allan S. Hunt
Executive Director and Secretary
Vermont Housing Finance Agency

RESOLUTION PERTAINING TO EXTENSION OF TERM OF LOAN
RE: STARLAKE VILLAGE/TWIN PINES HOUSING TRUST DEVELOPMENT

WHEREAS, a proposal has been presented to the Agency by Twin Pines Housing Trust, a non-profit corporation located in Lebanon, New Hampshire (the "Sponsor"), involving the construction of 14 homes on a 14.9 acre site in Norwich (the "Development"); and

WHEREAS, the Development has been the subject of previous resolutions of the Agency on November 18, 1992, September 24, 1992, May 20, 1992 and June 26, 1991; and

WHEREAS, the Agency made a loan on October 26, 1992 of up to $500,000 for infrastructure work and construction (the "Loan"); and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible and that extending the construction loan is appropriate in carrying out and effectuating the purposes and provisions of the Vermont Housing Finance Agency Act; and

WHEREAS, the Sponsor has requested an extension of the repayment of the Agency's Loan from December 31, 1993 to September 30, 1994 and may request the Agency's permission to build a model home.

NOW, THEREFORE, it is hereby DETERMINED:

1. The Determinations made in the Agency's prior resolutions relating to this Development are reaffirmed.

2. The construction of a model unit may be beneficial to the marketing of the Development.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director shall extend the maturity of the Sponsor's Loan from the Agency from December 31, 1993 to September 30, 1994 by entering into a modified loan agreement. The modified loan agreement shall indicate that all units must be developed and constructed in accordance with a schedule to be developed by Agency staff.

   Failure to meet any of the conditions in the modified loan agreement shall constitute an event of default under said modified loan agreement and the Sponsor shall, at the Agency's request, promptly deliver a deed in lieu of foreclosure to the Agency.

2. In the event that the cost of construction is increased so that it becomes evident to the Agency that the funds available to the Sponsor are insufficient to pay the full cost of construction in accordance with the approved budget and cash flow, the Sponsor, upon request of the Agency, shall advance sufficient funds to the construction account to provide for the full cost of construction, or give the Agency a deed in lieu of foreclosure for the Development.

3. The Executive Director may, in his discretion, provided the Sponsor meets the conditions of the modified loan agreement, authorize construction of a model unit that is not the subject of a purchase and sales contract and a commitment to a buyer for financing.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on December 16, 1993.

Allan S. Hunt

Allan S. Hunt
Executive Director and Secretary
Vermont Housing Finance Agency

vhfa
VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Jeff Francis

DATE: January 20, 1994

RE: Mid-year Business Plan Update

I have enclosed the summary pages of the FY94 Business Plan, updated to reflect activity through December 31, 1993. I have also included new pages 17-19 to accommodate repagination. The "legal support" sections reflect work performed by our General Counsel, both in general and specific to regional foreclosure work. These are the only activity additions to the draft plan submitted for your review last September, and were added at the suggestion of Gus Seelig.

At the Board meeting, other members of the staff and I will be prepared to respond to any questions you may have regarding our progress through December.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • FAX: 802/864-5746 • TDD: 1-800/586-5832

EQUAL HOUSING OPPORTUNITY

FY93 vs. FY94 TO DATE (July 1, 1993 through September 13, 1993)			
	FY93 ACTUALS	FY94 GOALS	FY94 ACTUALS TO DATE
ONGOING PROGRAMS			
MOVE (Includes IORTA)	528 mtges purch; $33,336,741	600 mtges purch; $38,500,000	354 mtges purch; $22,755,012
MCC (Mortgage Plus)	392 MCCs issued; $29,716,454	200 MCCs issued; $15,200,000	93 MCCs issued; $7,139,842
HOUSE (Includes IORTA)	63 loans purch; $ 3,800,000	60 loans purch; $3,600,000	29 loans purch; $1,787,282
Rural VT Mtge	9 mtges purch; $ 113,860	20 mtges purch; $275,000	0 mtges purch; $0
IORTA Down Payment Assist	115 loans purch; $ 7,198,584	185 loans purch; $11,580,000	93 loans purch; $6,223,494
Sugar Mae (Secondary Market)	None	Survey lenders; evaluate	No activity
Mobile Home Assistance	None	10 loans; $175,000	1 loan; $18,000
Mobile Home Park Financing (MF)	29 units; $ 326,305	60 units; $1,000,000	0 units; $0
Preservation-Section 8	3 Pres Agree Signed (27 units)	Preservation agreement for 8 projects	3 Pres Agree Signed (63 units)
LIHPRHA Preservation/Westgate	Westgate Appraisal/Capital Needs Assessment underway	Obtain acceptable bona fide offer during FY94 for Westgate; identify sponsor for Applegate	In HUD appraisal process
MF Financing	70 units; $ 2,150,000	80 units; $2,500,000	71 units; $1,037,000 10 units pending; $250,000
VT Housing Ventures	$43,340 committed; $44,000 pending	Program evaluation and restructuring	2 loans committed; $66,000
SF Development/Construction	14 units; $ 500,000 Starlake Village	100 units; $800,000	56 units; Redrocks $427,500 9 units; $600,000 Freeborn
LIHTC	CAL93: 173 LIHTC units; 175 total units; $345,648 credit reserved	CAL93: 100% allocation of available credit from returns/renewal proceeds	241 units; $363,656 (35%) Program renewed and extended in 08/93
Old North End (Burlington)	All agreements have been executed; $1,500,000 committed to MF; SF program terminated	20 MF units; $1,000,000	Contract expired 12/31/93 5 units pending; $146,000
Nonprofit Training/Technical Assist	Co-sponsored 2 with VHCB, et al. (lead paint, energy)	Assess need for training and outreach activities	No activity
Home Buyer Education	2 home buyer fairs held; 1,310 participants 1 home buyer day held; 31 participants 2 home buying basics workshops; 100 participants 6 workshops at non-VHFA sponsored events	4 home buyer fairs; 4 home buying basics workshops; 6 workshops at non-VHFA sponsored events	2 home buyer fairs; 148 attendees 1 home buy basics wkshp, 27 attendees 3 non-VHFA events, 32 attendees
TEAM Approach	Transition complete/technical assistance and program promotion ongoing	Finalize transition of program to regional host organizations	Technical support and program promotional support ongoing; need to evaluate due to resignation of TEAM supervisor
Cooperative Advertising w/Nonprofits	Disbursed $10,605 to six nonprofits	Distribute $15,000 to support nonprofit advertising efforts	$14,505 allocated to 7 nonprofits; $3,500 disbursed to 2 nonprofits

FY93 vs. FY94 TO DATE (July 1, 1993 through September 13, 1993)

	FY93 ACTUALS	FY94 GOALS	FY94 ACTUALS TO DATE
ONGOING PROGRAMS (Continued)			
Dalton Drive Commercial Buildings		Rehab and sell Dalton Drive commercial buildings	Exterior rehab complete; #600 under negotiation; #504 no active interest
Section 8 Refunding	NCSHA legislative priority; plan to recover 100% of interest savings for state HFA developments	Begin to recover 100% interest savings on refunded projects	Collecting data per Kutak for submission to HUD; continuing NCSHA initiative to keep full savings
Lead Paint Response	Legislation passed; need to reconcile with HUD notice	Participate in policy/regulatory development and respond accordingly	Workshops planned for owners/managers of VHFA-financed MF units; Lead Paint Hazard Commission work ongoing; $2,600,000 HUD grant received by VHCB and VDH; calls for $1,000,000 in VHFA loan participation
PROGRAMS/INITIATIVES BEING DEVELOPED			
MF Construction	Loans under review	2 projects; 40 units	0 projects; 0 units
Home Improvement/Qualified Rehab	Program development 50% complete	Program development and implementation	No activity
Section 8 Rent Increases	Continue to push this in Preservation Strategy and await HUD's new directive on rent comparability; Supreme Court ruled in favor of government	Implement final regulations when published	No activity
Proactive Servicing (SF)	Working on program with consultants, should implement before end of CAL93	Implementation of on-line system during FY94	Implementing new computer system; proactive billing to lenders by 04/94
Special Needs Housing	Group home financing thru FNMA—in negotiations	Finance/refinance 10 group homes; $2,000,000 maximum	$2,000,000 Fannie Mae; program advertised, applications being accepted
FHLB Funds Loan Program	Applied for $2,000,000 from FHLB 03/93; pending	Implementation of programs; at least $2,000,000 in financing	$2,000,000 in FHLB advances approved
ANALYZE FOR FUTURE IMPLEMENTATION			
Alternative SF Financing	None	Improve effectiveness and reduce costs	Cost efficiencies considered in new SF bond structure (e.g., smaller, more frequent issues; delayed bond sale)
Accessory Apartments		Assess need for program and respond accordingly, subject to staff capacity	No activity
Loan Consortium/Participating Lndrs	On hold	Program development and initiation, staff time permitting	No activity
Tax Exempt Fund/Restrict Reserves MF		Assess need for program	No activity
Mtge Deliv/Servicing Nonprofit Pilot	None; initiative viability being analyzed	Pending staff resources, establish capacity at one nonprofit	No activity
Rental Deposit Fund		Evaluate needs; subject to staffing capacity	No activity

FY93 vs. FY94 TO DATE (July 1, 1993 through September 13, 1993)			
	FY93 ACTUALS	FY94 GOALS	FY94 ACTUALS TO DATE
ANALYZE FOR FUTURE IMPLEMENTATION (Continued)			
Homeownership Counseling		Determine program feasibility and VHFA's role	Research near completion; staff review and discussion by 03/01/94
Financing for Assisted Living		Develop program or pilot project	Participating in advisory committee on assisted living to develop state policy and program initiatives
INTERNAL ACTIVITIES IN SUPPORT OF PROGRAMS			
Housing Policies State/Fed Level	Ongoing	Identify and participate (on critical issues)	Community living advisory committee; NCSHA MRB program and finance group; NCSHA LIHTC task force; lead paint commission
Housing Vermont	Evaluation/monitoring ongoing	Continue evaluation and monitoring	No change
Cash Flow: Analyze Alternatives	Incorporated in computer hardware/software search	Internalize cash flow forecasting procedure	Somewhat delayed due to computer conversion priorities
Statewide Afford Housing Conference	~~Conference held 07/01/93~~	~~Participate in planning and conducting~~ FY94 conference	~~Status undetermined~~
MF Management	97 developments (2,966 units)	Provide effective monitoring of MF portfolio	98 developments (2,974 units)
Lender Training	52 sessions; 412 attendees	Evaluate program and set objectives accordingly	38 sessions held; 196 participants
Computer Software/Hardware Convert	Computer conversion underway	All staff on network, all data to be converted during FY94	All staff on network, all SF data converted; underwriting and accounting systems operational
CHAS Performance	CHAS monitoring ongoing	Monitor progress in addressing CHAS priorities	Evaluation to be conducted
Loan Servicing		Achieve timely collections while working with borrowers	Instituted direct contact with borrower prior to foreclosure
LIHTC Compliance Monitoring	Contract with SPECTRUM signed eff. 07/01/93; published and distributed compliance manual	Evaluate SPECTRUM's performance in monitoring 25 projects (947 units)	Onsite monitoring has begun
Training for RE Professionals	Curriculum has been approved by Real Estate Commission for continuing education credits	Provide training to 200 real estate professionals in 4-6 sessions	3 sessions held; 100 attendees
Strategic Planning		Develop strategic plan for VHFA	Strategic planning process underway
General Counsel	Addressed in-house legal requirements of Agency		
Regional Attorneys	Selected 8 attorneys throughout VT and began utilizing them		Monitor performance of attorneys and refine procedures (17 properties currently in foreclosure)

FY93 vs. FY94 TO DATE (July 1, 1993 through September 13, 1993)			
	FY93 ACTUALS	FY94 GOALS	FY94 ACTUALS TO DATE
TERMINATED PROGRAMS			
Down Payment Assistance	18 loans purch; $ 978,816 (replaced by IORTA)		
Dalton Drive Aff Housing	71 units sold; $ 6,339,674 ($1,654,237); 6 units under contract; CAL93: All 77 units sold		
Affordable Housing Demonstration	None		
MRB and LIHTC Extension	MRB/LIHTC permanently extended		

INTERNAL ACTIVITIES IN SUPPORT OF PROGRAMS

Low Income Housing Tax Credit (LIHTC) **Compliance Monitoring** Perform compliance monitoring, required by Section 42 of the IRS Code, on all units that have been placed in service as of 12/31/92, reporting non-compliance to the IRS.	FY93 ACTIVITY: Contract with SPECTRUM signed eff. 07/01/93; published and distributed compliance manual *FY94 GOAL:* Evaluate SPECTRUM's performance in monitoring 25 projects (947 units) *FY94 ACTUAL:* PARTICIPATING DEPARTMENTS: **MULTI-FAMILY MANAGEMENT** DEVELOPMENT

In FY93, SPECTRUM, Inc. selected as authorized delegate with contract for one year expiring 06/30/94. Projects subject to monitoring are billed an annual fee at the rate of $12 per tax credit unit by VHFA.

Training for Real Estate Professionals Deliver educational curriculum for Vermont Real Estate professionals.	FY93 ACTIVITY: Curriculum has been approved by Real Estate Commission for continuing education credits *FY94 GOAL:* Provide training to 200 real estate professionals in 4-6 sessions *FY94 ACTUAL:* PARTICIPATING DEPARTMENTS: **COMMUNICATIONS** OPERATIONS

An opportunity has been identified to both (1) contribute to the professional growth of Vermont real estate licensees and (b) provide an incentive to licensees to become well-versed in the mechanics of VHFA financing options for low- and moderate-income home buyers.

Strategic Planning Undertake broad-based planning effort to prepare VHFA for the next five years and beyond.	*FY94 GOAL:* Develop strategic plan for VHFA *FY94 ACTUAL:* PARTICIPATING DEPARTMENTS: **ADMINISTRATION** COMMUNICATIONS DEVELOPMENT FINANCE MULTI-FAMILY MANAGEMENT OPERATIONS

With VHFA's 20th anniversary occurring in 1994, a strategic planning process will be completed with the participation of the Board of Commissioners, a special advisory committee, staff and associates.

VHFA BUSINESS PLAN FY94 (07/01/93—06/30/94)

INTERNAL ACTIVITIES IN SUPPORT OF PROGRAMS

Legal Support In-house General Counsel addresses the legal requirements of the Agency.	*FY94 GOAL:* *FY94 ACTUAL:* PARTICIPATING DEPARTMENTS: ADMINISTRATION

Participates in multi-family development process by serving on multi-family loan committee, drafting and reviewing documents, managing closing process. Supervises single family foreclosures by outside attorneys selected by the Agency. Member of senior staff management group. Reviews legislation of interest to Agency and testifies before General Assembly committees. Liaison with bond counsel for Agency. Conducts or supervises litigation in which Agency is involved. Participates in working group on all bond issues. Drafting and review of contracts that Agency proposes to enter into. Supervision of outside counsel performing legal services for VHFA.

Legal Support Regional Attorneys work as agents of the Agency to conduct regional foreclosure proceedings.	*FY94 GOAL:* *FY94 ACTUAL:* PARTICIPATING DEPARTMENTS: ADMINISTRATION

In mid-1993, the Agency began utilizing selected attorneys from regions around the state to handle its single family foreclosure actions in an effort to obtain consistently timely service and legal work in foreclosure actions. The attorneys are supervised by the Agency's General Counsel.

TERMINATED PROGRAMS

Down Payment Assistance Program *Single Family Mortgage— Down Payment Assistance* A pilot program where eligible borrowers may reduce the amount of their down payment by an amount equal to closing costs. The purpose of the program is to decrease the funds needed to purchase a home.	FY93 ACTIVITY: 18 loans purch; $978,816 *FY94 GOAL:* (REPLACED BY IORTA) PARTICIPATING DEPARTMENTS: **OPERATIONS** VHMGB

This program was replaced by the IORTA Down Payment Assistance Program.

Dalton Drive Affordable Housing *Special Initiative—Homeownership* An initiative to combine State resources to create 77 affordable homeownership units from the 19 historical Fort buildings on Dalton Drive.	FY93 ACTIVITY: 71 units sold; $ 6,339,674 ($1,654,237); 6 units under contract *FY94 GOAL:* Sell all remaining units (total 77); $6,782,000 total mortgages PARTICIPATING DEPARTMENTS: **ADMINISTRATION** DEVELOPMENT OPERATIONS COMMUNICATIONS

All 77 units sold as of 09/04.

Affordable Housing Demonstration *Special Initiative—Innovation* A demonstration program to promote affordable housing developments by providing financing for model homes.	FY93 ACTIVITY: None *FY94 GOAL:* *FY94 ACTUAL:* PARTICIPATING DEPARTMENTS: **DEVELOPMENT**

Mortgage Revenue Bond (MRB) and Low Income Housing Tax Credit (LIHTC) Extension Campaigns Congressional authority to issue MRBs sunsetted June 30, 1992. Intensive efforts to secure permanent re-authorization by Congress are underway.	FY93 ACTIVITY: MRB/LIHTC permanently extended *FY94 GOAL:* *FY94 ACTUAL:* PARTICIPATING DEPARTMENTS: **COMMUNICATIONS** OPERATIONS ADMINISTRATION

Both programs permanently extended by Congress.

VERMONT HOUSING FINANCE AGENCY
MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: DOUGLAS R. LOTHROP, DIRECTOR OF OPERATIONS

DATE: JANUARY 20, 1994

RE: SERIES 1, 2, & 3; MORTGAGES NOT PURCHASED AND REMAINING IN LENDERS PORTFOLIO

DISCUSSION

VHFA staff estimates there will be between $2.5 and $3 million in mortgage loans in the pipeline which will not be able to be sold to VHFA by the February 15th final purchase date. This estimate stems from discussions with several participating lenders in the MOVE program. The final purchase date is set by federal tax regulations which state that proceeds from the sale of mortgage revenue bonds must be used to purchase mortgage loans or redeem bonds 42 months after the issue date.

Most of the mortgage loans originated for sale to VHFA by participating lenders, not sold to VHFA, will most likely be kept in a lenders portfolio as there is no other secondary mortgage purchaser available that would buy them from the lender. In addition, VHFA would very much like to purchase these mortgage loans to offset the loss of income brought about by the recent experience of rapid prepayments of mortgage loans from our portfolio.

We are in a position to assist the lenders from having to hold these mortgage loans in their portfolios while at the same time demonstrating that VHFA will work diligently to assist active participants in our programs from being left "holding the bag".

PROPOSAL

VHFA has received mortgage prepayments in the Series 1 and 2 programs of approximately $2 million. These funds could be used to purchase the mortgage loans remaining in the pipeline. This proposal would not assist in reducing the dollar amount of bonds that we would have to redeem. However, it would allow us to purchase a good income producing asset. As Roger has indicated to us many times, "Our best investment of bond proceeds is a mortgage loan.".

Soon after February 15th, we would send a letter to each lender with loans remaining in the pipeline outlining the conditions under which we would purchase eligible mortgage loans. In addition, we would attach a listing from our records of the mortgage loans that this offer would apply to. The letter would request that the lender respond to us by a certain date indicating which mortgage loans on the list they intend to sell to us or that they do not anticipate participating in this special purchase arrangement. This would allow us to size this special purchase arrangements so as not to over commit our resources.

The requirements for the special purchase arrangement would be:

1. A per loan fee of $250 would have to be paid for each loan submitted for purchase to cover the cost of the special purchase.

2. No late fees will be collected over and above those late fees already collected in the lenders attempt to sell us the mortgage loan.

3. The final date that these loans may be purchased by VHFA is June 15, 1994.

4. The mortgage loans must be eligible for purchase.

I have preliminarily discussed this proposal with Chairman White and Lisa Randall to obtain their opinion to this proposal. Their response was favorable.

RECOMMENDED BOARD ACTION

Approval of the proposal as outlined above and authorization for staff to proceed for its implementation.

vhfa

VERMONT HOUSING FINANCE AGENCY
MEMORANDUM

TO: **VHFA BOARD OF COMMISSIONERS**

FROM: **DOUGLAS R. LOTHROP, DIRECTOR OF OPERATIONS**

DATE: **JANUARY 17, 1994**

RE: **ACTIVITY BY LENDER FOR CALENDAR YEAR 1993**

Listed below is the VHFA mortgage loan purchase activity, by lender, for the period January 1, 1993 to December 31, 1993. This activity is shown in both the number of loans and dollar volume purchased.

1.	Vermont National Bank*	100	$ 7,443,791
2.	Chittenden Bank	94	6,663,797
3.	Vermont Federal Bank, FSB	88	6,479,495
4.	Banknorth Mortgage Co.	59	3,567,806
5.	Community National Bank	49	2,561,393
6.	Statewidw Funding Corp.	46	3,073,403
7.	Marble Bank	35	2,311,520
8.	Union Bank	27	1,773,769
9.	BancBoston Mortgage Corp.	24	1,717,011
10.	Passumpsic Savings Bank	21	1,303,161
11.	Northfield savings Bank	20	1,371,201
12.	Merchants Bank	19	1,322,895
13.	Citizens Savings Bank	18	1,124,646
14.	Lyndonville Savings Bank	10	598,362
15.	Wells river Savings Bank	10	662,976
16.	Mortgage Service Center	9	652,405
17.	National Bank of Middlebury	6	404,425
18.	Factory Point National Bank	5	356,280
19.	New England IBM Federal Credit Union	5	379,000
20.	Green Mountain Bank	4	208,995
21.	Fleet Mortgage Company	3	184,400
22.	Vermont Development Crerdit Union	2	162,000
23.	Peoples Trust Compnay	1	79,000
24.	Rnadolph National Bank	1	78,532
25.	Bennington Co-operative Savings	0	000
26.	Brattleboro Savings & Loan	0	000
		656	$44,480,264

* Includes loans originated by Summitt Financial Services and Kittridge Mortgage Corporation, sold to Vermont National Bank which in turn were sold to VHFA.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • FAX: 802/864-5746 • TDD: 1-800/586-5832

93A - MOVE 6.95%/7.95%

STATISTICAL REPORT PROGRAM ID: 93A   Report: 1587
UNDERWRITING DATABASE
LTV 0% TO 100%
Effective for 01/01/89 thru 12/31/93
Loan Status: CC,UC,O

Total Number of Loans: 143
Total Loan Amount: $8,921,066

EXISTING:	$7,131,087	81.1%	116 Loans
NEW CONSTRUCTION:	$1,789,979	18.8%	27 Loans
NEW DETACHED HOUSING:	$1,570,429	87.7%	24 Loans
NEW CONDOMINIUM:	$219,550	12.2%	3 Loans
Funds Remaining to be Reserved:	$222,088	2.3%	3 Loans (Est.)

Total Insured or Guaranteed Loans: 135
Loans Guaranteed by VHMGB: 132

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$64,005	$72,506	$66,740
Avg. Loan Amount	$59,982	$67,452	$62,385
Avg. Borrower Income	$25,848	$26,929	$26,196
Avg. Housing Debt-Income Ratio	24.1%	26.6%	24.9%
Avg. Total Debt	$677.85	$736.32	$696.66
Avg. Total Debt-Income Ratio	31.7%	32.9%	32.1%
Total No. of Loans	97	46	143
% of Total Loan Amount	65.2%	34.8%	100.0%
First Time Homebuyers	87.6%	100.0%	91.6%
% Meeting Low Income Set Aside	48.4%	54.3%	50.3%

	Loans	% of Loans	$ Amount	*Households	% of Hshlds	% DIFF
Addison	8	5.6%	$439,812	5,000	5.7%	0.1-
Bennington	3	2.1%	$218,251	6,300	7.2%	5.1-
Caledonia	16	11.2%	$851,747	4,800	5.5%	5.7
Chittenden	20	13.9%	$1,506,687	16,000	18.2%	4.3-
Essex	5	3.5%	$270,605	1,300	1.4%	2.1
Franklin	27	18.9%	$1,746,103	6,000	6.8%	12.1
Grand Isle	2	1.4%	$123,775	900	1.0%	0.4
Lamoille	3	2.1%	$178,875	3,300	3.8%	1.7-
Orange	6	4.2%	$354,943	4,300	4.9%	0.7-
Orleans	22	15.4%	$1,246,174	4,200	4.8%	10.6
Rutland	3	2.1%	$214,465	10,000	11.4%	9.3-
Washington	12	8.4%	$780,895	9,000	10.3%	1.9-
Windham	3	2.1%	$174,465	7,100	8.1%	6.0-
Windsor	13	9.1%	$814,269	9,600	11.0%	1.9-
TOTAL	143	100.0%	$8,921,066	87,800	100.0%	

* Estimated number of households, $15,000 to $35,000 income.
Source: CACI, 1990 Sourcebook of County Demographics

AS OF: 01/20/94
PAGE NO. 1

Vermont Housing Finance Agency

93A - $9,571,625 1990 SERIES 3-SF HOUSING PROGRAM 1S 7.95

Status Report (with percent of pool proceeds approved)

Rate : 6.950%

Date : 01/20/94

Report: 1130
PERSTATU

Lender		Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased	PERC
BancBoston Mortgage Corporation		$67,925	0.7%	$67,925	0.7%	$67,925	$0	0.0%
Banknorth Mortgage Co		$741,687	7.7%	$741,687	7.7%	$426,127	$315,560	42.5%
Chittenden Bank		$2,441,064	25.5%	$2,312,289	24.1%	$1,967,914	$344,375	14.1%
Citizens Savings Bank and Trust		$536,868	5.6%	$536,868	5.6%	$483,718	$53,150	9.9%
Community National Bank		$1,216,243	12.7%	$1,174,443	12.2%	$992,843	$181,600	14.9%
Green Mountain Bank		$33,000	0.3%	$33,000	0.3%	$33,000	$0	0.0%
Lyndonville Savings Bank & Trust Company		$248,048	2.5%	$196,048	2.0%	$196,048	$0	0.0%
Marble Bank		$48,410	0.5%	$48,410	0.5%	$48,410	$0	0.0%
Merchants Bank, The		$199,537	2.0%	$199,537	2.0%	$137,550	$61,987	31.0%
Mortgage Service Center of New England		$126,444	1.3%	$94,239	0.9%	$94,239	$0	0.0%
National Bank of Middlebury, The		$16,500	0.1%	$16,500	0.1%	$16,500	$0	0.0%
New England IBM Employees Fed Crdt Union		$65,346	0.6%	$65,346	0.6%	$65,346	$0	0.0%
Northfield Savings Bank		$122,951	1.2%	$122,951	1.2%	$122,951	$0	0.0%
Passumpsic Savings Bank		$232,025	2.4%	$232,025	2.4%	$174,325	$57,700	24.8%
Randolph National Bank		$38,600	0.4%	$38,600	0.4%	$38,600	$0	0.0%
Statewide Funding Corporation		$69,942	0.7%	$69,942	0.7%	$69,942	$0	0.0%
Summit Financial Center, Inc.		$233,700	2.4%	$181,450	1.8%	$181,450	$0	0.0%
Vermont Federal Bank, FSB		$1,162,252	12.1%	$1,162,252	12.1%	$1,162,252	$0	0.0%
Vermont National Bank		$1,746,904	18.2%	$1,676,004	17.5%	$1,379,079	$296,925	16.9%
TOTALS	151 Loans	$9,347,446	97.6%	$8,969,516	93.7%	$7,658,219	$1,311,297	14.0%

93B - MOVE 7.25%/8.25%

STATISTICAL REPORT PROGRAM ID: 93B   Report: 1587
UNDERWRITING DATABASE
LTV 0% TO 100%
Effective for 01/01/89 thru 12/31/93
Loan Status: CC,UC,O

Total Number of Loans: 286
Total Loan Amount: $18,786,601

EXISTING:	$16,146,017	87.0%	249 Loans
NEW CONSTRUCTION:	$2,640,584	12.9%	37 Loans
NEW DETACHED HOUSING:	$2,486,161	94.1%	35 Loans
NEW CONDOMINIUM:	$154,423	5.8%	2 Loans
Funds Remaining to be Reserved:	$215,277	1.0%	3 Loans (Est.)

Total Insured or Guaranteed Loans: 280
Loans Guaranteed by VHMGB: 278

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$66,253	$74,653	$69,190
Avg. Loan Amount	$62,755	$71,140	$65,687
Avg. Borrower Income	$27,667	$33,366	$29,660
Avg. Housing Debt-Income Ratio	24.3%	25.1%	24.6%
Avg. Total Debt	$764.73	$812.53	$781.44
Avg. Total Debt-Income Ratio	33.1%	32.4%	32.9%
Total No. of Loans	186	100	286
% of Total Loan Amount	62.1%	37.9%	100.0%
First Time Homebuyers	93.5%	97.0%	94.7%
% Meeting Low Income Set Aside	33.3%	30.0%	32.1%

	Loans	% of Loans	$ Amount	*Households	% of Hshlds	% DIFF
Addison	26	9.1%	$1,830,572	5,000	5.7%	3.4
Bennington	14	4.9%	$987,721	6,300	7.2%	2.3-
Caledonia	36	12.6%	$2,062,182	4,800	5.5%	7.1
Chittenden	37	13.1%	$2,858,875	16,000	18.2%	5.1-
Essex	3	1.0%	$166,350	1,300	1.4%	0.4-
Franklin	16	5.6%	$1,027,395	6,000	6.8%	1.2-
Grand Isle	5	1.7%	$348,925	900	1.0%	0.7
Lamoille	22	7.7%	$1,510,313	3,300	3.8%	3.9
Orange	9	3.1%	$560,937	4,300	4.9%	1.8-
Orleans	20	7.0%	$986,599	4,200	4.8%	2.2
Rutland	47	16.4%	$3,240,791	10,000	11.4%	5.0
Washington	27	9.4%	$1,713,084	9,000	10.3%	0.9-
Windham	6	2.1%	$404,892	7,100	8.1%	6.0-
Windsor	18	6.3%	$1,087,965	9,600	11.0%	4.7-
TOTAL	286	100.0%	$18,786,601	87,800	100.0%	

* Estimated number of households, $15,000 to $35,000 income.
Source: CACI, 1990 Sourcebook of County Demographics

AS OF: 01/20/94
PAGE NO. 1

Vermont Housing Finance Agency
93B - $20,600,000 1990 SERIES 3-SF HOUSING PROGRAM 1S 8.25
Status Report (with percent of pool proceeds approved)
Rate : 7.250%
Date : 01/20/94

Report: 1130
PERSTATU

Lender		Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased	PERC
BancBoston Mortgage Corporation		$368,527	1.7%	$368,527	1.7%	$302,902	$65,625	17.8%
Banknorth Mortgage Co		$2,496,150	12.1%	$2,172,250	10.5%	$1,624,325	$547,925	21.9%
Chittenden Bank		$3,311,679	16.0%	$3,098,404	15.0%	$2,529,574	$568,830	17.1%
Citizens Savings Bank and Trust		$455,444	2.2%	$393,025	1.9%	$277,425	$115,600	25.3%
Community National Bank		$638,863	3.1%	$638,863	3.1%	$590,363	$48,500	7.5%
Factory Point National Bank, The		$39,600	0.1%	$39,600	0.1%	$0	$39,600	100.0%
Fleet Mortgage		$531,675	2.5%	$421,045	2.0%	$108,635	$312,410	58.7%
Kittredge Mortgage Corporation		$90,250	0.4%	$90,250	0.4%	$0	$90,250	100.0%
Lyndonville Savings Bank & Trust Company		$102,460	0.4%	$102,460	0.4%	$102,460	$0	0.0%
Marble Bank		$1,143,848	5.5%	$936,548	4.5%	$773,908	$162,640	14.2%
Merchants Bank, The		$462,282	2.2%	$462,282	2.2%	$462,282	$0	0.0%
Mortgage Service Center of New England		$426,106	2.0%	$302,606	1.4%	$218,106	$84,500	19.8%
National Bank of Middlebury, The		$91,197	0.4%	$91,197	0.4%	$91,197	$0	0.0%
Northfield Savings Bank		$904,021	4.3%	$771,121	3.7%	$674,696	$96,425	10.6%
Passumpsic Savings Bank		$1,108,126	5.3%	$980,691	4.7%	$870,191	$110,500	9.9%
Peoples Trust Company of St Albans		$173,850	0.8%	$75,050	0.3%	$75,050	$0	0.0%
Statewide Funding Corporation		$2,105,111	10.2%	$2,046,211	9.9%	$1,181,534	$864,677	41.0%
Summit Financial Center, Inc.		$91,400	0.4%	$91,400	0.4%	$0	$91,400	100.0%
Union Bank		$854,531	4.1%	$854,531	4.1%	$752,531	$102,000	11.9%
Vermont Federal Bank, FSB		$2,452,353	11.9%	$2,357,353	11.4%	$2,175,853	$181,500	7.4%
Vermont National Bank		$2,185,066	10.6%	$2,185,066	10.6%	$1,754,841	$430,225	19.6%
Wells River Savings Bank		$373,196	1.8%	$373,196	1.8%	$324,336	$48,860	13.0%
TOTALS	314 Loans	$20,405,735	99.0%	$18,851,676	91.5%	$14,890,209	$3,961,467	19.4%

94A - MOVE 6.95%/7.95%

STATISTICAL REPORT PROGRAM ID: 94A   Report: 1587
UNDERWRITING DATABASE
LTV 0% TO 100%
Effective for 01/01/89 thru 12/31/93
Loan Status: CC,UC,O

Total Number of Loans: 9
Total Loan Amount: $617,965

EXISTING:	$453,165	77.7%	7 Loans
NEW CONSTRUCTION:	$164,800	22.2%	2 Loans
NEW DETACHED HOUSING:	$164,800	100.0%	2 Loans
NEW CONDOMINIUM:	$0	0.0%	0 Loans
Funds Remaining to be Reserved:	$366,362	19.5%	5 Loans (Est.)

Total Insured or Guaranteed Loans: 9
Loans Guaranteed by VHMGB: 9

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$58,890	$80,189	$75,456
Avg. Loan Amount	$52,475	$73,287	$68,662
Avg. Borrower Income	$19,278	$29,199	$26,994
Avg. Housing Debt-Income Ratio	28.0%	26.4%	26.7%
Avg. Total Debt	$465.00	$814.42	$736.77
Avg. Total Debt-Income Ratio	28.5%	33.8%	32.6%
Total No. of Loans	2	7	9
% of Total Loan Amount	17.0%	83.0%	100.0%
First Time Homebuyers	100.0%	57.1%	66.6%
% Meeting Low Income Set Aside	50.0%	57.1%	55.5%

	Loans	% of Loans	$ Amount	*Households	% of Hshlds	% DIFF
Addison	1	11.1%	$22,950	5,000	5.7%	5.4
Bennington	0	0.0%	$0	6,300	7.2%	7.2-
Caledonia	1	11.1%	$74,800	4,800	5.5%	5.6
Chittenden	4	44.5%	$333,322	16,000	18.2%	26.3
Essex	0	0.0%	$0	1,300	1.4%	1.4-
Franklin	0	0.0%	$0	6,000	6.8%	6.8-
Grand Isle	1	11.1%	$80,933	900	1.0%	10.1
Lamoille	0	0.0%	$0	3,300	3.8%	3.8-
Orange	0	0.0%	$0	4,300	4.9%	4.9-
Orleans	0	0.0%	$0	4,200	4.8%	4.8-
Rutland	0	0.0%	$0	10,000	11.4%	11.4-
Washington	1	11.1%	$30,150	9,000	10.3%	0.8
Windham	0	0.0%	$0	7,100	8.1%	8.1-
Windsor	1	11.1%	$75,810	9,600	11.0%	0.1
TOTAL	9	100.0%	$617,965	87,800	100.0%	

* Estimated number of households, $15,000 to $35,000 income.
Source: CACI, 1990 Sourcebook of County Demographics

AS OF: 01/20/94

PAGE NO. 1

Vermont Housing Finance Agency

94A - $1,875,000 1990 SERIES 4-SF HOUSING PROG 1S-7.95%

Status Report (with percent of pool proceeds approved)

Rate : 6.950%

Date : 01/20/94

Report: 1130

PERSTATU

Lender		Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased	PERC
BancBoston Mortgage Corporation		$221,557	11.8%	$79,867	4.2%	$79,867	$0	0.0%
Banknorth Mortgage Co		$104,350	5.5%	$30,150	1.6%	$0	$30,150	28.8%
Chittenden Bank		$326,320	17.4%	$90,000	4.8%	$0	$90,000	27.5%
Citizens Savings Bank and Trust		$63,000	3.3%	$0	0.0%	$0	$0	0.0%
Community National Bank		$59,000	3.1%	$0	0.0%	$0	$0	0.0%
Fleet Mortgage		$69,900	3.7%	$0	0.0%	$0	$0	0.0%
Merchants Bank, The		$78,755	4.2%	$0	0.0%	$0	$0	0.0%
Northfield Savings Bank		$75,810	4.0%	$75,810	4.0%	$75,810	$0	0.0%
Passumpsic Savings Bank		$74,800	3.9%	$74,800	3.9%	$0	$74,800	100.0%
Summit Financial Center, Inc.		$167,675	8.9%	$0	0.0%	$0	$0	0.0%
Vermont Development Credit Union		$119,950	6.3%	$119,950	6.3%	$0	$119,950	100.0%
Vermont National Bank		$147,388	7.8%	$147,388	7.8%	$147,388	$0	0.0%
TOTALS	22 Loans	$1,508,505	80.4%	$617,965	32.9%	$303,065	$314,900	20.8%

94B - MOVE 7.25%/8.25%

STATISTICAL REPORT PROGRAM ID: 94B Report: 1587
UNDERWRITING DATABASE
LTV 0% TO 100%
Effective for 01/01/89 thru 12/31/93
Loan Status: CC,UC,O

Total Number of Loans: 14
Total Loan Amount: $930,757

EXISTING:	$687,262	78.5%	11 Loans
NEW CONSTRUCTION:	$243,495	21.4%	3 Loans
NEW DETACHED HOUSING:	$243,495	100.0%	3 Loans
NEW CONDOMINIUM:	$0	0.0%	0 Loans
Funds Remaining to be Reserved:	$1,130,952	29.1%	17 Loans (Est.)

Total Insured or Guaranteed Loans: 14
Loans Guaranteed by VHMGB: 14

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$49,625	$77,892	$69,816
Avg. Loan Amount	$47,025	$74,265	$66,482
Avg. Borrower Income	$23,817	$31,351	$29,198
Avg. Housing Debt-Income Ratio	24.2%	25.6%	25.2%
Avg. Total Debt	$685.75	$863.10	$812.42
Avg. Total Debt-Income Ratio	35.0%	33.4%	33.8%
Total No. of Loans	4	10	14
% of Total Loan Amount	20.2%	79.8%	100.0%
First Time Homebuyers	100.0%	60.0%	71.4%
% Meeting Low Income Set Aside	75.0%	20.0%	35.7%

	Loans	% of Loans	$ Amount	*Households	% of Hshlds	% DIFF
Addison	4	28.6%	$289,682	5,000	5.7%	22.9
Bennington	1	7.1%	$77,717	6,300	7.2%	0.1-
Caledonia	0	0.0%	$0	4,800	5.5%	5.5-
Chittenden	4	28.7%	$312,558	16,000	18.2%	10.5
Essex	0	0.0%	$0	1,300	1.4%	1.4-
Franklin	0	0.0%	$0	6,000	6.8%	6.8-
Grand Isle	1	7.1%	$62,700	900	1.0%	6.1
Lamoille	0	0.0%	$0	3,300	3.8%	3.8-
Orange	0	0.0%	$0	4,300	4.9%	4.9-
Orleans	1	7.1%	$32,300	4,200	4.8%	2.3
Rutland	0	0.0%	$0	10,000	11.4%	11.4-
Washington	2	14.3%	$122,550	9,000	10.3%	4.0
Windham	1	7.1%	$33,250	7,100	8.1%	1.0-
Windsor	0	0.0%	$0	9,600	11.0%	11.0-
TOTAL	14	100.0%	$930,757	87,800	100.0%	

* Estimated number of households, $15,000 to $35,000 income.
Source: CACI, 1990 Sourcebook of County Demographics

AS OF: 01/20/94 | Vermont Housing Finance Agency | Report: 1130
PAGE NO. 1 | 94B - $3,875,000 1990 SERIES 4-SF HOUSING PROG 1S-8.25% | PERSTATU

Status Report (with percent of pool proceeds approved)

Rate : 7.250%

Date : 01/20/94

Lender	Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased	PERC
BancBoston Mortgage Corporation	$272,275	7.0%	$162,275	4.1%	$62,700	$99,575	36.5%
Banknorth Mortgage Co	$109,850	2.8%	$59,850	1.5%	$0	$59,850	54.4%
Chittenden Bank	$341,007	8.8%	$77,717	2.0%	$77,717	$0	0.0%
Citizens Savings Bank and Trust	$50,000	1.2%	$0	0.0%	$0	$0	0.0%
Community National Bank	$114,955	2.9%	$32,300	0.8%	$0	$32,300	28.0%
Fleet Mortgage	$90,000	2.3%	$0	0.0%	$0	$0	0.0%
Green Mountain Bank	$130,200	3.3%	$58,200	1.5%	$58,200	$0	0.0%
Kittredge Mortgage Corporation	$79,500	2.0%	$0	0.0%	$0	$0	0.0%
Marble Bank	$187,137	4.8%	$141,062	3.6%	$141,062	$0	0.0%
Merchants Bank, The	$36,100	0.9%	$0	0.0%	$0	$0	0.0%
Peoples Trust Company of St Albans	$63,175	1.6%	$0	0.0%	$0	$0	0.0%
Statewide Funding Corporation	$164,675	4.2%	$0	0.0%	$0	$0	0.0%
Summit Financial Center, Inc.	$150,480	3.8%	$0	0.0%	$0	$0	0.0%
Union Bank	$89,000	2.2%	$0	0.0%	$0	$0	0.0%
Vermont Development Credit Union	$59,900	1.5%	$0	0.0%	$0	$0	0.0%
Vermont Federal Bank, FSB	$303,470	7.8%	$206,620	5.3%	$147,920	$58,700	19.3%
Vermont National Bank	$313,233	8.0%	$192,733	4.9%	$159,483	$33,250	10.6%
Wells River Savings Bank	$189,091	4.8%	$0	0.0%	$0	$0	0.0%
TOTALS 44 Loans	$2,744,048	70.8%	$930,757	24.0%	$647,082	$283,675	10.3%

94H - HOUSE 5.95%-7.45%

STATISTICAL REPORT PROGRAM ID: 94H   Report: 1587
UNDERWRITING DATABASE
LTV 0% TO 100%
Effective for 01/01/89 thru 12/31/93
Loan Status: CC,UC,O

Total Number of Loans: 68
Total Loan Amount: $4,193,682

EXISTING:	$1,682,354	44.1%	30 Loans
NEW CONSTRUCTION:	$2,511,328	55.8%	38 Loans
NEW DETACHED HOUSING:	$1,284,048	51.1%	20 Loans
NEW CONDOMINIUM:	$1,227,280	48.8%	18 Loans
Funds Remaining to be Reserved:	$2,229,284	31.8%	36 Loans (Est.)

Total Insured or Guaranteed Loans: 52
Loans Guaranteed by VHMGB: 52

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$68,844	$74,711	$73,417
Avg. Loan Amount	$53,485	$63,988	$61,671
Avg. Borrower Income	$24,378	$25,646	$25,366
Avg. Housing Debt-Income Ratio	26.0%	28.8%	28.2%
Avg. Total Debt	$757.86	$766.56	$764.64
Avg. Total Debt-Income Ratio	37.2%	36.2%	36.4%
Total No. of Loans	15	53	68
% of Total Loan Amount	19.1%	80.9%	100.0%
First Time Homebuyers	100.0%	98.1%	98.5%
% Meeting Low Income Set Aside	53.3%	67.9%	64.7%

	Loans	% of Loans	$ Amount	*Households	% of Hshlds	% DIFF
Addison	5	7.4%	$293,269	5,000	5.7%	1.7
Bennington	1	1.5%	$53,620	6,300	7.2%	5.7-
Caledonia	0	0.0%	$0	4,800	5.5%	5.5-
Chittenden	26	38.1%	$1,766,148	16,000	18.2%	19.9
Essex	0	0.0%	$0	1,300	1.4%	1.4-
Franklin	0	0.0%	$0	6,000	6.8%	6.8-
Grand Isle	0	0.0%	$0	900	1.0%	1.0-
Lamoille	1	1.5%	$47,000	3,300	3.8%	2.3-
Orange	0	0.0%	$0	4,300	4.9%	4.9-
Orleans	0	0.0%	$0	4,200	4.8%	4.8-
Rutland	3	4.4%	$170,689	10,000	11.4%	7.0-
Washington	1	1.5%	$60,317	9,000	10.3%	8.8-
Windham	10	14.7%	$524,279	7,100	8.1%	6.6
Windsor	21	30.9%	$1,278,360	9,600	11.0%	19.9
TOTAL	68	100.0%	$4,193,682	87,800	100.0%	

* Estimated number of households, $15,000 to $35,000 income.
Source: CACI, 1990 Sourcebook of County Demographics

AS OF: 01/20/94
PAGE NO. 1

Vermont Housing Finance Agency

94H - $7,000,000 HOUSE-HOMEOWNERSHIP USING SHARED EQUITY

Status Report (with percent of pool proceeds approved)

Rate : 7.450%

Date : 01/20/94

Report: 1130
PERSTATU

Lender		Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim. Approval	Loans Purchased	Loans to be Purchased	PERC
BancBoston Mortgage Corporation		$78,200	1.1%	$78,200	1.1%	$78,200	$0	0.0%
Banknorth Mortgage Co		$258,314	3.6%	$196,314	2.8%	$55,189	$141,125	54.6%
Brattleboro Savings and Loan		$70,663	1.0%	$70,663	1.0%	$0	$70,663	100.0%
Factory Point National Bank, The		$53,620	0.7%	$53,620	0.7%	$53,620	$0	0.0%
Marble Bank		$820,094	11.7%	$820,094	11.7%	$665,644	$154,450	18.8%
Merchants Bank, The		$62,000	0.8%	$62,000	0.8%	$62,000	$0	0.0%
Mortgage Service Center of New England		$116,190	1.6%	$69,930	0.9%	$69,930	$0	0.0%
National Bank of Middlebury, The		$126,928	1.8%	$126,928	1.8%	$126,928	$0	0.0%
Union Bank		$47,000	0.6%	$0	0.0%	$0	$0	0.0%
Vermont Development Credit Union		$699,285	9.9%	$570,685	8.1%	$0	$570,685	81.6%
Vermont Federal Bank, FSB		$1,062,871	15.1%	$971,571	13.8%	$908,571	$63,000	5.9%
Vermont National Bank		$1,372,477	19.6%	$1,173,677	16.7%	$952,677	$221,000	16.1%
TOTALS	78 Loans	$4,767,642	68.1%	$4,193,682	59.9%	$2,972,759	$1,220,923	25.6%

AS OF: 01/20/94
PAGE NO. 1

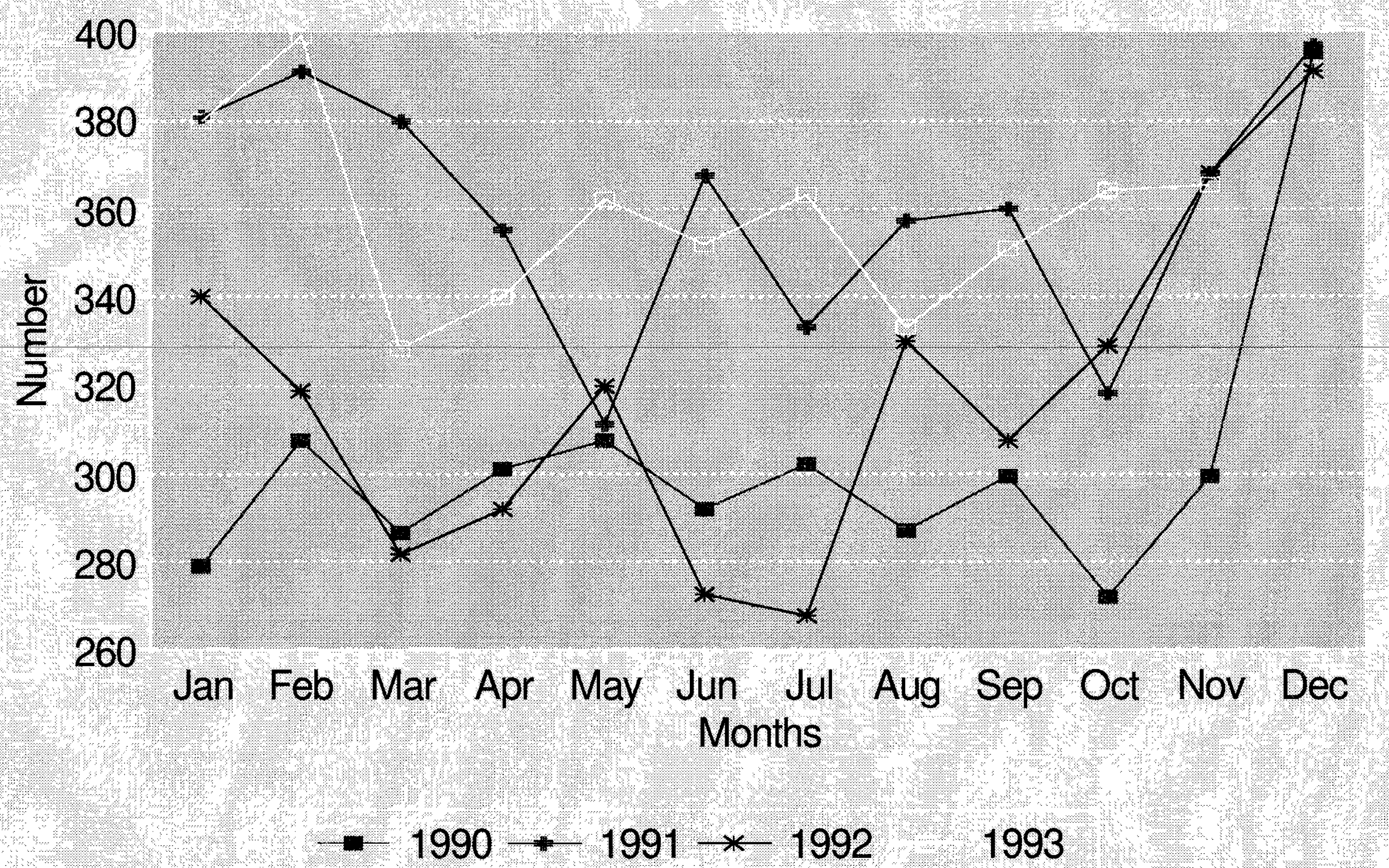
Vermont Housing Finance Agency
Delinquency Statistics Report
SINGLE FAMILY PORTFOLIO
EFFECTIVE: 12/31/93

Report: 1261
DELR07B

Banks	Outstanding Loans	30 Days		60 Days		90+ Days		Total		Auth	FCL		REO		Grand Total	
BancBoston Mortgage Corporation	327	12	3.67%	2	0.61%	2	0.61%	16	4.89%	0	0	0.00%	1	0.31%	17	5.20%
Banknorth Mortgage Co	38	1	2.63%	0	0.00%	0	0.00%	1	2.63%	0	0	0.00%	0	0.00%	1	2.63%
Bennington Coop Savings & Loan Assn Inc	36	4	11.11%	0	0.00%	0	0.00%	4	11.11%	0	0	0.00%	0	0.00%	4	11.11%
Bradford National Bank	40	1	2.50%	0	0.00%	3	7.50%	4	10.00%	0	0	0.00%	0	0.00%	4	10.00%
Chittenden Trust Company	850	52	6.12%	11	1.29%	9	1.06%	72	8.47%	0	2	0.24%	5	0.59%	79	9.29%
Citizens Savings Bank	53	1	1.89%	1	1.89%	0	0.00%	2	3.77%	0	0	0.00%	0	0.00%	2	3.77%
Comfed Mortgage Co., Inc.	8	1	12.50%	0	0.00%	0	0.00%	1	12.50%	0	0	0.00%	0	0.00%	1	12.50%
Commonwealth Mortgage Company, Inc	16	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0	0.00%	0	0.00%	0	0.00%
Community National Bank	195	5	2.56%	1	0.51%	1	0.51%	7	3.59%	0	0	0.00%	1	0.51%	8	4.10%
Factory Point National Bank, The	27	2	7.41%	0	0.00%	0	0.00%	2	7.41%	0	0	0.00%	0	0.00%	2	7.41%
First Brandon National Bank	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0	0.00%	0	0.00%	0	0.00%
First National Bank of Vermont	102	7	6.86%	1	0.98%	3	2.94%	11	10.78%	0	0	0.00%	1	0.98%	12	11.76%
First Northern Mortgage Corporation	4	1	25.00%	0	0.00%	0	0.00%	1	25.00%	0	0	0.00%	0	0.00%	1	25.00%
Fleet Mortgage	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0	0.00%	0	0.00%	0	0.00%
Franklin-Lamoille Bank	131	6	4.58%	1	0.76%	3	2.29%	10	7.63%	0	0	0.00%	1	0.76%	11	8.40%
Granite Savings Bank and Trust Company	23	2	8.70%	0	0.00%	0	0.00%	2	8.70%	0	0	0.00%	0	0.00%	2	8.70%
Green Mountain Bank	194	16	8.25%	4	2.06%	0	0.00%	20	10.31%	0	1	0.52%	1	0.52%	22	11.34%
Lomas & Nettleton Company, The	15	1	6.67%	0	0.00%	0	0.00%	1	6.67%	0	0	0.00%	0	0.00%	1	6.67%
Lyndonville Savings Bank & Trust Compan	61	3	4.92%	1	1.64%	0	0.00%	4	6.56%	0	0	0.00%	1	1.64%	5	8.20%
Marble Bank	211	14	6.64%	1	0.47%	0	0.00%	15	7.11%	0	0	0.00%	0	0.00%	15	7.11%
Merchants Bank, The	226	5	2.21%	3	1.33%	1	0.44%	9	3.98%	0	1	0.44%	0	0.00%	10	4.42%
Mortgage Service Center of New England	52	4	7.69%	1	1.92%	1	1.92%	6	11.54%	0	2	3.85%	1	1.92%	9	17.31%
National Bank of Middlebury, The	60	1	1.67%	0	0.00%	0	0.00%	1	1.67%	0	0	0.00%	1	1.67%	2	3.33%
New England IBM Employees Fed Crdt Unio	51	1	1.96%	0	0.00%	0	0.00%	1	1.96%	0	0	0.00%	2	3.92%	3	5.88%
Northfield Savings Bank	105	8	7.62%	1	0.95%	1	0.95%	10	9.52%	0	0	0.00%	1	0.95%	11	10.48%
Passumpsic Savings Bank	165	3	1.82%	2	1.21%	0	0.00%	5	3.03%	0	0	0.00%	4	2.42%	9	5.45%
Peoples Trust Company of St Albans	118	8	6.78%	2	1.69%	3	2.54%	13	11.02%	0	0	0.00%	0	0.00%	13	11.02%
Randolph National Bank	56	3	5.36%	0	0.00%	1	1.79%	4	7.14%	0	0	0.00%	0	0.00%	4	7.14%
Rutland Bank	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0	0.00%	0	0.00%	0	0.00%
Statewide Funding Corporation	145	6	4.14%	0	0.00%	1	0.69%	7	4.83%	0	2	1.38%	2	1.38%	11	7.59%
Union Bank	148	5	3.38%	0	0.00%	0	0.00%	5	3.38%	0	0	0.00%	0	0.00%	5	3.38%
Vermont Development Credit Union	4	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0	0.00%	0	0.00%	0	0.00%
Vermont Federal Bank, FSB	807	41	5.08%	10	1.24%	9	1.12%	60	7.43%	0	4	0.50%	7	0.87%	71	8.80%
Vermont Mortgage Group, Inc	555	39	7.03%	4	0.72%	4	0.72%	47	8.47%	0	3	0.54%	5	0.90%	55	9.91%
Vermont National Bank	522	26	4.98%	8	1.53%	3	0.57%	37	7.09%	0	1	0.19%	1	0.19%	39	7.47%
Wells River Savings Bank	34	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0	0.00%	0	0.00%	0	0.00%
Woodstock National Bank	11	1	9.09%	0	0.00%	0	0.00%	1	9.09%	0	0	0.00%	0	0.00%	1	9.09%
Overall Totals:	5,395	280	5.19%	54	1.00%	45	0.83%	379	7.03%	0	16	0.30%	35	0.65%	430	7.97%
November 30, 1993	5,479	272	4.96%	41	0.75%	52	0.95%	365	6.66%	0	16	0.29%	31	0.57%	412	7.52%

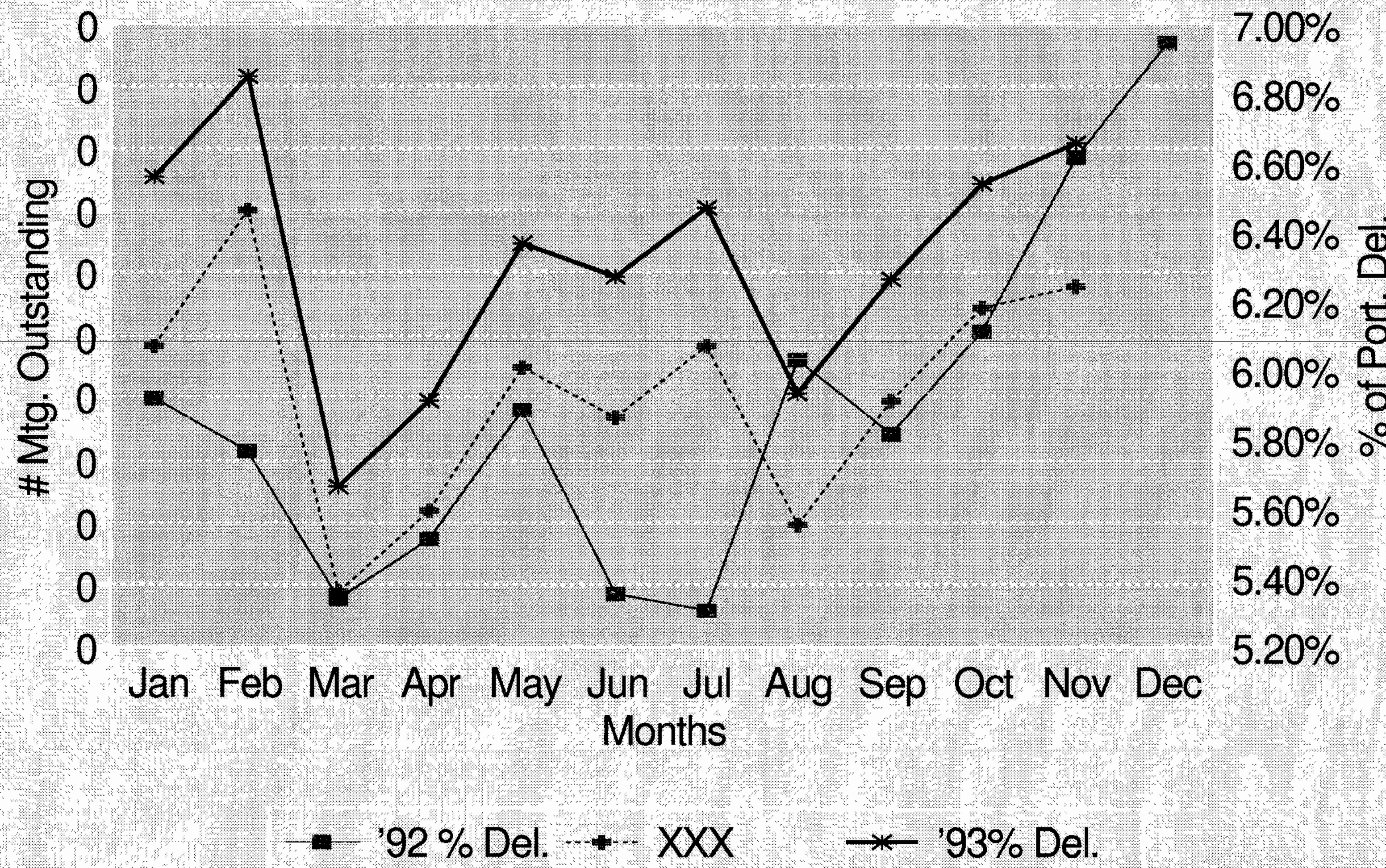
VERMONT HOUSING FINANCE AGENCY

Total Delinquency Comparison



VHFA

DELINQUENCY COMPARISON



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Samuel J. Falzone, Director, Multi-Family Management

DATE: January 20, 1994

RE: MULTI-FAMILY ENERGY LOAN PROGRAM UPDATE

At last month's meeting, we discussed the concept of a VHFA energy loan program that would be available to Agency financed properties that are interested in energy conversions and other energy improvements. I indicated that although some owners have been able to do this kind of work using surplus operating cash and restricted accounts, many projects did not have adequate resources to make these improvements without accessing external loan funds.

Due to the uncertainty of the State's appetite for VHFA's reserves, the Board deferred action on making a limited amount of loan funds available until after resolution of this issue and also requested that a list of projects needing financial assistance be presented for consideration at this month's meeting (see reverse side).

As you can see, these 12 projects represent almost $1 million in potential energy loan activity which could become an important source of new interest income to the Agency. We anticipate making these loans at a rate of 8% for an average term of 5 years but in no case would the term exceed 10 years. If the Board decides to establish a limited pool of loan funds in order to help meet this demand, projects could be selected for participation and loan approval based on a priority system. The factors that would improve a project's chance in accessing these funds under such a priority system would include: 1) an owners' willingness to sign a Preservation Agreement; 2) securing demand-side funding from the current utility company; and 3) an acceptable energy audit that confirms that the pay-back projections are consistent with VHFA's required loan term for these funds.

Recommended Board Action:

Authorize staff to establish a $500,000 energy loan pool from the general fund for use as outlined above. Over the next 6 months these funds will be offered to projects using the priority system as described. If the Strategic Planning process supports this activity and investment strategy, an additional $500,000 allocation request will be presented to the Board for their consideration after the demand for these funds is confirmed.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • FAX: 802/864-5746 • TDD: 1-800/586-5832

MULTI-FAMILY ENERGY LOAN CANDIDATES

Project Name	Loan Amount	VEIC Audit	Project Type/ # of Units
Holy Angels (St. Albans)	$165,000	Yes	Elderly/31
Pine Manor (Alburg)	$32,400	No	Elderly/16
Mad River Meadows (Waitsfield)	$113,000	Yes	Combo/24
Westminster Family	$63,000	Yes	Family/9
Alburg Family	$31,800	No	Family/13
Schoolhouse Apts. (Fairfax)	$100,000	Yes	Elderly/20
Cummings Street (Montpelier)	$100,000	No	Family/20
Allen Apts. (Winooski)	$68,000	No	Family/17
King Street Apts. (Burlington)	$20,000	Yes	Family/7
Canal House (Rockingham)	$150,000	Yes	Elderly/41
Prospect Forest (Randolph)	$45,000	Yes	Family/9
Garden Apts. (Burlington)	$25,000	Yes	Family/13
TOTALS	**$913,200**		**220**

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PC

DATE: January 20, 1994

RE: Pinecrest Village - Williston

SUMMARY OF REQUEST

Staff requests approval of the attached Resolution to purchase a 50% participation interest in up to $40,000 in second mortgage loans, originated by Merchants Bank, made to buyers of homes at Pinecrest Village, Williston. The interest rate on the second mortgage would be the same as the first mortgage originated through VHFA's MOVE or HOUSE programs. All loans would have a 15 year term and be fully amortizing.

Pinecrest Village is an 87 unit planned residential development located in Williston. The developer is Northshore Development Corporation. The financing for the development of this project is being provided by Merchants Bank. The development is a mix of single family detached and attached homes.

A total of 50 units in the development have been sold or are under contract; six of those units were sold to Lake Champlain Housing Development Corporation (LCHDC) and eight units were sold to the Burlington Community Land Trust (BCLT). John Varsames of Northshore Development requests assistance from VHFA to help sell the remaining 37 units at Pinecrest Village. Twenty three of those units would have a purchase price below VHFA's current maximum purchase price limit for new construction of $110,000.

THE PROJECT

The total project consists of 87 units. Fifty units are either sold or under contract; 14 of those units were sold to LCHDC and BCLT at below market prices. The average price per unit paid by LCHDC was approximately $70,083, and the average price per unit paid by BCLT was approximately $83,000. LCHDC leases their units to persons and families at or below 60% of median income. The units purchased by BCLT were sold to households at or below 85% of median income. Thirty seven units are not sold; 14 of those units have been built.

John Varsames initially approached VHFA with a request for a set-aside of 23 down payment assistance loans. Since VHFA will not have additional authority under the Down Payment Assistance Feature until June 1, 1994 (subject to a satisfactory program evaluation), and there is great demand for Down Payment Assistance on a statewide basis, VHFA made a counter proposal to participate with Merchants Bank in second mortgage loans made to buyers for down payment. In all cases, the first mortgage must be originated and purchased by VHFA through the MOVE or HOUSE Programs. Based on the average down payment required of $5,165, a commitment of $25,825 would allow VHFA to purchase a 50% interest in 10 loans; $38,738 would purchase a 50% participation interest in 15 loans.

Northshore needs to sell the remaining 37 units. Twenty three of those units would have purchase prices at or below our current purchase price limit for the MOVE program of $110,000. John Varsames has indicated that the "front end" loading of the "very affordable" units has had a serious negative impact on Northshore economically. The "very affordable" part of the project has also affected their marketing as the general public views it as a project for lower income families. Northshore has also indicated that 70% of the units sold to date were sold to or are occupied by single parent households. This is a change from developments completed by Northshore over the past several years. John Varsames feels there is a market for his project, although different from his previous projects; however, many single parent households and other potential buyers renting in Chittenden County lack access to funds for down payment.

THE SPONSOR

Northshore is a major housing developer in Chittenden County that has completed other projects in Burlington and in Williston. Northshore has demonstrated a willingness to work with nonprofit developers and has completed two projects in Burlington where perpetually affordable housing was created as a result: six lots at the Howe Meadows development were sold to BCLT at a cost that was substantially below market; and an additional five lots were provided on Wood Street and Northview Drive. All of these homes remain perpetually affordable through a ground lease.

AFFORDABILITY

There are three types of units currently built or that could be built below VHFA's current purchase price limit for new construction of $110,000. These units are priced at $99,000 for a two-bedroom, 1 1/2 bathroom unit with a detached garage, $102,200 for a two-bedroom, 1 1/2 bathroom unit with an attached garage, and $109,800 for a three-bedroom, 1 1/2 bathroom unit with an attached garage. Units available at $99,000 would be affordable to a family size of one person earning 97% of median income, a family size of two persons earning 85% of median income, a family size of three persons earning 75% of median income, and a family size of 4 persons earning 68% of median income.

PARTICIPATION WITH MERCHANTS BANK

Staff proposes participating with Merchants Bank in second mortgage loans made to buyers receiving financing through VHFA's MOVE or HOUSE programs. Second mortgage loans for up to 5% of the purchase price would be available to those buyers. The loans would be originated by and serviced by Merchants Bank. VHFA would purchase a 50% interest in the loans. VHFA could offset any losses from default from the interest received on real estate trust accounts.

APPROVAL AS A PILOT INITIATIVE

VHFA has set-aside a very small percentage of down payment assistance loans for projects financed by VHFA to provide a small increase in security for our construction loans. This would be the first project assisted where VHFA has not provided construction financing.

Except for Dalton Drive and projects in Burlington, Pinecrest Village is the only other existing housing development in Chittenden County that has a perpetually affordable component. Staff feels that it is important that all communities support affordable housing. The Town of Williston has waived impact fees, made site concessions, and has not placed phasing requirements on the project. Staff also believes by supporting these efforts and assisting in the success of a project like Pinecrest Village helps demonstrate to other communities that affordable housing is beneficial to making their community a good place to live and work. VHFA's assistance at Pinecrest Village will help renew interest in the project and will also assist Northshore to sell units.

BOARD ACTION REQUESTED

Approval of the attached Resolution to purchase a 50% participation interest in up to $40,000 in second mortgage loans, originated by Merchants Bank, made to buyers of homes at Pinecrest Village, Williston. Second mortgage loans eligible for purchase of a participation interest shall be made only to buyers receiving financing through VHFA's MOVE or HOUSE programs.

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RESOLUTION REGARDING PURCHASE OF PARTICIPATION IN SECOND MORTGAGES RE: PINECREST VILLAGE (WILLISTON)

WHEREAS, a proposal has been presented to the Agency by Northshore Development Corporation (the "Sponsor") involving the purchase by the Agency of a participation in second mortgage loans for single family dwellings in the Pinecrest Village development located south of U.S. Route 2 in Williston (the "Development"); and

WHEREAS, the Development consists of 87 units, 50 of which have been sold or are under contract to be sold; 14 units were sold to the Burlington Community Land Trust or Lake Champlain Housing Development Corp.; 14 unsold units have been built and 23 additional units are to be built; and

WHEREAS, the Sponsor has requested that the Agency purchase a 50% participation interest in up to $40,000 of second mortgage loans, originated by the Merchants Bank and made to buyers of homes at the Development who are utilizing Agency programs; and

WHEREAS, the Development is one of the few developments outside of Burlington in Chittenden County that has a perpetually affordable component;

NOW, THEREFORE, it is hereby DETERMINED that purchasing a participation in second mortgage loans at the Development will assist in encouraging the development of an adequate supply of safe and decent housing at a reasonable cost.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to enter into an agreement with the Merchants Bank to use up to $40,000 to purchase a 50% participation interest with the Merchants Bank in up to 15 second mortgage loans for homes being sold in the Pinecrest Development in Williston.

2. Second mortgage loans eligible for purchase of a participation shall be made only to buyers receiving financing through the Agency's MOVE or HOUSE programs.

3. The interest rate on the second mortgage loans shall be equal to the rate on the first mortgage originated for sale to VHFA. The term of the loans shall be 15 years and the loans will be fully amortizing. The maximum amount of the second mortgage loans will be five percent of the purchase price.

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vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PC
Irene D. Jenkins, Director of Development IDJ

DATE: January 20, 1994

RE: Westview Court Intermediate Care Facility, Rutland - Resolution of Interest

SUMMARY OF REQUEST

Staff requests approval of the attached Resolution of Interest to provide a first mortgage to Rutland Area Community Services in the amount of $192,500 to finance a six bed Intermediate Care Facility (ICF) for developmentally disabled/physically disabled adults. The six adults housed in this facility were former residents of the infirmary at Brandon Training School. The source of funding for this request would be an advance from the Federal Home Loan Bank. The loan term would be 15 years and the interest rate would be based on our borrowing rate from the Federal Home Loan Bank plus 100 basis points.

This request would refinance a first mortgage loan by the Chittenden Bank that balloons in June 1997, and a second mortgage loan by the Vermont Community Loan Fund that matures in December 1994. The total acquisition cost was approximately $426,500. The project has received a HUD Special Purpose grant in the amount of $200,000 and an application is pending with VHCB for a grant in the amount of $34,000.

THE PROJECT

The Sponsor

The sponsor is Rutland Area Community Services (RACS). RACS is a private nonprofit provider of services to the mentally ill, developmentally disabled, and to persons with substance abuse. Formerly known as Rutland County Mental Health, Inc., RACS has served Rutland County for thirty years. The sponsor is one of three organizations under a holding company called Rutland County Community Services, Inc. All three organizations are under common control and management. The annual combined budget for Fiscal 1994 is projected to be $12.0 million. Most of the projected revenues will come from State and Federal grants, contracts and Medicaid Waivers. Combined financial statements for the year ending June 30, 1993 show operating revenue of $257,723. The combined fund balance as of June 30, 1993 was $483,807.

In addition to Westview Court, the sponsor owns and manages two other group homes and manages several additional group homes that are leased from private owners by RACS.

The Project

Westview Court is a six-bedroom Intermediate Care Facility developed by RACS to provide housing for six former residents of the infirmary at Brandon Training School. All residents are developmentally and physically disabled. Westview Court is located in a single family residential neighborhood in Rutland City. It was formerly a three bedroom single family home located on a double lot that was rehabilitated to make it handicap accessible and two wings were added to increase the home to six bedrooms. There is also a large living room and dining area, a kitchen, two bathrooms, and a room for physical therapy. The home was completed and placed in service in 1993.

Westview Court was designed to meet the needs of developmentally disabled adults who also have physical disabilities that make medical care necessary. Residents are provided with 24 hour nursing and residential care services. The entire facility is handicap accessible and has been designed to meet the special needs of the residents, all of whom are wheelchairs users.

This request would refinance a first mortgage held by the Chittenden Bank that has a balloon payment in June 1997, and a second mortgage held by the Vermont Community Loan Fund that matures in December 1994. The total acquisition cost was approximately $426,500. The project has received a HUD Special Purpose grant in the amount of $200,000 and an application is pending with VHCB for a grant in the amount of $34,000.

Gretchen Goodman of RACS (formerly Executive Director of Rutland County Community Land Trust--RCCLT) initially applied in the name of RCCLT because the original plan was for RCCLT to own the property and lease it to RACS. At that time, RACS believed that the involvement of RCCLT was necessary in order to receive a HUD grant and use medicaid waivers to fund operating costs. They have since learned that they may continue to own the property and still receive the HUD grant and that medicaid waivers may be used to fund operating costs of the facility.

Ms. Goodman has indicated that RACS now would prefer to continue to own the property. Elizabeth Kulas, the new Executive Director of RCCLT (formerly with Rockingham Area Community Land Trust), has indicated that her Board will request release from its agreement to purchase the property from RACS, while Ms. Goodman has indicated that RACS would be willing to release RCCLT from the agreement.

VHFA has a copy of an appraisal that was completed in June 1993 showing the value to be $192,500. This appraisal was based on the market value of the property as a single family residence. The total acquisition cost is projected to be $426,500. The loan to value would be 100%. The total loan to development cost is 45%. VHFA will require an updated appraisal report.

Attached is a summary of sources and uses of funds and preliminary operating expenses for the facility. VHFA has requested a complete operating budget that includes services. The Vermont Agency of Human Services has indicated in a letter to RACS their commitment to provide funding for the operation of Westview Court as an ICF. The letter projects that the annual operating budget for Westview Court will be $738,000.

Affordability/Need

All six of the current residents have no independent income sources, and therefore have incomes below 30% of median income for Rutland County. The completion of this facility has played an important role in the State's efforts to close the Brandon Training School. The six residents are all between the ages of 30 and 40 and have lived together for many years. This project has been determined by the Agency of Human Services to be the best and only living alternative for these six individuals.

Issues

- The HUD grant was issued to Rutland County Community Land Trust. RACS would have to request an amendment. According to Ms. Goodman this change would be administrative and should not be a problem.

- There is a suit pending with adjoining land owners who initially appealed the building permit. The City of Rutland denied their appeal. The adjoining land owners then filed a suit based on their claim that RACS was operating a business in a residential neighborhood. RACS filed a counter-suit. RACS has since received a letter from the adjoining land owner's attorney stating that they will drop their suit if RACS drops their counter-suit. Ms. Goodman believes that this issue will be resolved within the next month.

Information Needed for a Resolution of Commitment

The following information is needed prior to staff recommending this request for a Resolution of Commitment:

- Complete annual operating budget including services;
- A commitment from the Vermont Agency of Human Services to provide full funding for the facility.

BOARD ACTION REQUESTED

Staff requests approval of the attached Resolution of Interest to provide financing in the amount of $192,500 to Rutland Area Community Services to refinance mortgage loans made by Chittenden Bank and Vermont Community Loan Fund secured by Westview Court in Rutland. The source of funds would be an advance from the Federal Home Loan Bank.

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Westview Court ICF -- Rutland
Annual Operating Budget c:\quattro\westoper.bud

Expense	Amount
Electricity	4,100
Fuel Oil	2,100
Water/Sewer	2,625
Repairs/Maintenance/Replacement	7,200
Taxes/Insurance	2,735
Sub-total	18,760
Debt Service (7.8%, 15 year)	21,810
Total Annual Operating Budget	40,570

Westview Court ICF, Rutland
Summary of Sources and Uses
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Uses	
Purchase Price	119,011
Development Soft Costs	52,852
Development Hard Costs	231,545
Legal Expenses	15,674
Interest Expenses	5,387
Taxes/Insurance/Misc.	2,031
Total Development Costs	426,500

Sources	
VHFA First Mortgage	192,500
HUD Special Purposes Grant	200,000
VHCB Grant	34,000
Total Loans/Grants	426,500

RESOLUTION OF INTEREST RE: WESTVIEW COURT
INTERMEDIATE CARE FACILITY (RUTLAND)

WHEREAS, a proposal has been presented to the Agency by Rutland Area Community Services ("RACS" or the "Sponsor") involving the refinancing of two short term loans on a six bed intermediate care facility for developmentally disabled and physically disabled adults in Rutland City (the "Development");

WHEREAS, the Sponsor has received a HUD Special Purpose grant in the amount of $200,000 and an application is pending with the Vermont Housing and Conservation Board for a grant in the amount of $34,000;

WHEREAS, all the residents of the Development are developmentally disabled, have physical disabilities that make medical care necessary and have income less than 30% of Rutland County median income; and

WHEREAS, RACS is expected to qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act");

NOW, THEREFORE, it is hereby DETERMINED:

1. The Development will assist in fulfilling the purposes of the Act and qualifies as residential housing.

2. The Development is primarily for persons of low and moderate income.

3. The acquisition and rehabilitation costs incurred by the Housing Sponsor are for housing development costs within the meaning of the Act.

4. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of residential housing and sufficient mortgage financing for residential housing for occupancy by such persons.

5. The Housing Sponsor undertaking the Development will maintain the supply of well-planned, well-designed permanent housing for persons of low and moderate income.

6. The security value of the Development will equal at least the amount of the VHFA loan.

WHEREFORE, it is hereby RESOLVED:

1. The Vermont Housing Finance Agency hereby declares its interest in refinancing two existing mortgage loans on the Westview Court intermediate

care facility in Rutland.

2. This Resolution of Interest is not a commitment to make a loan or to otherwise finance the Development and is expressly conditional upon the satisfaction by the Developer of all requirements of the Act, the applicable regulations of the Agency and such further requirements as the Agency may establish, including, but not limited to, the following:

   (a) the availability of funds to the Agency for such purpose;

   (b) submittal of an appraisal of the Development in an amount sufficient to meet the requirements of the Agency's regulations;

   (c) evidence satisfactory to the Agency that the HUD Special Purpose grant has been transferred from the Rutland County Community Land Trust to the Sponsor;

   (d) resolution satisfactory to the Agency of a pending lawsuit challenging the rehabilitation or operation of the Development filed by adjoining land owners.

3. The maximum amount of the loan will be $192,500, the loan will be amortized over a period of 15 years, and the interest rate will be 100 basis points above the interest rate paid by the Agency on the advance from the Federal Home Loan Bank.

4. The Executive Director is authorized to deliver a copy of this resolution to the Housing Sponsor. This Resolution of Interest may be used by the housing sponsor in support of applications for operating subsidies or for other purposes with the consent of the Agency.

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vhfa
VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PC
Irene D. Jenkins, Director of Development IDJ

DATE: January 20, 1993

RE: Kirby Heights, South Burlington -- Resolution of Interest

SUMMARY OF REQUEST

Staff requests approval of a Resolution of Interest to provide construction financing in the amount of $1.1 million to Scott D. Mansfield to finance the site acquisition, infrastructure improvements, and construction of 25 perpetually affordable homes in South Burlington.

The project will be located on Queensbury Road in the City of South Burlington; the site is approximately 11 acres and is fully permitted for the construction of seven single family homes and 18 duplex units. The single family homes will be purchased by the Burlington Community Land Trust (BCLT) for resale to individuals and families at or below 80% of the median income for the Burlington MSA. The duplex units will be owned by a partnership of Housing Vermont and Lake Champlain Housing Development Corporation (LCHDC) and will be developed into an 18 unit leasing cooperative. Thirteen of the cooperative housing units will serve families at or below 50% of the median income for the Burlington MSA.

THE PROJECT

The Sponsor

The sponsor is Scott D. Mansfield, who has constructed or renovated over 100 apartments and homes in the Chittenden County area in the past seven years. VHFA has financed an eight unit project on Riverside Avenue in Burlington owned by the sponsor, and has issued a commitment to refinance an additional ten units in another project located on Riverside Avenue. Both BCLT and LCHDC have worked successfully with the sponsor on other affordable housing developments. LCHDC manages 28 rental units for the sponsor.

<u>Project Description</u>

The project will be located on Queensbury Road in the City of South Burlington. The sponsor has an option to acquire the site from O'Brien Brothers Agency for $475,000, and is requesting financing for site acquisition, infrastructure improvements, and construction of the units. The project is fully permitted for the construction of seven single family homes and 18 duplex units, and will be built on a turn-key basis.

Permanent financing on the seven single family homes will be provided to the eventual buyer through VHFA's HOUSE Program and other affordable housing programs. BCLT anticipates the use of grant funds from VHCB and the Federal Home Loan Bank (FHLB) to make the units affordable to persons and families at or below 80% of the median income for the Burlington MSA. Each of the seven single family homes will be constructed and purchased by BCLT when BCLT has an eligible buyer. BCLT will sell the housing unit to the buyer, who will lease the land from BCLT. The homes will be kept affordable by a limited equity provision in the ground lease and a housing subsidy covenant. BCLT/LCHDC's application to the FHLB was an alternate for funding in the second round of the 1993 Affordable Housing Program. The FHLB has never failed to fund an alternate. LCHDC and BCLT will not know if Kirby Heights has received approval from the Federal Home Loan Bank until May 1994. As a back-up, a CDBG application was submitted by the City of South Burlington for the Kirby Heights project. BCLT's application to VHCB will be discussed at VHCB's board meeting scheduled for January 21, 1994.

The seven single family homes will be cape style with approximately 1200 square feet of living space. Each home will have three bedrooms, 1 1/2 bathrooms and a full basement and will be rated 4 STARS or better by Energy Rated Homes of Vermont. BCLT will purchase the homes from the sponsor for $100,200 and using subsidy from VHCB, FHLB and CDBG, will sell the homes to the buyers for approximately $83,200.

Permanent financing for the 18-unit leasing cooperative will be provided by the Howard Bank through the Federal Home Loan Bank's Affordable Housing Program. The project will also use grant funds from VHCB, HOME Funds, and equity from Low Income Housing Tax Credits. The 18 cooperative housing units will be owned by a partnership of Housing Vermont and LCHDC. Housing Vermont will syndicate the project and serve as the General Partner for the Partnership, with the residents of the project gaining control through a Master Lease of the property. (VHFA has not received an application for tax credits for this project.) LCHDC will work on the design, construction and development phase of the project and serve as the management agent to the cooperative. The Champlain Valley Mutual Housing Corporation will assist the residents in developing the cooperative. The cooperative housing units will be sold to HVT/LCHDC for approximately $80,500 per unit for a total of $1,449,000. Thirteen of the units will serve families at or below 50% of the Burlington MSA median income. HVT/LCHDC will take delivery of the units as they are completed. LCHDC's application to VHCB will be submitted for review in March 1994. As mentioned previously, LCHDC will not know if they will receive funding from the FHLB until May 1994. The cooperative part of the project was also included in the CDBG application submitted by the City of South Burlington.

The total development cost of the project is projected to be $2,150,400 (see attached preliminary sources/uses summary). The loan to development cost for VHFA's loan will be 51%. LCHDC has indicated that they will provide $150,000 for the site acquisition. (Since LCHDC will not take title to the duplex units until they are completed, it is not clear at this time how the $150,000 will be secured.)

The site acquisition cost is higher than for other projects reviewed by VHFA and the total amount that is attributed to the site acquisition and development costs is approximately $41,450 per unit for the single family homes, and $29,300 per unit for the duplex units. By comparison, Redrocks Phase IIIB, a 56-unit condominium development located in Burlington, and Freeborn Estates a nine-unit planned residential development located in St. Albans, both were financed by VHFA, had costs attributed to the site acquisition and infrastructure development of $28,600 and $21,500 per unit respectively. The entire Redrocks Phase III project (phase A and B), which consists of 100 units on a 17 acre site, has a greater density than what is planned for Kirby Heights. The Southeast Summit project, under consideration by VHFA, has an estimated cost for the single family units for site acquisition and development of $33,300; the lots are approximately one-half the size of lots at Kirby Heights. Both BCLT and LCHDC have been encouraged by VHCB to develop more housing outside of Burlington. Land costs in South Burlington are higher than in some of the other communities in Chittenden County. In addition, South Burlington is a very desirable community for young families because of the reputation of the school system It is VHFA's understanding that the land acquisition cost of $475,000 is not negotiable.

Marketability/Affordability

The City of South Burlington lacks both affordable rental housing and affordable housing for first-time buyers. The affordable housing that exists is comprised of condominium units. There is little rental housing and rents average $144 per month above Burlington rents. South Burlington has no subsidized housing for families, and only one elderly housing development that is affordable to households at or below 50% of median income. The City's 1991 Comprehensive Plan calls for "involvement of housing organizations such as the Burlington Community Land Trust or the Lake Champlain Housing Development Corporation to construct or rehabilitate affordable housing in the city." The first objective of South Burlington's Comprehensive Plan is "to help foster the creation of housing opportunities for people of all ages, income levels and degrees of mobility."

The single family homes will be affordable to a family earning $23,905. This figure represents 58% of the median income for the Burlington MSA based on a family size of three persons, which is the average family size served by BCLT through their HOMELAND program. Thirteen of the cooperative housing units will be occupied by persons and families at or below 50% of the median income for the Burlington MSA.

The single family component of this project may face competition from Southeast Summit if that project moves forward; however, the house designs will differ. Southeast Summit is located in a more rural section of South Burlington, while Kirby Heights is located in an established neighborhood. Homes at Kirby Heights will be within walking distance to the elementary school, shopping, and other services. BCLT believes that all seven single family homes will be sold prior to the time that the construction of the infrastructure is complete.

VHFA's participation may directly impact the affordability of the units. The agreement between the sponsor and BCLT/LCHDC provides for a reduction in the purchase price for any savings resulting in lower financing costs for the development. The sponsor has indicated that Merchants Bank is interested in financing the project and has quoted an interest rate of prime plus three (currently 9.00%) with a 1% origination fee. VHFA has projected an interest rate of 8% and a 1% origination fee. There are other costs associated with VHFA financing, including a completion bond or a letter of credit, that may not be required by Merchants Bank. We do not have enough information at this time to determine if VHFA's participation would be beneficial to the affordability of the project.

Strengths/Weaknesses

Strengths

- The Sponsor, BCLT and LCHDC are all known to VHFA and have proven track records in the areas of housing development, affordable homeownership, and rental/cooperative housing.

- If both BCLT and LCHDC's applications to VHCB, FHLB, and CDBG are funded, and BCLT is successful in the presale of all seven single family units, BCLT and LCHDC will be able to take delivery of units as soon as they can be built.

Weaknessess

- The homeownership part of the project faces possible competition from Southeast Summit.

- The acquisition and site development costs per unit is relatively high.

- The single family units require large amounts of public subsidy for affordability.

Conditions Required by VHFA

VHFA would require the following information prior to recommending this application for a Resolution of Commitment:

- Complete personal and business financial statements from Scott D. Mansfield;
- Personal and business credit review;
- Complete project development budget and projected cash flow;
- Evidence that financing is not available at a comparable interest rate and terms or that VHFA's participation in providing financing would be beneficial to the affordability of the project;
- Complete plans and specifications for the single family and duplex units.

In addition to standard conditions, the following information will be required as a condition to a VHFA commitment:

- Commitments issued to BCLT and LCHDC from all funding sources for the single family and duplex units;
- A Phase I Environmental Assessment of the site;
- An appraisal of the site;
- A residential appraisal report of a typical single family unit and a typical duplex unit.

BOARD ACTION REQUESTED

Staff requests approval of the attached Resolution of Interest to provide financing to Scott D. Mansfield in the amount of $1.1 million for the site acquisition, infrastructure development and unit construction of seven single family homes and 18 duplex units at Kirby Heights, South Burlington.

KIRBY HEIGHTS - SO. BURLINGTON - 25 UNITS
SOURCES/USES -- DEVELOPMENT BUDGET
FILE:C:\QUATTRO\KIRBYHGT.1 RUN DATE: 1/20/94

USES	Budget	Per Unit	% of TDC
Land Acquisition	475,000	19,000	22.09%
Soft Costs			
Land Option Extension Costs	13,500	540	0.63%
Permits/Impact Fees	53,000	2,120	2.46%
Engineering/Surveying	0	0	0.00%
Loan Fee (1%)/Interest (8%)	55,000	2,200	2.56%
Legal/Accounting/Closing	12,500	500	0.58%
Taxes/Insurance	0	0	0.00%
Lender Inspections	0	0	0.00%
Construction Administration	40,000	1,600	1.86%
Development Fee	175,000	7,000	8.14%
Total Soft Costs	349,000	13,960	16.23%
Site/Unit Hard Costs			
Infrastructure Improvements	306,400	12,256	14.25%
Building Construction (SF)	329,000	47,000	15.30%
Building Construction (Co-op)	691,000	38,389	32.13%
Contingency (5%)	0	0	0.00%
Total Site/Unit Hard Costs	1,326,400	53,056	61.68%
TOTAL DEVELOPMENT COSTS	2,150,400	86,016	

SOURCES		Per Unit	
REVENUES FROM SALES			
7 SF Homes (BCLT)	701,400	100,200	
18 Townhouse Units (LCHDC)	1,449,000	80,500	
Total Development Costs	2,150,400	86,016	
Surplus/(Deficit)	0	0	0.00%

RESOLUTION OF INTEREST RE:
KIRBY HEIGHTS DEVELOPMENT (SOUTH BURLINGTON)

WHEREAS, a proposal has been presented to the Agency by Scott Mansfield involving the construction financing for Kirby Heights, a 25 unit development of perpetually affordable homes in South Burlington (the "Development");

WHEREAS, the sponsor is expected to qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act");

WHEREAS, one part of the Development is to consist of seven single family homes to be purchased by the Burlington Community Land Trust for resale to individuals and families at or below 80% of median income for the Burlington MSA; and

WHEREAS, the other part of the Development will consist of 18 duplex units to be owned by a partnership consisting of Housing Vermont and Lake Champlain Housing Development Corporation that will be developed into a leasing cooperative and thirteen of the cooperative housing units will serve families at or below 50% of median income for the Burlington MSA;

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.

2. The costs of site development and construction to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.

3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.

4. The housing sponsor undertaking the Development will maintain the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income.

WHEREFORE, it is hereby RESOLVED:

1. The Vermont Housing Finance Agency hereby declares its interest in providing construction financing for the acquisition, infrastructure improvements and construction in an amount not to exceed $1.1 million at a rate of 8% for a term of twelve months with a loan origination fee of 1%.

2. The Letter of Interest shall be issued to Scott Mansfield as the housing sponsor.

3. The Letter of Interest shall state that it is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The letter of interest may be used by the housing sponsor in support of applications for grants or for other purposes with the consent of the Agency.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Irene D. Jenkins, Director of Development
Joseph A. Erdelyi, Multi-Family Loan Underwriter

DATE: January 21, 1994

RE: City Center Apartments, Burlington

THE DEVELOPMENT

1. General Description

City Center Apartments are located on the second and third floors of the Huntington Building and Burlington Building on St. Paul Street in downtown Burlington. The first floor of the buildings contains commercial space and currently houses businesses such as Vermont Transit and the Bagel Bakery. These two buildings, along with three others in the same block, are owned by The Fairchild Square Co. Richard Feeley, one of the partners, has approached VHFA with a request for financing exterior renovations to these two connected buildings.

2. Projected Funding Sources

VHFA	$48,000.	77.67%
City of Burlington	13,800.	22.33%
Total	$61,800.	100.00%

The loan request is for approximately $43,000, the estimated cost of the residential portion of the repairs. Staff feel that the loan should be increased to $48,000 to include room for contingency fees and interest accrued during construction (estimated 60-90 days). The loan terms would be 8%, 8 year term, 15 year amortization, with a loan origination fee of 1%.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • FAX: 802/864-5746 • TDD: 1-800/586-5832

3. Unit Breakdown and Rents

	# of Units
Efficiency Units	32
One Bedroom Units	17
Two bedroom Units	1
Total	50

All of the units are currently rented. The owner is currently pursuing local approvals to convert some unused commercial space into a two bedroom unit. In addition, the owner will combine an efficiency with some other vacant commercial space to create another two bedroom unit when that efficiency becomes vacant. If all of this work is done there will be 51 units, three of which will be two bedroom. None of this work is proposed as part of this loan application. Rents range from $275 to $375 per month, which includes all utilities. These rents are affordable to households earning $11,000 to $15,000 per year, which is approximately 32% to 47% of the area median income for a single person household.

4. Site/Location

The buildings are located in the historic Wells Richardson block of downtown Burlington. See attached site plan.

5. Renovation Plan

The owner proposes to put up a new commercial sign board, do repairs to the crumbling facade, and paint the entire building. VHFA staff has informed the owner that we cannot finance the commercial portion of the work, and the owner has approached the city for funding for the sign board. The city has not issued a commitment letter, but has orally agreed to fund this portion of the work. The city will require Davis-Bacon wage rates, competitive bidding, and State Historic Preservation Office (SHPO) review of the proposed renovations.

No work is proposed for the building's interior. Some of the units probably do not meet HUD's Housing Quality Standards. The reason for noncompliance with this standard is not due to the condition of the units, but rather the unit layout, location of windows, ventilation systems for bathrooms, etc. After a fire four years ago renovations were done on the units and building interior including rewiring, painting, and fire detection/suppression. The units are in good condition.

6. Loan to Value

See discussion under Strengths and Weaknesses.

7. Management

The property is managed by Coburn and Feeley. The owner has expressed concern that there would be extensive paperwork required to document compliance with VHFA's rent and income restrictions, but that the population currently being served is well within those limitations. Because of the size and configuration of the units and the households (predominantly individuals) who live in these units, the vacancy rate is low but the turnover is relatively high. The owner would agree to affordability restrictions such that 75% of the units would be rented to households below area median income, and either 20% of the units to households below 50% of median or 40% of the units to households below 60% of median for the term of the mortgage. The rents on these units would be kept affordable to households at these levels.

8. Market Demand

See discussion under Strengths and Weaknesses.

9. Environmental Concerns

There appears to be asbestos wrapped around the heating plant. The room in which this is located is kept locked and tenants do not have access to this area. Since the heat is delivered through steam radiators rather than forced hot air, it is unlikely that asbestos particles would be present in the air in the residential space. If there is any area that tenants have access to that does have asbestos present, such as pipe wrap in an area used for laundry, it should be abated or encapsulated to reduce the potential hazard.

DISCUSSION

In early discussions with the owner it quickly became apparent that a number of issues would make this an unattractive mortgage loan: the presence of asbestos, the subordinate security position, and the fact that the buildings already have debt that exceeds current market value. The owner had approached the bank that holds the mortgage and was informed that they would lend no more money against the property. Staff and the owner discussed having the loan secured by personal guarantees rather than by a mortgage. VHFA General Counsel has researched the issue and has determined that VHFA could make a loan secured by personal guarantees. By not having the loan secured by a mortgage, many of the usual underwriting concerns do not apply. VHFA has not requested an appraisal, and the loan to value ratio is not relevant. The owner has not submitted an operating budget for the City Center Apartments as a distinct entity, but rather has provided income and operating expenses for all of the residential and commercial space in all five buildings. If the requested loan were to be secured by a mortgage, financial feasibility would be a concern, and a separate budget would be needed. Since the loan would not be secured by a mortgage on the property, the issue of lender liability for the asbestos would also be insignificant.

The guarantors of the loan would be Richard Feeley, Thomas Coburn, and Frederick Tiballi. Staff has not yet reviewed personal financial statements for the guarantors.

Strengths

a) The buildings are in a very high visibility location and the exterior is in poor condition. VHFA could receive favorable publicity for its participation.

b) The loan would be relatively low risk, given the small principal amount and the personal guarantors.

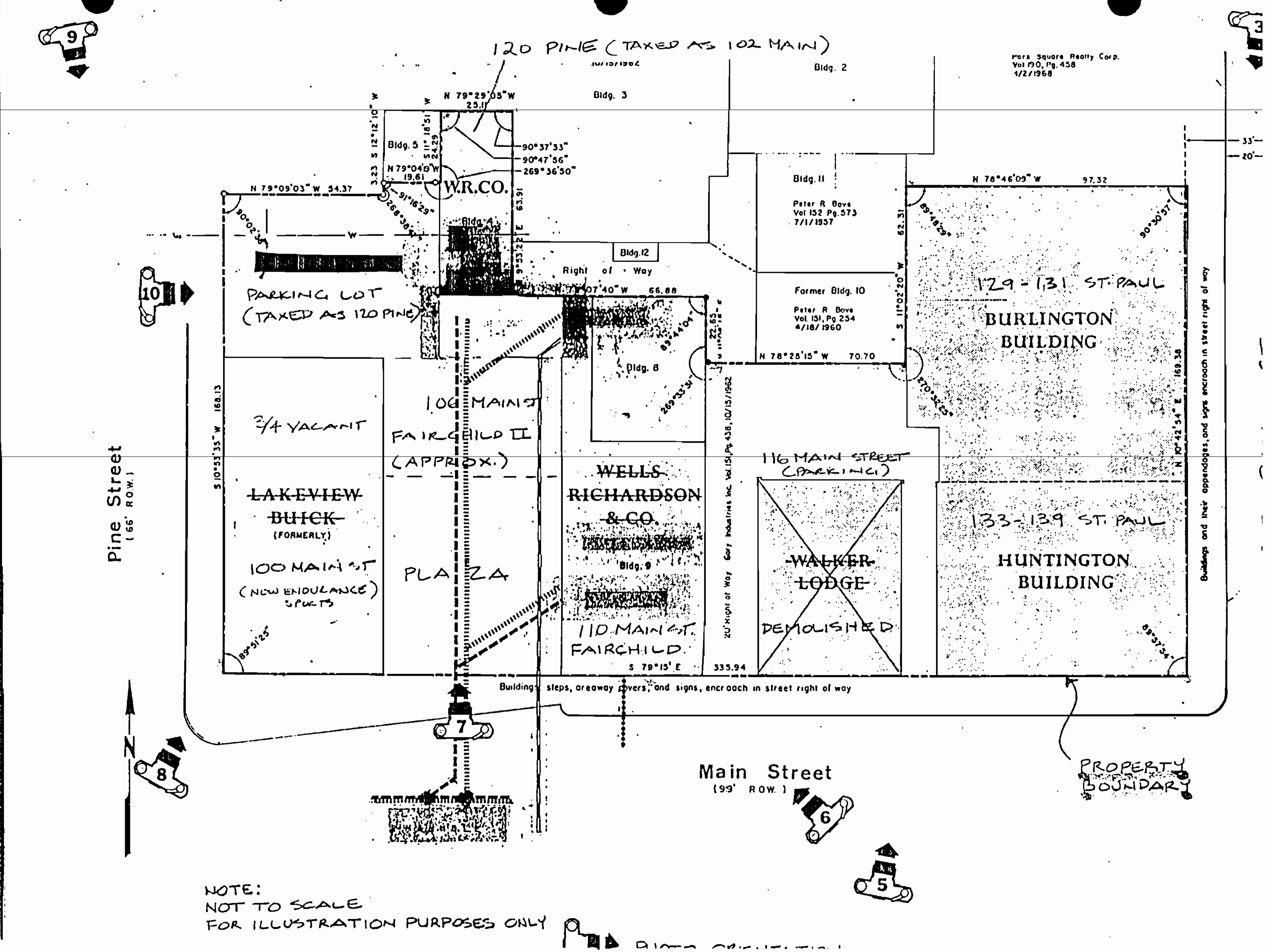
c) The owner feels that both the residential and commercial occupancy will be stabilized and turnover will decrease as a result of the proposed renovations.

Weaknesses

a) Making this loan would not increase the supply of affordable housing, improve the quality of the units, or improve the affordability to the residents. In addition, there would be no significant long term income or rent restrictions.

RECOMMENDATION

Staff recommends making the loan. The proposed source of funds is the General Fund. The transaction is contingent upon the sponsor providing SHPO review and approval of proposed work, abatement of asbestos in areas accessible to tenants, and securing requisite financing for the commercial portion of the proposed work.



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Park Square Realty Corp. Vol 190, Pg. 458 1/2/1968
Bldg. 2
Bldg. 3
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S 11°18'51" W 24.29
Bldg. 5
N 79°04'9" W 19.61
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90°47'56"
269°36'50"
W.R.CO.
Bldg. 4
63.91
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91°16'29"
268°38'
90°02'
Bldg. 11
Peter R Bove Vol 152 Pg. 573 7/1/1957
Former Bldg. 10
Peter R Bove Vol. 151, Pg 254 4/18/1960
62.31
S 11°02'20" W
N 78°28'15" W 70.70
Bldg. 12
Right of Way
79°07'40" W 66.88
22.65
N 78°46'09" W 97.32
129-131 ST. PAUL
BURLINGTON BUILDING
133-139 ST. PAUL
HUNTINGTON BUILDING
N 10°42'54" E 169.38
90°30'37"
89°48'29"
270°52'25"
89°37'54"
Buildings and their appendages, and signs encroach in street right of way
33'
20'
PARKING LOT (TAXED AS 120 PINE)
3/4 VACANT
~~LAKEVIEW BUICK~~ (FORMERLY)
100 MAIN ST (NOW ENDURANCE SPORTS)
S 10°53'35" W 168.13
89°51'25"
106 MAIN ST FAIRCHILD II (APPROX.)
PLAZA
Bldg. 8
89°44'04"
269°33'31"
~~WELLS RICHARDSON & CO.~~
Bldg. 9
110 MAIN ST. FAIRCHILD
S 79°15' E
335.94
20' Right of Way Gary Industries Inc. Vol. 151, Pg. 438, 10/15/1962
116 MAIN STREET (PARKING)
~~WALKER LODGE~~
DEMOLISHED
Buildings, steps, areaway covers, and signs, encroach in street right of way
Pine Street (66' R.O.W.)
Main Street (99' R.O.W.)
PROPERTY BOUNDARY
N
10
9
8
7
6
5
3
NOTE:
NOT TO SCALE
FOR ILLUSTRATION PURPOSES ONLY

RESOLUTION REGARDING LOAN FOR
CITY CENTER APARTMENTS (BURLINGTON)

WHEREAS, a proposal has been presented to the Agency by The Fairchild Square Company (the "Sponsor") requesting a loan for exterior renovation work to two buildings known as the Burlington Building and the Huntington Building on St. Paul and Main Streets in Burlington (the "Development");

WHEREAS, the Development contains 50 apartment units in which rents range from $275 to $375 per month, including utilities, making the apartments affordable to households earning $11,000 to $15,000 per year, approximately 32-47% of the area median income for a one person household;

WHEREAS, the Sponsor proposes to repair the facade of the building and paint the entire building, as well as do some work for the benefit of commercial businesses in the Development;

WHEREAS, the City of Burlington has given the Sponsor verbal assurance that the City will fund the commercial portion of the work in the amount of approximately $13,800;

WHEREAS, the Sponsor has agreed to target 75% of the units to households below area median income and to target either (1) 20% of the units to households at or below 50% of are median income or (2) 40% of the units to households at or below 60% of area median income;

WHEREAS, the Development is carrying considerable debt, which would make a mortgage problematic, but the partners in the company owning the Development have agreed to give the Agency personal guarantees to secure the loan; and

WHEREAS, pursuant to 10 V.S.A. § 621(5), the Agency has the power to make such grants, loans, or advances as will assist the operation of residential housing primarily for persons of low and moderate income;

NOW, THEREFORE, it is hereby DETERMINED:

1. The Development constitutes residential housing that is primarily for persons of low and moderate income.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, upon the satisfaction of conditions contained herein, to issue the Agency's commitment for a loan of up to $48,000, at an interest rate of 8%, 8 year term, 15 year amortization, with a loan origination of 1%, for exterior renovations at the City Center Apartments in Burlington that benefit the residential portion of the building.

2. The loan is conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the following conditions that must be satisfied in a manner acceptable to the Agency:

   (a) satisfactory review of the proposed work specifications by the State Historic Preservation Office;

   (b) abatement of asbestos in areas accessible to tenants;

   (c) obtaining a commitment for necessary financing for the commercial portion of the Development;

   (d) satisfactory review of the Sponsor's partners' personal financial statements, securing personal guarantees from Richard Feeley, Thomas Coburn and Frederick Tiballi, and their spouses, if necessary.

   (e) satisfactory documentation that tenants and units meet income and affordability requirements.

3. The Executive Director, the Deputy Director and the Director of Finance, or any of them, are authorized to take all necessary steps and execute all documents required to effectuate this loan.

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vhfa
VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Irene D. Jenkins, Director of Development

DATE: January 21, 1994

RE: Southeast Summit, South Burlington--Resolution of Interest

SUMMARY OF REQUEST

Staff requests approval of the attached Resolution authorizing a Letter of Interest for the Southeast Summit development to 1) create a not-for-profit entity which would enter into a partnership with or include Gerald C. Milot to acquire and develop the Southeast Summit site as affordable housing and 2) to finance the construction of the infrastructure and 161 single family units.

PROJECT DESCRIPTION

The development entity (see below) would acquire and develop 202+ acres of land on the east and west sides of Dorset Street between Swift and Barstow Streets, consisting primarily of open land, including some wetlands and archeologically sensitive areas, with one large, almost new, dairy barn on the property. Permit provisions require that the dairy barn be reused within eight years or torn down. It is a very large sturdy structure in excellent condition. The negotiated land purchase price of $3,450,000 does not include the dairy machinery that is currently in the barn.

The development is locally permitted for 221 units, 161 single family units on individual lots (approximately 60' x 120') and 60 townhouse units (four per building) with large footprints (950 s.f.) The townhouse units could be condominium, rental, or cooperative.

Development will include extension of municipal water and sewer to and through the site and road construction, including an extension of the South Burlington bike path. The main road of the development will eventually be an extension of Allen Rd. However, there will be no direct connection to Shelburne Rd. until the intervening portion is developed (if ever).

Current plans call for development of the single family units in four phases and of the multifamily probably in two phases. Road construction and utility extensions will be phased to the extent possible so that the development does not have to carry the entire infrastructure cost through buildout. The phases have been designed with this in mind. (We will have a large site plan at the Board meeting.)

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The single family units will be manufactured homes, stick-built homes, or a combination (in separate phases). Milot has negotiated with a Vermont home manufacturer to build the units, but this manufacturer is unwilling to increase the roof pitch to 6/12 from the standard design. (We think that the roof pitch is an important design and marketing element.) The alternative of buying units without roofs and installing the roofs on-site has been explored and is not feasible. The alternative of working with another manufacturer is being explored. However, this alternative may add to the unit cost. If an out-of-state manufacturer is chosen, then the jobs associated with the project will be created elsewhere. A stick-built alternative may be considered in order to keep the jobs in-state and if the cost differential from manufactured housing narrows.

One issue to consider is whether VHFA's participation in the development entity is warranted if the homes are stick-built rather than factory-built. The factory-built development would be a unique, and potentially model, undertaking, while the stick-built alternative would be more conventional. However, either would create relatively affordable single family housing and might serve as a model of what public/private partnerships can achieve. Milot has said that without VHFA participation, units would be built on the site to sell for at least $125,000 compared to the range of $81,900 to $112,000 that we are projecting. Model units will be used for sales and other units will be constructed as sold (i.e. on a presale basis.)

AFFORDABILITY

Attached is a table showing affordability of the units (manufactured and stick-built) at estimated beginning sale prices and financing terms. A range of unit sizes and prices would be available to serve buyers with incomes of 51 percent to 105 percent (mostly below 90 percent) or more of median income. A requirement of our participation in the development would be that more than half of each of the total floor area and the total development cost of the single family development be allocated to units for persons and families of low and moderate income.

CURRENT OWNERSHIP

The property is owned by MBL Associates, a partnership consisting of Gerald Milot, Alan Bartlett, and John Larkin. We have not seen the partnership agreement. We have negotiated solely with Gerry Milot, who has communicated with his partners. Two of the three partners have agreed to a sale at a purchase price of $3,450,000, as indicated in the attached memorandum from Gerry to his partners.

DEVELOPMENT ENTITY

The development entity would be either a not-for-profit corporation or a partnership. In either case, Milot and VHFA would each be liable and provide personal guarantees for 50 percent of the total debt. The development entity would enter into a development agreement with Milot for the project.

The development entity would purchase the fully permitted site and develop and sell the single family units. Milot would be responsible for obtaining construction bids, coordinating construction, marketing and selling the units, etc. VHFA as lender would perform its usual functions, including oversight and disbursements of the construction loan. VHFA as participant in the development entity would also monitor Milot's performance under the development agreement.

Milot would receive a development fee of $5,000 per unit and a marketing fee of $4,000 per unit. VHFA would receive compensation as construction lender and perhaps a "release fee" on each unit to compensate for development-related staff time, overhead, and other expenses. We have included $500 per unit in the budget for this "release fee" at this time.

MULTIFAMILY UNITS

It is possible that the development entity will not purchase the multifamily portion (60 units) of the site, which would remain with the current partners for sale or development. More likely, the partnership will purchase the multifamily portion of the site and sell it to a nonprofit corporation (e.g. Lake Champlain Housing Development Corporation) for development of the multifamily units. One other possibility is that Milot will develop the multifamily site and sell it completed on a turnkey basis to the nonprofit. LCHDC staff are very interested in participating, as is their Board. However, there are a number of critical issues to resolve, including price of land per unit, unit design and price, total development size, and income mix.

The multifamily development would probably utilize low income housing tax credits; VHFA might provide financing.

PURCHASE AND SALE AND PERMITS

The proposed purchase price for the site is $3,450,000. Each of the three current partners would take a note from the development entity (secured by a second mortgage on the land) for $283,333 of the purchase price, for a total of $850,000; the notes would be non-interest bearing for 48 months after closing, after which the rate would be 6 percent on the outstanding balance. The balance of the purchase price would be financed through a first mortgage loan.

Purchase will be contingent upon all permits, satisfactory appraisal, satisfactory environmental review, satisfactory financing commitments, etc.

We have not seen the permits granted to date but have been informed that all permits are in place except Act 250, for which an application has been submitted and for which all subpermits, except conditional use on wetlands, have been obtained. Milot expects the prehearing and hearing to be held in February but neither has yet been scheduled. If the Act 250 permit and appeal periods are not completed by June 30, 1994, either party to the Purchase and Sale Agreement will be able to terminate, reconsider, renegotiate etc.

In terms of environmental issues, the only significant issue of which we are currently aware is the electric utility easement through the site; we have requested particular attention to this as part of the environmental review. Wetlands have been identified and are designated open space on the site plan. An archeological study has identified areas of significance which will either be excavated prior to construction or left open.

FINANCING

Vermont National Bank (VNB) holds the first mortgage on the site, with an outstanding loan balance of approximately $2.6 million. At our request, Milot has asked VNB to stay in the deal and participate with VHFA in the financing up to the amount of the VNB loan outstanding. If this works out, VNB and the sellers would therefore finance the land purchase and VHFA would provide the development financing. We would share a first mortgage position with VNB. We have not negotiated terms with VNB yet, but Milot has gotten a positive indication from the Bank's President. Milot has requested from VNB a rate of prime, floating, and a 60 month commitment.

We are currently charging eight percent interest on construction loans and one to one and a half points commitment fee. We are not now recommending financing terms for this project, which we want to further consider in conjunction with the "release fee" discussed above and our future negotiations with VNB.

Preliminary numbers indicate development costs of approximately $9.1 million, including acquisition of the entire site and infrastructure development for the single family phases. (This also includes the off-site water and sewer and the main road costs, but not the internal road costs, attributable to the multifamily units.) This does not include single family unit construction costs, which would be financed through a revolving VHFA construction loan estimated at $700,000 maximum. VHFA total loan payout over the life of the project is currently estimated at approximately $5.1 million, but total exposure on this loan at any time is estimated at no more than $2.2 million, including unit construction costs. Since units will only be financed and built as sold, the likely maximum risk at any one time is estimated at $1,500,000. This assumes that the multifamily site is not sold for development until the end of the development process. Loan exposure would be limited by not proceeding with subsequent phases until previous phases had been either sold or pre-sold and additional presales had occurred. We are also discussing a presale requirement for the start of Phase I infrastructure financing. These conditions for proceeding will be established in the construction loan agreement.

In addition to the loan exposure described above, as a participant in the development entity, VHFA would be liable for 50 percent of the acquisition (bank and seller) financing.

MARKET FEASIBILITY:

The goal of this development is to provide an affordable housing product that does not exist in South Burlington--a relatively inexpensive (below $100,000) single family home in good condition. Milot has prepared housing market data, which is under review. One concern is whether the weakness of the condominium market will significantly limit the market for Southeast Summit by making it more difficult for current condominium owners to sell. This could be a problem if current condominium owners were to be a significant share of the market for these units. We also need to analyze demographic and economic data in addition to housing market data to determine whether market absorption projections and risks are reasonable.

Another consideration is what other developments may be coming onto the market. One development that we are aware is being proposed is the Lake Champlain Housing Development Corporation/Burlington Community Land Trust development on Queensbury Road in South Burlington. However, this is a small project (seven single family and 18 multifamily units) and more expensive to develop per single family unit ($104,000) than we are planning. (Sale price of the 1200 square foot single family units, with the public subsidies requested for them, would be $83,200.) The question that is being asked by VHCB and DCA staff is whether it is appropriate to proceed with that project, with the considerable public subsidy being requested, with Southeast Summit in the planning stage. We too must consider this in terms of the construction financing being requested from us for this project.

OTHER ISSUES

A major reservation expressed by some Board members at the last discussion of this development is the density of part of the development; this is a difficult issue to address, since reduction of density will increase unit cost. One possibility is to plan and develop active and/or passive recreation areas in part of the open space. This issue will be further discussed at the Board meeting.

RECOMMENDATION

We recommend approval of the attached Resolution authorizing a Letter of Interest in participating in development and financing of the Southeast Summit project.

SOUTHEAST SUMMIT -- AFFORDABILITY AS A PERCENTAGE OF MEDIAN INCOME   C:\QUATTRO\SOUTEAST.AFF

ENERGY RATING: 4 STARS
ESTIMATED ANNUAL TAXES: $1.95 per $100
ANNUAL ASSOC. FEE: $100
HAZARD INSURANCE: $360
INTEREST RATE: 7%
LOAN TERM: 30 YEARS
DOWNPAYMENT: 5%

Burlington MSA Median Incomes	
One Person	32,000
Two Persons	36,600
Three Persons	41,100
Four Persons	45,700
Five Persons	49,400

Unit Type - Sq. Ft.	Purchase Price	Minimum Income Required	Percentage of Median Income Based on Family Size: 1 Person	2 Persons	3 Persons	4 Persons	5 Persons
Skyline - 960 sq. ft.	81,900	25,057	78%	68%	61%	55%	51%
Stick Built - 960 sq. ft.	84,600	25,837	81%	71%	63%	57%	52%
Skyline - 1232 sq. ft.	85,300	26,039	81%	71%	63%	57%	53%
Stick Built - 1232 sq. ft.	94,200	28,610	89%	78%	70%	63%	58%
Skyline - 1456 sq. ft.	89,900	27,368	86%	75%	67%	60%	55%
Stick Built - 1456 sq. ft.	102,000	30,864	96%	84%	75%	68%	62%
Skyline - 1736 sq. ft.	92,700	28,177	88%	77%	69%	62%	57%
Stick Built - 1736 sq. ft.	112,000	33,753	105%	92%	82%	74%	68%.

MEMORANDUM

TO: Partners in MBL Associates

DATE: January 12, 1993

REGARDING: Ramsey Sale

From: Gerry

The following is the proposed purchase price and sequence of events for the sale of the Ramsey Parcel.

Purchase Price Offer - $3,450,000

Terms: $2,600,000 at closing through the payoff or assumption of the MBL loan at VNB.

$850,000 payable at no interest for a period of 4 years from the date of closing, as units close or are occupied. After 4 years the outstanding balance shall be subject to interest at 6% per annum.

The $850,000 obligation will be evidenced by a note to each partner in the amount of $283,333.The payments on these notes shall apply first to satisfy the Bartlett and Larkin notes. When those notes are satisfied the balance shall apply to the Milot note.

Closing - Within 15 days of the receipt of all local and State permits.

Purchaser - Vermont Housing Finance Agency through a partnership that it will form. I am presently involved in discussions with VHFA concerning my participation in the partnership. The obligation will carry all partners joint and several guarantee.

Conditions - This offer is conditioned upon the following:

1) Receipt of all local and State permits to construct 221 units.

2) Approval by the Board of Directors of VHFA to proceed (expected in January)

3) In the event that permits are not obtained by June 30 1994 either party may declare the contract to purchase null and void.

4) The site purchase shall exclude the following:

a) The existing lot on Dorset Street adjacent to the hall property. This lot will be deeded to Alan Bartlett and John Larkin. The purchaser shall provide a right of way 20 ft. wide for the extension of water and sewer to the lot. The location of the r.o.w. shall be in a location mutually agreed upon by both the buyer and seller. The permits required will be the responsibility of Bartlett and Larkin.

b) The dairy equipment in the barn shall remain the property of Larkin and Bartlett. This does not include any equipment or fixtures necessary to provide heat, water, sewer, or ventilation to the barn. Bartlett and Larkin shall be responsible for any damage done to the barn as a result of the removal of the equipment.

5) All development impact fees, including agricultural soils mitigation fees, shall be the responsibility of the purchaser. All costs associated with obtaining local and state permits (not including building permits) will be the responsibility of the seller. The seller shall also bear the cost of the solution of the impacts to archeological sites.

In order to proceed to their board meeting they need, by January 13, 1994, a commitment from MBL as to a purchase price and terms. I want all three partners to sign this letter of intent however our partnership agreement provides for two signatures to convey property. This offer is as we have discussed over the past few months. Please sign the letter below and return to me. I will present your acceptance to VHFA.

I accept the terms of this offer, which will be contained in a purchase and sales agreement to be signed by both buyer and seller at a later date.

__________________ Date ______
JOHN LARKIN Partner MBL Associates

Alan H. Bartlett Date 1-12-94
ALAN BARTLETT Partner MBL Associates

Gerald A. Milot Date 1/12/94
GERALD MILOT Partner MBL Associates

owned by the partnership as security for loans; lease or mortgage any partnership real estate or interest therein or enter into any contract for such purpose.

11. All amortization payments on long term debts shall be paid from the income of the partnership after deductions of the expense thereof; provided, however, that any mortgage payments which may become necessary, in addition to payments from profits after expenses, shall be made to the mortgages or other creditors of the partnership as a capital contribution by the partners.

12. Each partner shall have a vote proportionate to their partnership interest and all partnership votes shall be decided on the basis of a majority vote of the partners eligible to vote.

13. Any partner shall have the right to sell or assign his interest to the partnership, provided, however, that he first offer his interest to the remaining partners at the price and on terms equal to the highest bonafide offer from an independent outside source. The remaining partners shall have the right to accept said offer within 30 days by paying the purchase price on the basis of cash or cash and time as contained in said outside offer. Failure by the remaining partners to accept said offer shall not constitute a waiver of their rights under this paragraph in the event that the selling partner should sell his interest in the partnership to the other source. Furthermore, the selling partner shall not have the right to selling his interest to the outside source on terms and conditions other than those specified in his notice to the remaining partners without giving the notice of said now, different terms and conditions and the opportunity to exercise their right of first refusal with regard thereto. All offers and notices issued pursuant hereto shall be in writing and the same shall either be personally delivered to the partners address or forwarded by certified or registered mail, return receipt requested. All dates shall be computed from the

RESOLUTION
PERTAINING TO CREATION OF DEVELOPMENT ENTITY
AND
LETTER OF INTEREST FOR SOUTHEAST SUMMIT

WHEREAS, Gerald C. Milot (the "Developer") has presented a proposal for Agency participation in a plan to acquire all or the major portion of an existing 202 acre site on Dorset Street in South Burlington now owned by MBL Associates (the "Site"), and to develop on the Site up to 221 units of housing, including 161 units of single family housing and required infrastructure (the "Single Family Development") and 60 units of multi-family housing and required infrastructure (the "Multi-Family Development"), to be completed in phases over a period of several years, all as more particularly described in a memorandum dated January 21, 1994 from Irene D. Jenkins, Director of Development ("Staff Memorandum"), to be appended to the minutes of this meeting; and,

WHEREAS, more than half of the total floor area and more than half of the total development cost of the Single Family Development will be allocated to dwelling units for persons and families of low and moderate income.

WHEREFORE it is hereby RESOLVED:

I. The Executive Director is authorized and directed to form an appropriate non-profit corporation to serve as or to participate in the development entity. The Articles of Association of the non-profit corporation shall provide that not less than two-thirds of the governing body of the corporation shall be appointed by the Agency.

II. The Executive Director is authorized to issue to Gerald C. Milot the Agency's letter of interest in participating in the acquisition of the Site and the development of the Single Family Development. The letter of interest shall:

A. advise the Developer of the Agency's interest;

B. advise the Developer that, upon fulfillment of the conditions set forth in subparagraph C, below, the Agency will issue to the housing sponsor a combined letter of intent and commitment to finance (1) a portion of the acquisition price of the Site and the Single Family Development by guaranteeing up to one-half of the outstanding balance of the existing bank financing and one half of the seller financing and (2) the construction costs of the Single Family Development, by providing a line of credit enabling the Developer to build the Single Family Development on a phased basis. The Developer is to be advised that Agency exposure is not anticipated to exceed the amount set forth in the Staff Memorandum.

C. The following conditions, and such other conditions as the Executive Director may specify in the letter of interest must be fulfilled before a letter of intent and commitment to finance may be issued:

1. Completion of a satisfactory market feasibility analysis;

2. Negotiation of the business terms of a satisfactory loan participation agreement with the holder of the current mortgage loan encumbering the Site or another commercial lender;

3. Negotiation of a satisfactory plan for ownership of the portion of the Site to be set aside for the Multi-Family Development.

4. Presentation of a satisfactory form of purchase and sale agreement for the Site between the current owner and the housing sponsor, at a price not exceeding $3,450,000 for the entire Site, or $2,513,350 if it is decided that the portion of the Site set aside for the Multi-Family Development will not be included in the purchase.

5. Negotiation of loan terms and fees.

6. Negotiation of a satisfactory development agreement between the housing sponsor and the Developer.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Roger A. Schoenbeck, Director of Finance RAS

RE: Single Family Bond Financing (Series 5)

DATE: January 19, 1994

As we have discussed over the last several months, we are nearing the end of the origination period for our current single family program. We **cannot** purchase mortgages from current bond proceeds after February 15, 1994. It appears there will be between \$5-\$6 million of accumulated funds not used to purchase mortgages from the \$110 million originally issued in September of 1990. Since we will be out of funds shortly, we have been looking at structuring a new financing. One of the biggest problems is with reinvestment rates for bond proceeds. Currently we are expecting bond funds to cost us approximately 5.7%, but we can invest the bond funds in an acceptable contract at only 3.2%. This negative arbitrage would cost us \$625,000 on an annual basis for lendable proceeds of \$25 million. We have been working on ways to reduce this cost of funds.

FUNDING PLAN

A way to save negative arbitrage is to accelerate the delivery of the mortgages. Since we are somewhat powerless to force quick origination of mortgages we propose to fund the early delivered mortgages with internal or alternative resources which cost much less than bond proceeds. We received assurance from Kutak Rock (our Bond Counsel) that we could use prepayments collected from prior bond issues and temporarily finance new mortgage purchases. Taking the analysis one step deeper, because we are investing the prepayments into contracts that are yielding 5.6%-7.5%, it would make more sense to use funds yielding less to make the temporary mortgage purchases. Short-term liquid funds set aside from the General Fund or construction loan program funds are yielding approximately 3%. Other potential sources of temporary financing would be the Federal Home Loan Bank or possibly the Vermont Pension funds. The funding plan anticipates that we would announce a mortgage interest rate prior to the sale of bonds using the normal calculation methods and fund any mortgages that came in for purchase for a period of up to two months. We would be monitoring the bond market on a daily basis and be prepared to adjust our offered mortgage rate on an as needed basis. We would also be prepared to sell bonds on short notice if the then current bond market conditions warranted. Upon selling the bonds a deferred closing of the bonds would be set for an additional two months after sale. This would in total give us a total lending period of up to four months with **no negative arbitrage,** saving over \$200,000.

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FINANCING FEATURES
Current projections by underwriters indicate that we would be able to deliver a two point mortgage rate of 6.65% if we were in the market today. This would allow us to earn the maximum allowable amounts as discussed in the next section. We have also provided for issuing no-point mortgages which would carry a rate of approximately 6.95%, but would have the drawback of having to pay about $600 per loan to the lenders for originating instead of collecting a fee of $450. We would also provide for the stepped rate mortgage for a one year period if conventional rates were to fall and we feel it is necessary, to stay competitive. A letter of credit would be obtained to cover potential loan losses in the total amount of $482,500 at an annual cost of $2,650. A separate letter of credit would be purchased to provide disaster coverage (issuance and no mortgages purchased or very rapid prepayment of mortgages) in the amount of $1,150,000 which would cost $7,500 per year for five years. Both of these costs would be paid for by draws from the bond issue. Another issue to consider is that of recycling prepayments which we have been doing for many years. We have **not included** recycling in the assumptions for this financing since it would add .15% (15 basis points) to the calculated mortgage rate. In the current interest rate environment it would cost us $12,000 per year for each $1 million of prepayments we hold and do not recycle.

CASH FLOW CONSIDERATIONS
In running the cash flow projections for this issue, expected earnings are calculated for a variety of potential outcomes of the financing. If mortgages are purchased as expected over a six month period and prepayments track expected lives, the Agency will earn approximately $1 million over the life of the issue. These earnings are expected to be taken out over the last five years of the issue. In addition, $187,500 of origination fees would be collected during purchase for two point mortgages. If **no** mortgages prepay over the life of the bond issue (highly unlikely), we would earn about $3.4 million. If mortgages were to prepay at a rate six times more than expected we would **lose** or have to contribute to the bond issue about $500,000. In addition, for each $1 million of loan proceeds which are delayed in purchasing mortgages, it would cost $2,000 per month. The very worst case would be if we bonded, never purchased any mortgages and sat on the bond proceeds for a year, the total funding needed to cover the loss would be about $1.1 million.

RISKS/CONCERNS
Normally the biggest risks in a financing are either the slow delivery or non-delivery of mortgages or very rapid prepayments of mortgages originated. Due to the current interest rate environment, the negative arbitrage of holding bond proceeds makes origination of mortgages with bond proceeds critical. There is a risk associated with making mortgages prior to selling bonds, mostly tied to the volatility of mortgage rates. Assuming that we would offer a rate prior to issuing bonds, there is the potential that we would either not be able to issue bonds or that the rate would be so high that we could not generate a competitive rate if we were to issue. Examples of circumstances that could occur would be: depletion of our fund balances by State mandate which could

drop our credit rating; economic or world catastrophes such as war or earthquakes; either a major realignment or volatile increases of interest rates. If one of these unforeseen events were to happen between the time we started committing mortgages and the time we sold bonds, we would be required to honor our commitments and purchase the mortgages into a recyclable portfolio at a rate much less than expected. This would have the financial impact of subsidizing each mortgage for its life (up to 30 years) at the difference between the committed rate and the allowed rate. As an example, if we were to offer a rate of 6.65% today and we could not purchase this mortgage from new bond proceeds, we would buy it into our lowest recycled rate program, which assumes an 8.3% mortgage. The subsidy cost in this example for $5 million of mortgages would approximate $1.5 million over 30 years. We think that the program as structured reduces this type of risk, but it cannot be eliminated altogether.

BOARD ACTION

Due to the issues raised by the Evensen Dodge study, concern about revenues in general and the ongoing strategic planning process, this memo is a lot more detailed than usual. Please carefully consider the issues raised when deciding whether to proceed or not with this financing as structured. The staff recommendation is to proceed, assuming an issue size of $25 million in lendable proceeds and an announcemnt of the availability of funds and calculated interest rate on or about February 15, 1994. If you have any questions, comments or concerns regarding the financing, please contact myself or Allan.

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Glenn A. Jarrett, General Counsel

DATE: January 21, 1994

RE: Mobile Home Lending, Ongoing Efforts

In November, we became aware of a problem with our program of lending on mobile homes in mobile home parks. The problem became apparent while reviewing documents for the Deepwood Mobile Home Park in Brattleboro--a new mobile home park being developed by the Housing Foundation, Inc., a non-profit affiliate of the Vermont State Housing Authority--for approval for lending. The VHFA statute and our current bond resolution require that the Agency have a first lien on both the mobile home and the lease from the park. Historically, our loans on homes in parks have had a first lien on the home, but the master mortgages on the park have had priority over our mortgages on the individual homes in the park. Because making more loans would have exacerbated the problem, late in November the Agency put a moratorium on new loans on homes in mobile home parks.

After identifying the problem, Frank Kochman and I began working with lawyers for HFI and the Housing and Conservation Board to draft documents that would meet VHFA's needs and be acceptable to the park owner, the VHCB, and the bank holding the mortgage on the park. The key document is a three party agreement between the Agency, the owner of the park and the mortgage holder that sets out the rights of the parties. The most difficult problem is to insure the continued presence of the mobile home we hold a mortgage on in the event the mortgage holder forecloses on the park owner's mortgage. After many drafts and redrafts of documents and several meetings and discussions, we have come up with a set of documents that satisfies all parties, including Vermont National Bank, the mortgage holder at Deepwood. All parties have been very cooperative.

Our intention is to modify the documents we developed for Deepwood and approach other park owners and master lenders of parks that the Agency has approved for lending to obtain approval for those documents. Once we have those agreements, the loans the Agency has already made in those parks will be proper loans for our portfolio. That task will be made far easier because HFI owns the largest number of approved parks and VHCB has an interest in almost all of those parks. With the cooperation of those two organizations, we are confident that we can get most, if not all, of the parks approved for lending again in a relatively short time.

The other measure we would like to take, with the Board's approval, is to seek a legislative change in the VHFA statute to remove two words in the definition of mortgage loan as it relates to mobile homes in parks. Even if that change is approved, use of the current bond resolution will continue to require that we obtain approval of the documents we are developing from park owners and lenders.

RECOMMENDED ACTION

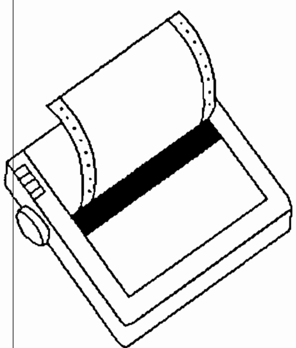
None required, for information and discussion purposes only.

C:\data\board\mobhome.mem

vhfa

VERMONT HOUSING FINANCE AGENCY

FACSIMILE COVER SHEET



Sent By	BP
Date	2-16
Time	4:35

DATE 2-16-94

TIME 4:30

TO

NAME Burlington Free Press

ORGANIZATION Newsroom

TITLE/DEPT

FAX PHONE NUMBER (____) 660-1802

FROM

NAME Glenn Jarrett, ext 226

TITLE/DEPT

FAX PHONE NUMBER: (802) 864-5746

DOCUMENT CONSISTS OF 2 PAGES INCLUDING COVER SHEET.

REMARKS: Please call if questions

IF YOU EXPERIENCE ANY PROBLEMS IN RECEIVING THIS TRANSMISSION, PLEASE CALL SENDER AT (802) 864-5743

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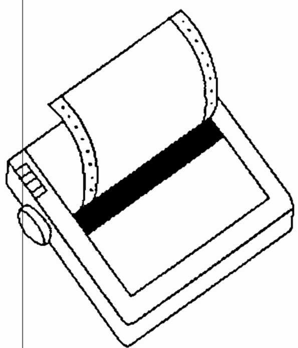
802/864-5743 • 1-800/339-5866

vhfa

VERMONT HOUSING FINANCE AGENCY

FACSIMILE COVER SHEET

Sent By ______
Date ______
Time ______



DATE 2-16-94

TIME 4:35

TO NAME WCAX-TV

ORGANIZATION ______

TITLE/DEPT ______

FAX PHONE NUMBER (____) 658 6300 ext 140

FROM NAME Glenn Jarrett

TITLE/DEPT 864 5743, ext 226

FAX PHONE NUMBER: (802) 864-5746

DOCUMENT CONSISTS OF 2 PAGES INCLUDING COVER SHEET.

REMARKS: Please call if questions

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vhfa

VERMONT HOUSING FINANCE AGENCY

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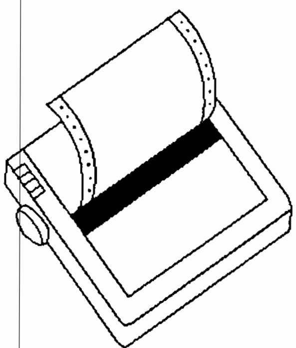

DATE 2-16-94

TIME 4:30

TO NAME The Rutland Herald

ORGANIZATION

TITLE/DEPT

FAX PHONE NUMBER (802) 775-2423

FROM NAME Glenn Jarrett

TITLE/DEPT 864-5743, ext ~~226~~ 226

FAX PHONE NUMBER: (802) 864-5746

DOCUMENT CONSISTS OF 2 PAGES INCLUDING COVER SHEET.

REMARKS: Please call of questions

IF YOU EXPERIENCE ANY PROBLEMS IN RECEIVING THIS TRANSMISSION, PLEASE CALL SENDER AT (802) 864-5743

NOTICE OF SPECIAL MEETING

The Board of Commissioners of the Vermont Housing Finance Agency will meet via telephone conference call on Friday, February 18, 1994, at 1:00 p.m. to consider a resolution relating to the consolidation of functions with the Vermont Home Mortgage Guarantee Board, as well as any other matters properly before the meeting. The public may attend the meeting at the Agency's offices at One Burlington Square, Burlington, Vermont 05401.

MEMORANDUM

TO: Barbara

FROM: Glenn GAS

DATE: February 16, 1994

RE: Special Board Meeting

If the meeting is ~~finalized~~, would you please fax the attached to the Free Press, Rutland Herald and WCAX? Thank you.

775-2423

66-1802

658-6300, ext 140

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director ASH

DATE: February 16, 1994

RE: CONSOLIDATION OF VHMGB AND VHFA

We have made a great deal of progress on the consolidation front. The VHMGB Board met on Tuesday and approved a resolution (enclosed) directing staff to proceed with the consolidation and the development of a contract between VHMGB and VHFA which would address the administration by VHFA of the Board's business.

I have enclosed for your review the following:

1. Resolution authorizing the proposed consolidation;
2. A consolidated budget showing the projected combined savings and the savings for each Agency;
3. A newly created "guarantee/purchase" department organizational chart. This department will do both underwriting of Agency loans and the guaranteeing of all loans;
4. A proposed organizational chart for the Agency showing the TWO new departments (underwriting/guarantee and loan servicing/quality control);
5. A listing of current VHMGB functions and the Agency departments that will assume each function;
6. A comparison of underwriting guidelines;
7. A PROPOSED floor plan showing office layout and the space saved.

Please review this information and contact me with any questions.

We are anxious to get the go ahead so we can meet with affected staff and let them know about this plan. I will discuss specific impacts on staff during the conference call at 1:00 Friday, February 18.

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RESOLUTION REGARDING CONSOLIDATION OF FUNCTIONS WITH VERMONT HOUSING FINANCE AGENCY

WHEREAS, the Executive Branch of the State of Vermont has requested that the Board explore the possibility of consolidating its functions with those of the Vermont Housing Finance Agency (the "Agency") in order to increase operating efficiency, reduce administrative expenses and to eliminate some overlap in functions between the Board and the Agency (collectively, the "Agencies") by achieving reductions in staff;

WHEREAS, the Board has studied the possible means of complying with the Administration's request and has come to certain conclusions regarding a consolidation plan; and

WHEREAS, the contemplated changes will not change each agency's mission nor diminish the level of service provided;

NOW, THEREFORE, it is hereby DETERMINED:

1. Section 382 of Title 10, Vermont Statutes Annotated states that the "Board may utilize the facilities of the offices of the members of the Vermont Housing Finance Agency, or employ such personnel and incur such administrative expenses, as may be required in the execution of its powers and duties" and thus provides the legal authority for the consolidation plan.

2. The combined savings resulting from the consolidation of the Agencies is expected to be approximately $200,000 annually.

3. The consolidation is expected to save approximately 16% of the total space now leased by the Agencies.

WHEREFORE, it is hereby RESOLVED:

1. The Board approves, and the Executive Director is authorized to work with the Executive Director of the Vermont Housing Finance Agency to proceed with the implementation of, a plan consolidating the functions of the Board with the Vermont Housing Finance Agency, as outlined below.

2. The Board expects to achieve a reduction of four positions from the combined staffs of the Agencies as part of the consolidation.

3. The consolidation of space and staff shall take place on or about April 1, 1994, followed by a four to six month transition period during which time operational practices pertaining to the business of the Board and the Agency will become fully integrated.

4. The Agency shall adopt and utilize the current underwriting standards of the Vermont Home Mortgage Guarantee Board for the purpose of risk underwriting.

5. A contract between the Vermont Housing Finance Agency and the Vermont Home Mortgage Guarantee Board shall be devised and adopted by the VHFA and the VHMGB Board of Commissioners prior to the implementation date of April 1, 1994. Such contract shall include, among other items, the terms under which the business of the Board shall be managed by the Vermont Housing Finance Agency and the annual cost assessed to the Board for such management.

I certify that the foregoing resolution was approved by the Vermont Home Mortgage Guarantee Board at a duly noticed regular meeting of the Board held on Tuesday, February 15, 1994 at 9:30 a.m. at the offices of the Commissioner of Banking, Insurance and Securities in Montpelier, Vermont.

Clerk of the Board

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RESOLUTION REGARDING CONSOLIDATION OF FUNCTIONS
WITH VERMONT HOME MORTGAGE GUARANTEE BOARD

WHEREAS, the Executive Branch of the State of Vermont has requested that the Agency explore the possibility of consolidating its functions with those of the Vermont Home Mortgage Guarantee Board (the "Board") in order to increase operating efficiency, reduce administrative expenses and to eliminate some overlap in functions between the Board and the Agency (collectively, the "Agencies") by achieving reductions in staff;

WHEREAS, the Agency and the Board have studied the possible means of complying with the Administration's request and has come to certain conclusions regarding a consolidation plan; and

WHEREAS, the contemplated changes will not change each agency's mission nor diminish the level of service provided;

NOW, THEREFORE, it is hereby DETERMINED:

1. Section 382 of Title 10, Vermont Statutes Annotated states that the "Board may utilize the facilities of the offices of the members of the Vermont Housing Finance Agency, or employ such personnel and incur such administrative expenses, as may be required in the execution of its powers and duties" and thus provides the legal authority for the consolidation plan.

2. The combined savings resulting from the consolidation of the Agencies is expected to be approximately $200,000 annually.

3. The consolidation is expected to save approximately 16% of the total space now leased by the Agencies.

WHEREFORE, it is hereby RESOLVED:

1. The Agency approves, and the Executive Director is authorized to work with the Executive Director of the Vermont Home Mortgage Guarantee Board to proceed with the implementation of, a plan consolidating the functions of the Board with the Agency as outlined below.

2. The Agency expects to achieve a reduction of four positions from the combined staffs of the Agencies as part of the consolidation.

3. The consolidation of space and staff shall take place on or about April 1, 1994, followed by a four to six month transition period during which time operational practices pertaining to the business of the Board and the Agency will become fully integrated.

4. The Agency shall adopt and utilize the current underwriting standards of the Vermont Home Mortgage Guarantee Board for the purpose of risk underwriting.

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CONSOLIDATION BUDGET
VHFA/VHMGB
F/Y/E JUNE 30, 1994

EXPENSES	CURRENT VHMGB	CURRENT VHFA	COMBINED BUDGET	CONSOLIDATED BUDGET	VHMGB CHARGES	VHMGB SAVINGS	VHFA SAVINGS	COMBI SAVI
ADVERTISING & PROMOTION	10,000	95,100	105,100	105,100	10,000	0	0	
AUDIT	8,500	27,500	36,000	36,000	8,500	0	0	
ANNUAL REPORT	6,000	10,000	16,000	10,000	0	6,000	0	6,
COMMISSIONERS EXPENSES	0	4,000	4,000	4,000	0	0	0	
COMPUTER SERVICE-VHMGB	33,000	0	33,000	33,000	24,750	8,250	(8,250)	
CONSTRUCTION INSPECTION	0	20,000	20,000	20,000	0	0	0	
CONSULTING FEES	20,000	55,000	75,000	75,000	15,000	5,000	(5,000)	
DUES & SUBSCRIPTIONS	3,050	33,200	36,250	35,700	1,875	1,175	0	1,
ENERGY & HOUSING ASSISTANCE	0	90,000	90,000	90,000	0	0	0	
INSURANCE	38,522	188,336	226,858	209,813	29,200	9,322	7,723	17,
INTEREST EXPENSE	0	45,000	45,000	45,000	0	0	0	
LEGAL	2,000	55,000	57,000	55,000	0	2,000	0	2,
MISCELLANEOUS	1,200	6,500	7,700	7,500	750	450	0	
OFFICE EXPENSES	12,800	30,000	42,800	40,400	7,800	5,000	0	5,
PENSION PLAN	20,500	120,000	140,500	129,457	15,250	5,250	5,793	11,
POSTAGE	2,900	22,500	25,400	24,500	1,500	1,400	0	1,
RENT	34,350	116,000	150,350	126,350	23,450	10,900	13,100	24,
REPAIRS & MAINTENANCE	2,452	55,000	57,452	57,452	2,452	0	0	
SALARIES & WAGES	216,800	1,297,860	1,514,660	1,395,660	164,325	52,475	66,525	119,
STAFF TRAVEL & TRAINING	6,400	86,045	92,445	88,345	4,725	1,675	2,425	4,
TAXES-PAYROLL	15,000	97,600	112,600	103,750	12,209	2,791	6,059	8,
TELEPHONE	9,060	30,000	39,060	39,060	9,060	0	0	
TRUSTEE & CREDIT FEES	0	260,000	260,000	260,000	0	0	0	
DEPRECIATION	9,530	120,000	129,530	129,530	7,150	2,380	(2,380)	
TOTAL EXPENSES	452,064	2,864,641	3,316,705	3,120,617	337,996	114,068	85,995	200,

* Rent savings is based on reduced space effective at the end of the current lease, 8/1/95.

GUARANTEE/PURCHASE DEPARTMENT

PROPOSED ORGANIZATIONAL CHART

DRAFT

BOARD OF COMMISSIONERS

EXECUTIVE DIRECTOR

DIRECTOR GUARANTEE/PURCHASE
Budget/Financial
Staff Supervision
Monitor Status of Program(s) Fund
Issue Guarantees/Rewrites
Coordinate Loan Purchases
Program Analysis
Outreach/Lender Relations

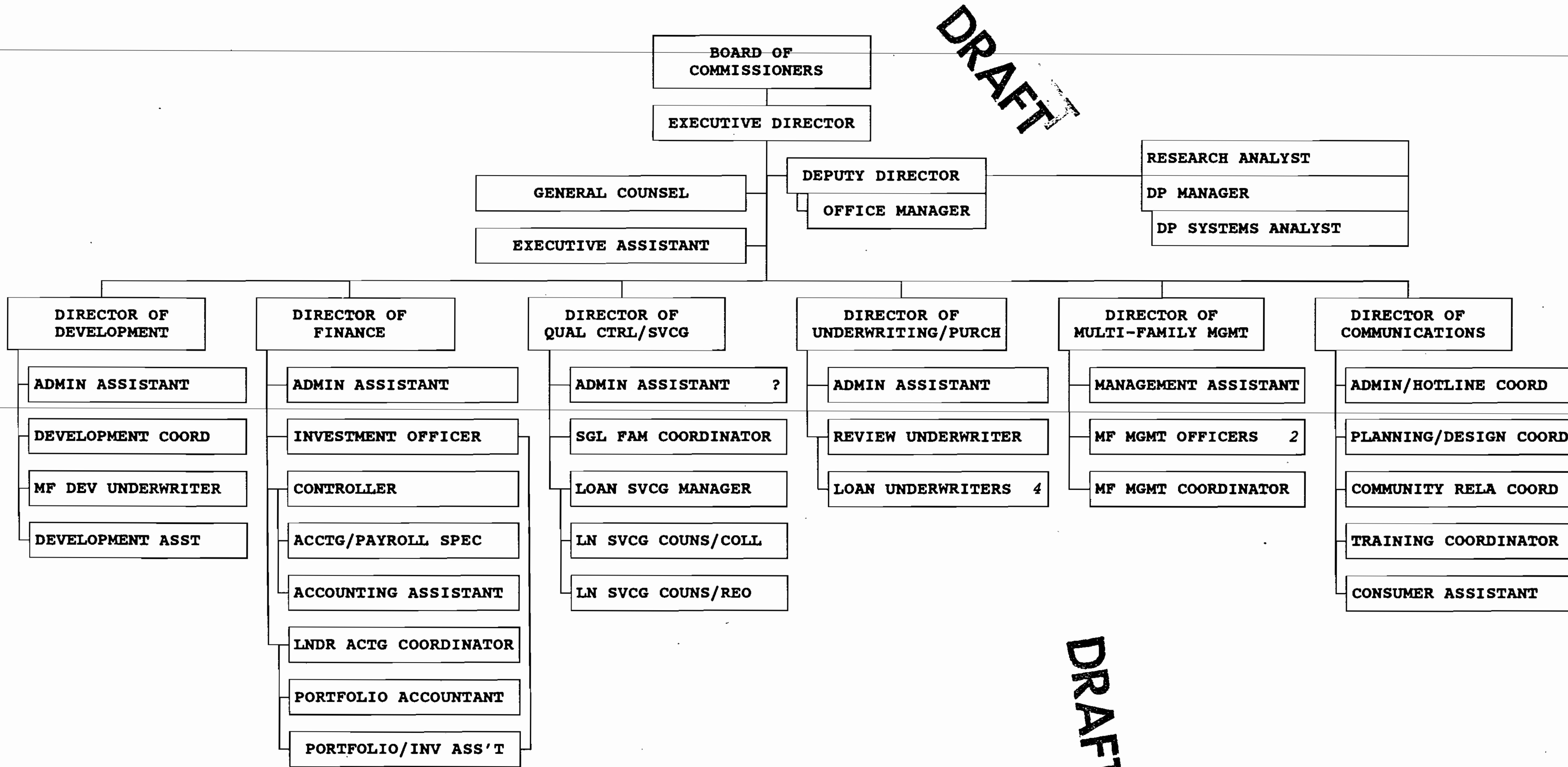
ADMINISTRATIVE ASSISTANT (1)
Admin Support for all Dept. Staff

REVIEW UNDERWRITER (1)
Review Underwritten Files
Issue Guarantees/Rewrites
Underwriting Liaison
Underwrite for Risk and Compliance

UNDERWRITER (4)
Underwrite for Risk/Compliance
SF Program Reservations
Issue MCCs
Monitor Mortgage Pipeline
Condominium Monitoring
Loan Inquiries (Written/Telephone)
Loan Purchases

New functions to the Guarantee/Purchase Department

Rev. 02/10/94



PROPOSED 02/08/94

Current Functions of VHMGB Going to Other Departments

Administration
Outreach
Planning/policy
Board Liaison

Finance
Monthly accounting
Preparations of quarterly and annual financial statements
Annual Audit
Billing to VHMGB
Annual reconciliation of conventional loans

Quality Control/Servicing
Semiannual secondary market reporting (on tape)
Servicing of conventional loans
Paying claims
Guarantee cancellations
Transfer of servicing and servicing agreements
Quality Control
Loan modifications

Guarantee/Purchase Department
Reporting to Banking and Insurance and secondary market
Department budgeting
Development of fee structure and reserve calculations
Program analysis
Monitor programs (s) funds
Loan inquiries/reservations
Outreach/lender relations
Compliance and risk underwriting
Guarantees and rewrites
Purchase of VHFA single family loans
Condominium monitoring
Issue MCCs

Communications
VHMGB annual report
Advertising
Promotion of consolidation
Outreach

Development
Program development

New functions for Guarantee Department

VHMGB/VHFA UNDERWRITING COMPARISON

RULES AND GUIDELINES

	VHMGB	VHFA
Income Limits	1-2 $44,500 3+ $49,500	1-2 $36,100 3+ $41,500
Purchase Price Limit	n/a	Existing $97,000 New $110,000
Maximum Loan Amount	$105,000	n/a
1st Time Buyer Requirement	n/a	For Addison Bennington Chittenden Grand Isle & Windsor Counties
Ratios	VHFA 30/38 Conv 28/36	30/38
Income Calculations	Use two methods for program eligibility and underwriting. Generally uses avg. year to date and past year earnings to qualify.	Use two methods for program eligibility and underwriting. Generally uses base salary plus stated overtime to qualify
Land Value/Lot Size	Land value exceeding 50% generally not eligible	Acreage cannot exceed amount necessary for livability
Assets	Liquid assets less closing costs cannot exceed 35% of purchase price	n/a
Ability to Obtain Conventional Mortgage	n/a	Mortgagor must not be able to qualify for a conventional mortgage
Energy Efficiency	n/a	Requires 4-star rating for new construction New Mobile Homes must meet standards
Refinances	Maximum LTV 90% New interest rate and payment must decrease	Not allowed

vhfa
VERMONT HOUSING FINANCE AGENCY

February 17, 1994

Ms. Marie Carpenter
Department of Administration
Secretary of Administration's Office
Pavilion Office Building
109 State Street
Montpelier, VT 05602

Dear Ms. Carpenter:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Thursday, March 3, at 1:30 p.m., at the office of the Department of Banking, Insurance and Securities, 89 Main Street, Montpelier, Vermont.

If you have any questions, please do not hesitate to contact me at 864-5743, ext. 255.

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: February 3, 1994

RE: STAFFING ANNOUNCEMENT AND RESCHEDULING UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been rescheduled. The meeting will be held at 1:30 p.m. Thursday, March 3, at the office of the Commissioner of Banking, Insurance and Securities, 89 Main Street, Montpelier, Vermont.

The Board agenda and packet will be mailed to you by February 25. *(PLEASE NOTE: there is no Board meeting scheduled for the month of February; this is the only meeting that will be held in March, and the next meeting would be April 21.)*

I am also pleased to announce that Cathleen Gent, our Research Analyst, has agreed to become the Interim Director of Communications. Cathleen has been handling these responsibilities since Hollis' departure, and will continue to do so for at least six months. During the ongoing Strategic Planning process we will determine the functions which will be appropriate for this position.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to meeting with you in Montpelier in March!

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director ASH

DATE: February 25, 1994

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:30 p.m. Thursday, March 3, at the office of the Department of Banking, Insurance and Securities, 89 Main Street, Montpelier, Vermont.

Attached is the agenda and Board packet. The master copy of the Board minutes kept on file here at the Agency includes any attachments that may be referenced in the minutes; copies will be made available should any Board members be interested in reviewing them.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier at 1:30 March 3!

REMEMBER: The next scheduled Board meeting will take place April 21; Chairman White will not be available for that meeting.

vhfa

VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA
Office of the Department of Banking, Insurance and Securities
89 Main Street
Montpelier, Vermont

Thursday, March 3, 1994 at 1:30 p.m.

1. Review and approval of minutes of January 27, 1994

2. Review and approval of minutes of February 18, 1994

3. Development
   - ⌂ City Center Apartments (Burlington)
     Resolution re: Renovation Funding **[Jenkins/Erdelyi//Encl.]**
   - ⌂ Southeast Summit
     Letter of Intent/Commitment **[Jenkins//Enclosure]**
   - ⌂ Twin Pines (Starlake) Loan Extension **[Jenkins//Crady//Encl.]**
   - ⌂ Counseling Services of Addison County
     Group Homes Resolution of Interest **[Jenkins//Crady//Encl.]**
   - ⌂ Westview Court (Rutland)
     Letter of Intent/Commitment **[Jenkins/Crady//Encl.]**

4. Administration
   - ⌂ Executive Director's Report **[Hunt]**

5. Operations
   - ⌂ Delinquency Report **[Lothrop//Enclosure]**
   - ⌂ Computer Conversion Update **[Lothrop/Gandini//Encl.]**

6. Multi-Family Management
   - ⌂ Existing Projects Status **[Falzone//Enclosure]**

7. Finance
   - ⌂ Series 5 Bond Update **[Schoenbeck//Encl.]**

8. Legal
   - ⌂ Legislative Update **[Jarrett]**

9. Communications
   - ⌂ Strategic Planning Update **[Gent]**
   - ⌂ Overview of 1994 Marketing Plan **[Gent//Enclosure]**

10. Other old or new business to come before the Board

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
Office of the Commissioner of Banking, Insurance and Securities
89 Main Street
Montpelier, Vermont

Thursday, January 27, 1994

PRESENT: Chairman White; Commissioners Randall, Candon (designee of Costle), Mullikin Drake (designee of Shouldice), Myette (via speakerphone), Seelig

Agency Staff: Mr. Hunt, Mr. Francis, Mr. Schoenbeck, Mr. Jarrett, Mr. Lothrop, Ms. Jenkins, Mr. Falzone, Ms. Gent, Ms. Crady, Mrs. Parker

Guests: Mr. Milot (re: Southeast Summit); Ms. Wright (Lake Champlain Housing Development Corporation)

The meeting was called to order by the Chairman at 1:45 p.m. Upon a motion made by Mr. Candon and seconded by Ms. Randall, the minutes of the December 16 meeting were amended in the first line of the first paragraph of Page 2 to read: "Mr. Seelig *emphasized the importance of making the Governor* aware of the impacts..." This motion carried unanimously. Mr. Hunt also asked the Board for direction on the length and comprehensive scope of the monthly minutes, and was encouraged to strive for a shorter and more succinct record of future meetings.

The first topic addressed by the Board was the "Southeast Summit, South Burlington—Resolution of Interest" as described in Ms. Jenkins' memo of January 21, included in the Board packet. Ms. Jenkins reviewed the memo, indicating that staff is seeking approval for a letter of interest to provide construction financing for the single family portion of this proposed development, and to create a not-for-profit entity which would enter into a partnership with or include Gerald C. Milot for the purpose of acquiring and developing the Southeast Summit site as affordable housing. According to Ms. Jenkins, the development entity to be created would acquire and develop 202+ acres of land on the east and west sides of Dorset Street between Swift and Barstow Streets in South Burlington. This consists primarily of open land, including some wetlands and archaeologically sensitive areas, with one large, almost new dairy barn already on the property. Ms. Jenkins also distributed a set of spreadsheets which detailed the preliminary construction costs and financing for this project. Mr. Milot addressed the Board regarding the feasibility of including perpetual affordability as a requirement for the Agency's financial participation in this project. According to Mr. Milot, plans now call for the Lake Champlain Housing Development Corporation

(LCHDC) to be involved in the multi-family portion of the project. However, Mr. Milot noted that a public subsidy might help to buy down the value of units and allow a build-in of perpetual affordability for a portion of the units. Efforts are still underway to include manufactured housing units in this development, preferably those built in-state by Skyline Homes.

At this time, Mr. Myette expressed his regrets and stated that he would not be able to participate in the remainder of the meeting.

Continuing the discussion of the Southeast Summit proposal, Mr. Milot emphasized that in marketing the development to potential buyers, every effort would be made to target the homes to meet the lowest income level in the qualifying segment of the population (those at or above 60% of median income). The marketing study conducted by Mr. Milot determined that opportunities are very limited for home buyers trying to purchase affordable homes in South Burlington. Ms. Mullikin Drake emphasized the Board's belief that the ongoing affordability of homes in this project is of paramount importance. Mr. Milot agreed to develop a program that would allow perpetual affordability for a portion of the Southeast Summit project. Following some further discussion, Ms. Mullikin Drake made a motion to amend the "Resolution Pertaining to Creation of Development Entity and Letter of Interest for Southeast Summit" as attached to these minutes, to include a satisfactory plan for a portion of the units to remain perpetually affordable. After being seconded by Ms. Randall, the Resolution was adopted, as amended. Following the vote, Mr. Milot asked the Board for clarification as to what percentage of the homes should remain affordable, and was directed to set aside at least 10 percent (16 homes) as perpetually affordable, with the capacity to expand this to another 20 percent (32 homes). Mr. Milot then left the meeting.

Ms. Crady then began a review of the "Kirby Heights, South Burlington—Resolution of Interest" as described in her memo of January 20, included in the Board packet. The sponsor, Scott D. Mansfield, is requesting that the Agency provide construction financing in the amount of $1.1 million to finance the site acquisition, infrastructure improvements, and construction of 25 perpetually affordable homes on Queensbury Road in South Burlington. Located on approximately 11 acres, the site is fully permitted for the construction of seven single family home and 18 duplex units. As proposed, the single family homes will be purchased by the Burlington Community Land Trust (BCLT) for resale to individuals and families at or below 80% of the median income for the Burlington MSA. The duplex units would be purchased by a partnership of Housing Vermont and LCHDC, and would be developed into an 18-unit leasing cooperative. Of these cooperative housing units, 13 would serve families at or below 50 percent of the median income for the Burlington MSA. Ms. Wright exhibited a site plan of the proposed development, and described some of the plans that LCHDC has been considering to lower the total development costs of the project. A brief discussion of the project ensued, during which the Board noted concerns about the potential marketability of the single family units and the housing cooperative portion of the proposal. A motion was made by Ms. Randall and seconded by Mr. Candon to adopt the "Resolution of Interest re: Kirby Heights Development (South Burlington)" as attached to these minutes. The motion carried and the resolution was unanimously adopted.

Mr. Seelig arrived during the previous discussion.

The Board then agreed with Ms. Jenkins' suggestion, at the developer's request, to defer discussion of the "City Center Apartments, Burlington" until the next Board meeting, when the developer would be available.

Ms. Crady briefly reviewed her memo of January 20, regarding the "Westview Court Intermediate Care Facility, Rutland—Resolution of Interest" as included in the Board packet. Approval of the Resolution would provide a first mortgage to Rutland Area Community Services in the amount of $192,500 to finance a six-bed Intermediate Care Facility for developmentally and/or physically disabled adults. A motion was made by Ms. Mullikin Drake, seconded by Mr. Candon, and the Resolution was adopted as passed, with Mr. Seelig abstaining.

Turning to "Pinecrest Village—Williston" Ms. Crady reviewed her memo of January 20, included in the Board packet. This Resolution would provide for the Agency's purchase of a 50 percent participation interest in up to $40,000 in second mortgage loans, originated by Merchants Bank, made to buyers of homes at Pinecrest Village, an 87-unit planned residential development located in Williston. After a motion made by Mr. Seelig and seconded by Ms. Mullikin Drake, the "Resolution Regarding Purchase of Participation in Second Mortgages re: Pinecrest Village (Williston)" was unanimously adopted as attached to these minutes.

Beginning his Executive Director's report, Mr. Hunt advised the Board that he had attended the National Association of Home Builders' conference in Las Vegas as a guest speaker. The topic of his speech was the rehabilitation of the buildings along Dalton Drive in Fort Ethan Allen, and many Vermont builders at the conference expressed their appreciation for his attendance, as there were not many other directors of state HFAs present. Some progress has been made with the consolidation of the Agency and VHMGB, although one issue still to be resolved is appropriate utilization of "extra" staff resulting from this merger. There may be some opportunities to reassign or realign responsibilities in an effort to address existing staffing issues. Earlier in the month Mr. Schoenbeck and Mr. Hunt met with several of the bond rating agencies in New York in an effort to address any concerns they might have regarding the proposed purchase of $2.5 million in loans from the Vermont Housing and Conservation Board. Mr. Hunt also noted that he had appeared before the Senate Appropriations Committee to present additional information requested by the Senate regarding that purchase, which was approved at the December Board meeting. According to Mr. Hunt, Senator Carroll (R-Windsor) did not appear to be seeking additional funds, but instead expressed an interest in ensuring that such a reduction of the Agency's General Fund would not prove to burdensome for the Agency's continued operation of its affordable housing programs.

Mr. Francis presented the "Mid-Year Business Plan Update" as attached to his memo of January 20, included in the Board packet. According to Mr. Francis, several of the items listed in the "Analyze for Future Implementation" section have not yet been addressed, due to vacancies or limited staff, and also noted that this would appear to be consistent with the Strategic Planning process. In response to Mr. Candon's inquiry on why the goal for the "Old North End" program remained high when notations indicated that the program had not been successful, Ms. Jenkins assured the Board that an analysis of the program's lack of success would be prepared for the next Board meeting. Mr. Lothrop noted that an update of the computer conversion would be presented next month as well. No Board action was necessary.

Next, Mr. Lothrop reviewed his memo on "Series 1, 2 & 3: Mortgages Not Purchased and Remaining in Lenders Portfolio" dated January 20 and included in the Board packet. Noting that it might be beneficial to send notification to participating lenders prior to the last purchase date, Mr. Lothrop further explained that this would allow lenders to submit those loans in time for the March 1 purchase. Upon a motion made by Mr. Candon and seconded by Ms. Randall, the Board voted unanimously to authorize staff to proceed with the proposal as outlined in Mr. Lothrop's memo.

The "Activity by Lender for Calendar Year 1993" as described in his memo of January 17, included in the Board packet, was reviewed by Mr. Lothrop. While no Board action was necessary, Ms. Randall noted that the lack of participation by several banks might be due to a lack of training for their underwriting staff. Ms. Randall further suggested that staff consider offering underwriting services, for a fee, to participating lenders who do not have underwriting staff available in Vermont. This would eliminate having to train a revolving staff of underwriters for out-of-state lenders, such as BancBoston, who might participate in loan programs with several HFAs around the country.

In his monthly review of the MOVE program, Mr. Lothrop noted that activity has been slow during this month, primarily due to falling temperatures and the seasonal weather conditions. Although the percentages of delinquent loans has jumped, the overall number of loans has not. Mr. Lothrop pointed out the need for faster turnover of property owned by the Agency as a result of foreclosures (REOs), as the risk of vandalism and the cost to maintain these properties rises in direct proportion to the length of time they remain in the Agency's portfolio. Mr. Hunt also indicated that as a direct result of the consolidation of the Agency and VHMGB, there would need to be a quality-control function for single family loans on which an MCC has been issued, as well as for single family properties financed or insured by the Agency. An increase in the servicing staff would also allow the Agency to become more proactive on delinquencies and foreclosure activities. Mr. Lothrop assured the Board that a complete listing of REOs and related activities would be included in the next Board packet. No Board action was necessary.

Mr. Falzone addressed the "Multi-Family Energy Loan Program Update" as described in his memo of January 20, included in the Board packet. The proposal recommends establishment of an energy loan pool from the General Fund, to be made available to Agency-financed properties interested in energy conversions and other energy improvements. Some multi-family property owners have been able to achieve the same results using surplus operating cash and restricted accounts, but many projects do not have adequate resources to make these improvements without accessing external loan funds. Mr. Falzone also noted that approval of this program would be in line with recommendations made in the Evensen Dodge financial study, as the funds would provide the Agency with an 8 percent return on its investment. A motion was made by Mr. Seelig to authorize the establishment of a $500,000 energy loan pool from the General Fund, as outlined, with staff further directed to: (a) provide an analysis of Vermont's utility companies' participation in such energy conservation programs; (b) set priorities within the program to first address properties with tenants who are paying a higher percentage of their income for utilities. After being seconded by Ms. Mullikin Drake, the motion carried unanimously. Following the vote, Ms. Mullikin Drake reminded the Board of the need to consider the overall utilization of the General Fund in programs such as this, rather than having it whittled away in smaller pieces; this should be further addressed in the Strategic Planning process.

The "Single Family Bond Financing (Series 5)" was reviewed by Mr. Schoenbeck, as further detail to his memo of January 19, included in the Board packet. Mr. Schoenbeck noted that the concept of offering mortgage rates and reserving funds prior to the actual sale of the bonds did not appear to concern the rating agencies, as a few other HFAs have similar programs on the market and the Agency has plans for dealing with contingencies.

Ms. Randall expressed her regrets and stated that she would be unable to remain for the rest of the meeting.

Continuing the discussion, Mr. Schoenbeck explained that plans call for a bond sale to take out committed mortgages sold within two months, to minimize interest rate exposure. However, the underwriters have stated that the Agency would have 45 to 60 days between the date bonds are sold and the actual bond closing; during this period, there would be no interest carrying cost to the Agency. Mortgages would be committed for a fixed 30-year rate, but it would also be possible to offer commitments on a stepped rate plan which might help some borrowers to qualify. Mr. Candon expressed concern about the financing structure due to the apparent financial risk for the Agency, since there would appear to be less risk if bonds were issued and sold simultaneously, which would lock in the rate and further limit the Agency's exposure. However, Mr. Candon did acknowledge that there would still be some risk in this scenario, should conventional mortgage rates drop lower than the Agency's. Mr. Hunt noted that no down payment loans are often not interest rate sensitive, and could be set aside as a hedge against a shift in conventional mortgage rates between the time the bonds are issued and the actual closing. A motion was made by Mr. Seelig to authorize staff to proceed with a bond issue that would result in $25 million in lendable proceeds, with the following guidelines: (a) a maximum of $5 million to be committed before the bonds are issued; (b) staff to review mortgage rates frequently (at least weekly) and adjust as necessary; (c) staff should make every effort to offer at least 120 no down payment mortgages through this issue; and (d) the Board should receive updates at least as frequently as each scheduled Board meeting. After being seconded by Ms. Mullikin Drake, the motion carried, with Mr. Candon opposed.

The Board acknowledged receipt of Mr. Jarrett's memo of January 21, regarding "Mobile Home Lending, Ongoing Efforts," as included in the Board packet. Mr. Seelig moved to authorize staff to seek a legislative change in the Agency's statute 10 V.S.A. §601 (10)(C)(ii) to remove the words "and lease" from the definition of mortgage loan as it relates to mobile homes in parks. This motion was seconded by Mr. Candon and carried unanimously. After the vote was taken, Mr. Jarrett informed the Board that an agreement had been reached that would allow documents to be signed which should help to address the problems that had arisen at Deepwood Mobile Home Park.

The next meeting was scheduled for Thursday, February 17, in Burlington *{later rescheduled to March 3 in Montpelier}*. There being no further business and following a motion duly made and seconded, the meeting was adjourned at 4:30 p.m.

Respectfully submitted,

Allan S. Hunt,
Secretary

RESOLUTION OF INTEREST RE: WESTVIEW COURT INTERMEDIATE CARE FACILITY (RUTLAND)

WHEREAS, a proposal has been presented to the Agency by Rutland Area Community Services ("RACS" or the "Sponsor") involving the refinancing of two short term loans on a six bed intermediate care facility for developmentally disabled and physically disabled adults in Rutland City (the "Development");

WHEREAS, the Sponsor has received a HUD Special Purpose grant in the amount of $200,000 and an application is pending with the Vermont Housing and Conservation Board for a grant in the amount of $34,000;

WHEREAS, all the residents of the Development are developmentally disabled, have physical disabilities that make medical care necessary and have income less than 30% of Rutland County median income; and

WHEREAS, RACS is expected to qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act");

NOW, THEREFORE, it is hereby DETERMINED:

1. The Development will assist in fulfilling the purposes of the Act and qualifies as residential housing.

2. The Development is primarily for persons of low and moderate income.

3. The acquisition and rehabilitation costs incurred by the Housing Sponsor are for housing development costs within the meaning of the Act.

4. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of residential housing and sufficient mortgage financing for residential housing for occupancy by such persons.

5. The Housing Sponsor undertaking the Development will maintain the supply of well-planned, well-designed permanent housing for persons of low and moderate income.

6. The security value of the Development will equal at least the amount of the VHFA loan.

WHEREFORE, it is hereby RESOLVED:

1. The Vermont Housing Finance Agency hereby declares its interest in refinancing two existing mortgage loans on the Westview Court intermediate care facility in Rutland.

2. This Resolution of Interest is not a commitment to make a loan or to otherwise finance the Development and is expressly conditional upon the satisfaction by the Developer of all requirements of the Act, the applicable regulations of the Agency and such further requirements as the Agency may establish, including, but not limited to, the following:

   (a) the availability of funds to the Agency for such purpose;

   (b) submittal of an appraisal of the Development in an amount sufficient to meet the requirements of the Agency's regulations;

   (c) evidence satisfactory to the Agency that the HUD Special Purpose grant has been transferred from the Rutland County Community Land Trust to the Sponsor;

   (d) resolution satisfactory to the Agency of a pending lawsuit challenging the rehabilitation or operation of the Development filed by adjoining land owners.

3. The maximum amount of the loan will be $192,500, the loan will be amortized over a period of 15 years, and the interest rate will be 100 basis points above the interest rate paid by the Agency on the advance from the Federal Home Loan Bank.

4. The Executive Director is authorized to deliver a copy of this resolution to the Housing Sponsor. This Resolution of Interest may be used by the housing sponsor in support of applications for operating subsidies or for other purposes with the consent of the Agency.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on January 27, 1994.

Allan S. Hunt
Executive Director and Secretary
Vermont Housing Finance Agency

RESOLUTION OF INTEREST RE:
KIRBY HEIGHTS DEVELOPMENT (SOUTH BURLINGTON)

WHEREAS, a proposal has been presented to the Agency by Scott Mansfield involving the construction financing for Kirby Heights, a 25 unit development of perpetually affordable homes in South Burlington (the "Development");

WHEREAS, the sponsor is expected to qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act");

WHEREAS, one part of the Development is to consist of seven single family homes to be purchased by the Burlington Community Land Trust for resale to individuals and families at or below 80% of median income for the Burlington MSA; and

WHEREAS, the other part of the Development will consist of 18 duplex units to be owned by a partnership consisting of Housing Vermont and Lake Champlain Housing Development Corporation that will be developed into a leasing cooperative and thirteen of the cooperative housing units will serve families at or below 50% of median income for the Burlington MSA;

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.

2. The costs of site development and construction to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.

3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.

4. The housing sponsor undertaking the Development will maintain the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income.

WHEREFORE, it is hereby RESOLVED:

1. The Vermont Housing Finance Agency hereby declares its interest in providing construction financing for the acquisition, infrastructure improvements and construction in an amount not to exceed $1.1 million.

2. The Letter of Interest shall be issued to Scott Mansfield as the housing sponsor.

3. The Letter of Interest shall state that it is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The letter of interest may be used by the housing sponsor in support of applications for grants or for other purposes with the consent of the Agency.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont on January 27, 1994.

Allan S. Hunt
Executive Director and Secretary
Vermont Housing Finance Agency

RESOLUTION PERTAINING TO CREATION OF DEVELOPMENT ENTITY AND LETTER OF INTEREST FOR SOUTHEAST SUMMIT

WHEREAS, Gerald C. Milot (the "Developer") has presented a proposal for Agency participation in a plan to acquire all or the major portion of an existing 202 acre site on Dorset Street in South Burlington now owned by MBL Associates (the "Site"), and to develop on the Site up to 221 units of housing, including 161 units of single family housing and required infrastructure (the "Single Family Development") and 60 units of multi-family housing and required infrastructure (the "Multi-Family Development"), to be completed in phases over a period of several years, all as more particularly described in a memorandum dated January 21, 1994 from Irene D. Jenkins, Director of Development ("Staff Memorandum"), to be appended to the minutes of this meeting; and,

WHEREAS, more than half of the total floor area and more than half of the total development cost of the Single Family Development will be allocated to dwelling units for persons and families of low and moderate income.

WHEREFORE it is hereby RESOLVED:

I. The Executive Director is authorized and directed to form an appropriate non-profit corporation to serve as or to participate in the development entity. The Articles of Association of the non-profit corporation shall provide that not less than two-thirds of the governing body of the corporation shall be appointed by the Agency.

II. The Executive Director is authorized to issue to Gerald C. Milot the Agency's letter of interest in participating in the acquisition of the Site and the development of the Single Family Development. The letter of interest shall:

A. advise the Developer of the Agency's interest;

B. advise the Developer that, upon fulfillment of the conditions set forth in subparagraph C, below, the Agency will issue to the housing sponsor a combined letter of intent and commitment to finance (1) a portion of the acquisition price of the Site and the Single Family Development by guaranteeing up to one-half of the outstanding balance of the existing bank financing and one half of the seller financing and (2) the construction costs of the Single Family Development, by providing a line of credit enabling the Developer to build the Single Family Development on a phased basis. The Developer is to be advised that Agency exposure is not anticipated to exceed the amount set forth in the Staff Memorandum.

C. The following conditions, and such other conditions as the Executive Director may specify in the letter of interest must be fulfilled before a letter of intent and commitment to finance may be issued:

1. Completion of a satisfactory market feasibility analysis;

2. Negotiation of the business terms of a satisfactory loan participation agreement with the holder of the current mortgage loan encumbering the Site or another commercial lender;

3. Negotiation of a satisfactory plan for ownership of the portion of the Site to be set aside for the Multi-Family Development;

4. Presentation of a satisfactory form of purchase and sale agreement for the Site between the current owner and the housing sponsor, at a price not exceeding \$3,450,000 for the entire Site, or \$2,513,350 if it is decided that the portion of the Site set aside for the Multi-Family Development will not be included in the purchase;

5. Negotiation of loan terms and fees;

6. Negotiation of a satisfactory development agreement between the housing sponsor and the Developer;

7. Development of a satisfactory plan providing ongoing affordability of between 10 and 30% of the single family homes in the Development.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont on January 27, 1994.

Allan S Hunt

Allan S. Hunt
Executive Director and Secretary
Vermont Housing Finance Agency

RESOLUTION REGARDING PURCHASE OF PARTICIPATION IN SECOND MORTGAGES RE: PINECREST VILLAGE (WILLISTON)

WHEREAS, a proposal has been presented to the Agency by Northshore Development Corporation (the "Sponsor") involving the purchase by the Agency of a participation in second mortgage loans for single family dwellings in the Pinecrest Village development located south of U.S. Route 2 in Williston (the "Development"); and

WHEREAS, the Development consists of 87 units, 50 of which have been sold or are under contract to be sold; 14 units were sold to the Burlington Community Land Trust or Lake Champlain Housing Development Corp.; 14 unsold units have been built and 23 additional units are to be built; and

WHEREAS, the Sponsor has requested that the Agency purchase a 50% participation interest in up to $40,000 of second mortgage loans, originated by the Merchants Bank and made to buyers of homes at the Development who are utilizing Agency programs; and

WHEREAS, the Development is one of the few developments outside of Burlington in Chittenden County that has a perpetually affordable component;

NOW, THEREFORE, it is hereby DETERMINED that purchasing a participation in second mortgage loans at the Development will assist in encouraging the development of an adequate supply of safe and decent housing at a reasonable cost.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to enter into an agreement with the Merchants Bank to use up to $40,000 to purchase a 50% participation interest with the Merchants Bank in up to 15 second mortgage loans for homes being sold in the Pinecrest Development in Williston.

2. Second mortgage loans eligible for purchase of a participation shall be made only to buyers receiving financing through the Agency's MOVE or HOUSE programs.

3. The interest rate on the second mortgage loans shall be equal to the rate on the first mortgage originated for sale to VHFA. The term of the loans shall be 15 years and the loans will be fully amortizing. The maximum amount of the second mortgage loans will be five percent of the purchase price.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont on January 27, 1994.

Allan S. Hunt
Executive Director and Secretary
Vermont Housing Finance Agency

VERMONT HOUSING FINANCE AGENCY

BOARD CONFERENCE CALL MINUTES
Vermont Housing Finance Agency
Office of the Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont

Friday, February 18, 1994

PRESENT: (via speakerphone) Chairman White; Commissioners Candon (designee of Costle), Myette, Seelig

Agency Staff: Mr. Hunt, Mr. Francis, Mr. Jarrett, Mrs. Parker, Ms. Canavan (VHMGB)

The meeting was called to order by the Chairman at 1:05 p.m. Those attending were identified by roll call, and it was agreed that all votes would be taken by roll call as well. The Board acknowledged receipt of the packet of information regarding the proposed consolidation of the Agency and VHMGB.

Before the Board addressed the scheduled topic, Mr. Myette noted that after serving on the Board for nearly 20 years, his commission expired as of January 31, and he is considering asking that he not be reappointed to the Board, but agreed to speak with Mr. Hunt and Mr. White before making any final decision.

Chairman White then asked Mr. Hunt to review the proposed administrative merger of the Agency and VHMGB. Mr. Hunt pointed out that a similar packet of information had been distributed to the VHMGB Board for discussion at their February 15 meeting. According to Mr. Hunt, there was a brief and limited discussion at that meeting, as Mr. Candon and Ms. Mullikin Drake, who are representatives of that Board as well, had worked diligently with Ms. Canavan, Mr. Hunt and Mr. Francis on the preliminary work regarding the consolidation. The idea of the merger was originally proposed by Governor Dean, and the conclusion that staff and the Board members have reached is that there would be some cost savings possible for both organizations, as well as a streamlined approach to the programs and services that are offered. The consolidation would allow staff to provide reviews for both loan and insurance approval on Agency-qualified loans, rather than having the loans reviewed or underwritten by two separate entities. Mr. Hunt further explained that should the Board approve the strategy as proposed, a complete implementation plan would be developed by staff.

Chairman White expressed his appreciation of the efforts that Mr. Hunt and Ms. Canavan have made in preparing and presenting this plan, and asked for further clarification on the underwriting issue. Mr. Hunt pointed out that the underwriting standards of VHMGB would be followed; while this would not mean any change to purchase price or income limits, the VHMGB underwriting standards have historically been slightly more conservative than those followed by the Agency. The impact on the Agency's ability as a lender to low- and moderate-income Vermonters should be negligible, as VHMGB has always had final guarantee approval on Agency loans.

Mr. Hunt also explained that the Boards of Commissioners for the Agency and VHMGB would remain as separate entities and continue to have routine meetings as necessary. The Agency would incur no liability for VHMGB's funds, and an annual savings of $200,000 is anticipated and reflected in the budget enclosed in the Board packet. Although there will be four fewer staff positions after the consolidation, current vacancies will mean that two employees will leave as a direct result of this merger; one will leave immediately, and the other within six months. Appropriate measures have been taken to adequately compensate these employees and to provide access to outplacement services to assist them in securing future employment. Mr. Seelig observed that there would now be nine employees directly reporting to the Executive Director, and cautioned that the Board should consider reviewing the organizational structure from time to time. A motion was then made by Mr. Seelig and seconded by Mr. Candon to adopt the "Resolution Regarding Consolidation of Functions with VHMGB" as attached to these minutes. This motion carried unanimously, with a further stipulation by Mr. Seelig that a formal evaluation of the structure be prepared for the Board by October of 1995, or one year after the new organization has effectively been in place.

The next meeting was scheduled for Thursday, March 3, in Montpelier. There being no further business and following a motion duly made and seconded, the meeting was adjourned at 1:25 p.m.

Respectfully submitted,

Allan S. Hunt,
Secretary

RESOLUTION REGARDING CONSOLIDATION OF FUNCTIONS WITH VERMONT HOME MORTGAGE GUARANTEE BOARD

WHEREAS, the Executive Branch of the State of Vermont has requested that the Agency explore the possibility of consolidating its functions with those of the Vermont Home Mortgage Guarantee Board (the "Board") in order to increase operating efficiency, reduce administrative expenses and to eliminate some overlap in functions between the Board and the Agency (collectively, the "Agencies") by achieving reductions in staff;

WHEREAS, the Agency and the Board have studied the possible means of complying with the Administration's request and has come to certain conclusions regarding a consolidation plan; and

WHEREAS, the contemplated changes will not change each agency's mission nor diminish the level of service provided;

NOW, THEREFORE, it is hereby DETERMINED:

1. Section 382 of Title 10, Vermont Statutes Annotated states that the "Board may utilize the facilities of the offices of the members of the Vermont Housing Finance Agency, or employ such personnel and incur such administrative expenses, as may be required in the execution of its powers and duties" and thus provides the legal authority for the consolidation plan.

2. The combined savings resulting from the consolidation of the Agencies is expected to be approximately $200,000 annually.

3. The consolidation is expected to save approximately 16% of the total space now leased by the Agencies.

WHEREFORE, it is hereby RESOLVED:

1. The Agency approves, and the Executive Director is authorized to work with the Executive Director of the Vermont Home Mortgage Guarantee Board to proceed with the implementation of, a plan consolidating the functions of the Board with the Agency as outlined below.

2. The Agency expects to achieve a reduction of four positions from the combined staffs of the Agencies as part of the consolidation.

3. The consolidation of space and staff shall take place on or about April 1, 1994, followed by a four to six month transition period during which time operational practices pertaining to the business of the Board and the Agency will become fully integrated.

4. The Agency shall adopt and utilize the current underwriting standards of the Vermont Home Mortgage Guarantee Board for the purpose of risk underwriting.

5. A contract between the Vermont Housing Finance Agency and the Vermont Home Mortgage Guarantee Board shall be devised and adopted by the VHFA and the VHMGB Board of Commissioners prior to the implementation date of April 1, 1994. Such contract shall include, among other items, the terms under which the business of the Board shall be managed by the Agency and the annual cost assessed to the Board for such management.

6. A formal evaluation of the organizational structure shall be prepared for the Board by the later of October 1995 or one year after the new organizational structure has been implemented fully.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on February 18, 1994.

Allan S. Hunt
Executive Director and Secretary
Vermont Housing Finance Agency

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Irene D. Jenkins, Director of Development
Joseph A. Erdelyi, Multi-Family Loan Underwriter

DATE: February 25, 1994

RE: City Center Apartments, Burlington

THE DEVELOPMENT

1. General Description

City Center Apartments are located on the second and third floors of the Huntington Building and Burlington Building on St. Paul Street in downtown Burlington. The first floor of the buildings contains commercial space and currently houses businesses such as Vermont Transit and the Bagel Bakery. These two buildings, along with three others in the same block, are owned by The Fairchild Square Company. Richard Feeley, one of the partners, has approached VHFA with a request for financing exterior renovations to these two connected buildings.

2. Projected Funding Sources

VHFA	$48,000.	77.67%
City of Burlington	13,800.	22.33%
Total	$61,800.	100.00%

The loan request is for approximately $43,000, the estimated cost of the residential portion of the repairs. Staff feel that the loan should be increased to $48,000 to include room for contingency, fees, and interest accrued during construction (estimated 60-90 days). The loan terms would be 8%, 8 year term, 15 year amortization, with a loan origination fee of 1%.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • FAX: 802/864-5746 • TDD: 1-800/586-5832

3. Unit Breakdown and Rents

	# of Units
Efficiency Units	32
One Bedroom Units	17
Two bedroom Units	1
Total	50

All of the residential units are currently rented. The owner is currently pursuing local approvals to convert some unused commercial space into a two bedroom unit. In addition, the owner plans to combine an efficiency with some other vacant commercial space to create another two bedroom unit when that efficiency becomes vacant. If all of this work is done there would be 51 units, three of which would have two bedrooms. None of this work is proposed as part of this loan application. Rents range from $275 to $375 per month, which includes all utilities. These rents are affordable to households earning $11,000 to $15,000 per year, which is approximately 32% to 47% of the area median income for a single person household.

4. Site/Location

The buildings are located in the historic Wells Richardson block of downtown Burlington. See attached site plan.

5. Renovation Plan

The owner proposes to put up a new commercial sign board, do repairs to the crumbling facade, and paint the entire building. VHFA staff has informed the owner that we cannot finance the commercial portion of the work, and the owner approached the city for funding for the sign board. The city has committed funds for this portion of the work (see attached letter). The city will require Davis-Bacon wage rates, competitive bidding, and State Historic Preservation Office (SHPO) review of the proposed renovations.

No work is proposed for the building's interior. Some of the units probably do not meet HUD's Housing Quality Standards. The reason for noncompliance is not the condition of the units, but the unit layout, location of windows, ventilation systems for bathrooms, etc. After a fire four years ago renovations were done on the units and building interior including rewiring, painting, and fire detection/suppression. The units are in good condition.

6. Loan to Value

See discussion under Strengths and Weaknesses.

7. Management

The property is managed by Coburn and Feeley. The owner has expressed concern that there would be extensive paperwork required to document compliance with VHFA's rent and income restrictions, but the population currently being served is well within those limitations. Because of the size and configuration of the units and the households (predominantly individuals) who live in these units, the vacancy rate is low but the turnover is relatively high. The owner would agree to affordability restrictions such that 75% of the units would be rented to households below area median income, and either 20% of the units to households below 50% of median or 40% of the units to households below 60% of median for the term of the mortgage. The rents on these units would be kept affordable to households at these levels.

8. Market Demand

See discussion under Strengths and Weaknesses.

9. Environmental Concerns

There appears to be asbestos wrapped around the heating plant. The room in which this is located is kept locked and tenants do not have access to this area. Since the heat is delivered through steam radiators rather than forced hot air, it is unlikely that asbestos particles would be present in the air in the residential space. If there is any area that tenants have access to that does have asbestos present, such as pipe wrap in an area used for laundry, it should be abated or encapsulated to reduce the potential hazard.

DISCUSSION

In early discussions with the owner it quickly became apparent that a number of issues would make this an unattractive mortgage loan: the presence of asbestos, the subordinate security position, and the fact that the buildings already have debt that exceeds current market value. The owner had approached the bank that holds the mortgage and was informed that they would lend no more money against the property. Staff and the owner discussed having the loan secured by personal guarantees rather than by a mortgage. VHFA General Counsel has researched the issue and has determined that VHFA could make a loan secured by personal guarantees. By not having the loan secured by a mortgage, many of the usual underwriting concerns do not apply. VHFA has not requested an appraisal, and the loan to value ratio is not relevant. The owner has not submitted an operating budget for the City Center Apartments as a distinct entity, but rather has provided income and operating expenses for all of the residential and commercial space in all five buildings. If the requested loan were to be secured by a mortgage, financial feasibility would be a concern, and a separate budget would be needed. Since the loan would not be secured by a mortgage on the property, the issue of lender liability for the asbestos would also be insignificant.

We will require the partners' personal guarantees; commitment is subject to submission of satisfactory personal financial statements of the guarantors (Richard Feeley, Thomas Coburn, and Frederick Tiballi).

Strengths

a) The buildings are in a very high visibility location and the exterior is in poor condition. VHFA could receive favorable publicity for its participation.

b) The loan would be relatively low risk, given the small principal amount and the personal guarantors.

c) The owner feels that both the residential and commercial occupancy will be stabilized and turnover will decrease as a result of the proposed renovations.

d) The owner will agree to income and rent restrictions for the term of the loan.

Weaknesses

a) Making this loan would not directly increase the supply of affordable housing, improve the quality of the units, or improve the affordability to the residents.

RECOMMENDATION

Staff recommends that the Board adopt the attached Resolution of Commitment to finance the project. The proposed source of funds is the General Fund. The transaction is contingent upon the sponsor providing SHPO review and approval of proposed work, and abatement of asbestos in areas accessible to tenants.

RESOLUTION REGARDING LOAN FOR
CITY CENTER APARTMENTS (BURLINGTON)

WHEREAS, a proposal has been presented to the Agency by The Fairchild Square Company (the "Sponsor") requesting a loan for exterior renovation work to two buildings known as the Burlington Building and the Huntington Building on St. Paul and Main Streets in Burlington (the "Development");

WHEREAS, the Development contains 50 apartment units in which rents range from $275 to $375 per month, including utilities, making the apartments affordable to households earning $11,000 to $15,000 per year, approximately 32-47% of the area median income for a one person household;

WHEREAS, the Sponsor proposes to repair the facade of the building and paint the entire building, as well as do some work for the benefit of commercial businesses in the Development;

WHEREAS, the City of Burlington has given the Sponsor a letter stating that the City will fund the commercial portion of the work in the amount of approximately $13,800;

WHEREAS, the Sponsor has agreed to target 75% of the units to households below area median income and to target either (1) 20% of the units to households at or below 50% of are median income or (2) 40% of the units to households at or below 60% of area median income;

WHEREAS, the Development is carrying considerable debt, which would make a mortgage problematic, but the partners in the company owning the Development have agreed to give the Agency personal guarantees to secure the loan; and

WHEREAS, pursuant to 10 V.S.A. § 621(5), the Agency has the power to make such grants, loans, or advances as will assist the operation of residential housing primarily for persons of low and moderate income;

NOW, THEREFORE, it is hereby DETERMINED:

1. The Development constitutes residential housing that is primarily for persons of low and moderate income.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, upon the satisfaction of conditions contained herein, to issue the Agency's commitment for a loan of up to $48,000 for exterior renovations at the City Center Apartments in Burlington that benefit the residential portion of the building.

2. The loan is conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the following conditions that must be satisfied in a manner acceptable to the Agency:

   (a) satisfactory review of the proposed work specifications by the State Historic Preservation Office;

   (b) abatement of asbestos in areas accessible to tenants; and

   (c) after a review of the Sponsor's partners' personal financial statements, securing personal guarantees from Richard Feeley, Thomas Coburn and Frederick Tiballi, and their spouses, if necessary.

3. The Executive Director, the Deputy Director and the Director of Finance, or any of them, are authorized to take all necessary steps and execute all documents required to effectuate this loan.

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COMMUNITY & ECONOMIC DEVELOPMENT OFFICE

ROOM 32 • CITY HALL • BURLINGTON, VERMONT 05401
(802) 658-9300, EXT. 197 (TDD) • (802) 658-5140 (FAX)

February 11, 1994

Joe Erdelyi
VT Housing Finance Agency
P.O. Box 408
Burlington, VT 05402-0408

RE: Huntington Building

Dear Joe:

The City of Burlington's Community and Economic Development Office Burlington Revolving Loan Program has approved a loan for $13,800 contingent upon Vermont Housing Finance Agency approval.

The City is excited about this project in lieu of the fact that we are in the process of upgrading City Hall Park this summer, the City's investment in the Flynn Theater which will be upgrading their facility in the next couple of years, the City's investment in the new Bank of Vermont headquarters, Wells Richardson Building, and Park Plaza.

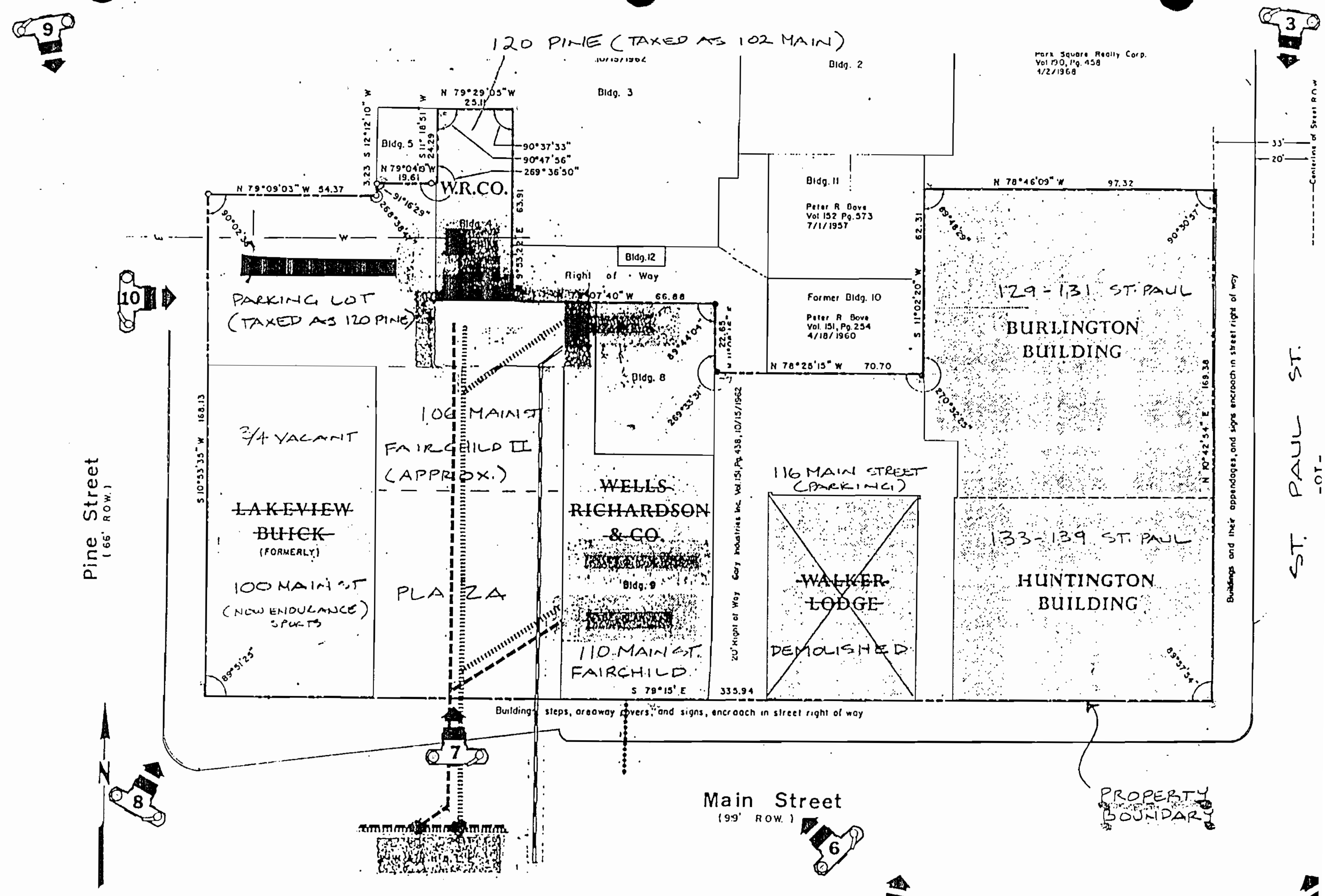
By investing these proceeds in the Huntington Building we hope to develop jobs for low/moderate individuals in the vacant storefront. Also, the building houses numerous low/moderate income individuals. This investment will enhance the property and make it marketable in the future for both people looking for a place to live and those looking for affordable commercial space.

I look forward to hearing the results from your upcoming board meeting. If I can provide additional information, please do not hesitate to contact me.

Regards,

Bruce Seifer
Assistant Director for
Economic Development

BS/lpg
cc: Allan Hunt



NOTE:
NOT TO SCALE
FOR ILLUSTRATION PURPOSES ONLY

RESOLUTION REGARDING LOAN FOR
CITY CENTER APARTMENTS (BURLINGTON)

WHEREAS, a proposal has been presented to the Agency by The Fairchild Square Company (the "Sponsor") requesting a loan for exterior renovation work to two buildings known as the Burlington Building and the Huntington Building on St. Paul and Main Streets in Burlington (the "Development");

WHEREAS, the Development contains 50 apartment units in which rents range from $275 to $375 per month, including utilities, making the apartments affordable to households earning $11,000 to $15,000 per year, approximately 32-47% of the area median income for a one person household;

WHEREAS, the Sponsor proposes to repair the facade of the building and paint the entire building, as well as do some work for the benefit of commercial businesses in the Development;

WHEREAS, the City of Burlington has given the Sponsor a letter stating that the City will fund the commercial portion of the work in the amount of approximately $13,800;

WHEREAS, the Sponsor has agreed to target 75% of the units to households below area median income and to target either (1) 20% of the units to households at or below 50% of are median income or (2) 40% of the units to households at or below 60% of area median income;

WHEREAS, the Development is carrying considerable debt, which would make a mortgage problematic, but the partners in the company owning the Development have agreed to give the Agency personal guarantees to secure the loan; and

WHEREAS, pursuant to 10 V.S.A. § 621(5), the Agency has the power to make such grants, loans, or advances as will assist the operation of residential housing primarily for persons of low and moderate income;

NOW, THEREFORE, it is hereby DETERMINED:

1. The Development constitutes residential housing that is primarily for persons of low and moderate income.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, upon the satisfaction of conditions contained herein, to issue the Agency's commitment for a loan of up to $48,000 for exterior renovations at the City Center Apartments in Burlington that benefit the residential portion of the building. The interest rate on the loan shall be 8% per annum, the loan shall be amortized over a period of 15 years, but with a balloon payment of all remaining principal at the end of eight years.

2. The loan is conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the following conditions that must be satisfied in a manner acceptable to the Agency:

   (a) satisfactory review of the proposed work specifications by the State Historic Preservation Office;

   (b) abatement of asbestos in areas accessible to tenants; and

   (c) after a review of the Sponsor's partners' personal financial statements, securing personal guarantees from Richard Feeley, Thomas Coburn and Frederick Tiballi, and their spouses, if necessary.

3. The Executive Director, the Deputy Director and the Director of Finance, or any of them, are authorized to take all necessary steps and execute all documents required to effectuate this loan.

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vhfa
VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Irene D. Jenkins, Director of Development

DATE: February 25, 1994

RE: Southeast Summit, South Burlington

SUMMARY OF REQUEST

Approval of Resolution authorizing the Executive Director to issue a Letter of Intent for Southeast Summit and, upon satisfaction of certain conditions and in his discretion, to issue a Letter of Commitment, to participate in the acquisition financing and to provide construction financing for the Southeast Summit development.

PROJECT DESCRIPTION

The development entity (see below) would acquire and develop 202+ acres of land on the east and west sides of Dorset Street between Swift and Barstow Streets, consisting primarily of open land, including some wetlands and archeologically sensitive areas, with one large, almost new, dairy barn on the property. Permit provisions require that the dairy barn be reused within eight years. It is a very large sturdy structure in excellent condition. The negotiated land purchase price of $3,450,000 does not include the dairy machinery that is currently in the barn.

The development is locally permitted for 221 units, 161 single family units on individual lots (minimum 60' x 120') and 60 townhouse units (four per building) with large footprints (950 s.f.). The townhouse units could be condominium, rental, or cooperative.

Development will include extension of municipal water and sewer to and through the site and road construction, including an extension of the South Burlington bike path. The main road of the development could eventually be an extension of Allen Rd. However, there will be no direct connection to Shelburne Rd. until the intervening portion is developed (if ever).

Current plans call for development of the 161 single family units in four phases and of the multifamily probably in two phases. Road construction and utility extensions will be phased to the extent possible so that the development does not have to carry the entire infrastructure cost through buildout. The phases have been designed with this in mind.

At this time we anticipate that most of the single family units will be stick-built, although some may still be manufactured homes. Milot is unable to get an in-state home manufacturer to modify the standard design to increase the roof pitch from 4/12 to 6/12. (We think that the roof pitch is an important design and marketing element.) The alternative of buying units without roofs and installing the roofs on-site has been explored and is not feasible. Working with an out-of-state manufacturer may be feasible, but we want to keep the jobs in-state. We are committed to offering a portion of the units at lower prices than discussed below and will explore other options, including a manufactured alternative, reduction of impact fees by the City, and a panelizing workshop that might be established at a State prison, which could provide job training for prisoners and low-cost labor for part of the construction cost for the project.

Contracts for construction of both the infrastructure and the units will be subjected to competitive bidding.

AFFORDABILITY

Including all currently identified costs and fees, and assuming unit construction costs of $35.00 per square foot, unit prices would range from approximately $89,700 for a 960 square foot unit to $99,350 for 1232 square feet, $107,300 for 1456 square feet, and $117,230 for 1736 square feet. This includes a full basement and one-car garage as well as all land and development costs. The average cost for these four unit sizes would be $103,395. To the above prices, we are planning to add $1,500 per unit, which would be used to subsidize prices for a portion of the units, as described below. Attached is a table showing affordability of the units at estimated average sale prices (including the additional $1,500 per unit) and financing terms. Unless the cost can be reduced, we would not offer the 1736 square foot unit since this is above the MOVE limit and we have agreed that all units would be priced within the MOVE limit. A requirement of our participation in the development would be that more than half of each of the total floor area and the total development cost of the single family development be allocated to units for persons and families of low and moderate income.

A plan is being prepared to achieve perpetual affordability for up to 25 percent of the single family units. Burlington Community Land Trust is interested in selling 4 to 5 units per year (a total of 20) through the land trust model. Another 20 are planned to be sold as perpetually affordable with the internal project subsidy referenced above. Adding $1,500 to the price of each unit would generate a subsidy of approximately $12,000 for 20 units. In addition, Milot will defer his development fee on some units in order to provide second mortgage financing at the first mortgage rate and term for buyers who otherwise qualify but need downpayment assistance.

CURRENT OWNERSHIP

The property is owned by MBL Associates, a partnership consisting of Gerald Milot, Alan Bartlett, and John Larkin. We have not seen the partnership agreement. We have negotiated solely with Gerry Milot, who has communicated with his partners. Two of the three partners have agreed to a sale at a purchase price of $3,450,000.

DEVELOPMENT ENTITY

The development entity would be either a not-for-profit corporation or a partnership. In either case, Milot and VHFA would each be liable and provide personal guarantees for 50 percent of the total debt. The development entity would enter into a development agreement with Milot for the project.

The development entity would purchase the fully permitted site and develop and sell the single family units. Milot would be responsible for obtaining construction bids, coordinating construction, marketing and selling the units, etc. VHFA as lender would perform its usual functions, including oversight and disbursements of the construction loan. VHFA as participant in the development entity would also monitor Milot's performance under the development agreement.

Milot would receive a development fee of $5,000 per unit and a marketing fee of $4,000 per unit. The development fee would total 5 percent of estimated total development costs (not including the development fee) and 6 percent of estimated total development costs excluding the site acquisition cost. VHFA would receive compensation as construction lender and a "release fee" on each unit to compensate for development-related staff time, overhead, and other expenses. We have included $500 per unit in the budget for this "release fee". We have also budgeted a construction inspection fee of $640.00 monthly.

MULTIFAMILY UNITS

We have continued discussions with Lake Champlain Housing Development Corporation (LCHDC) as the potential developer of 44 units of the multifamily housing. Attached is LCHDC's most recent correspondence with us. Milot has prepared a preliminary proposal for construction of the units for LCHDC on a turnkey basis. When LCHDC has had an opportunity to review and react to this proposal we will have a much better idea whether they are likely to proceed. One of the issues that they have raised is that they want the site price per multifamily unit to be reduced, which would result in an increased land cost per single family unit. Our Purchase and Sale Agreement for the land will allow us to buy either the entire site or the site less the subdivided footprints of the proposed multifamily buildings and/or the development rights for those buildings, at a prorated cost per unit. As a result, we are being asked to sell the multifamily site for less than we would pay for it. We have encouraged LCHDC to look at the total unit cost rather than at the site cost and have also pointed out that they are paying more per unit for their Kirby Road site in South Burlington than they would for this site. It remains possible that the development entity will not purchase the multifamily portion (60 units) of the site or will not purchase the portion of the multifamily site that LCHDC has not expressed interest in developing (16 units), which would remain with the current partners for sale or development.

The multifamily development would probably utilize low income housing tax credits; VHFA might provide financing.

PURCHASE AND SALE AND PERMITS

The proposed purchase price for the site is $3,450,000. Each of the three current partners would take a note from the development entity (secured by a second mortgage on the land) for $283,333 of the purchase price, for a total of $850,000; the notes would be non-interest bearing for 48 months after closing, after which the rate would be 6 percent on the outstanding balance. The balance of the purchase price would be financed through a first mortgage loan.

Purchase will be contingent upon all permits, satisfactory appraisal, satisfactory environmental review, satisfactory financing commitments, etc.

We have received a copy of the South Burlington Planning Commission approval, which requires additional review and documentation. We have been informed that all permits are in place except Act 250, for which an application has been submitted and for which all subpermits, except conditional use on wetlands, have reportedly been obtained. We have requested a copy of the Act 250 application. The Act 250 prehearing has been scheduled for February 28 and the hearing for March 7, 1994. If the Act 250 permit and appeal periods are not completed by June 30, 1994, either party to the Purchase and Sale Agreement will be able to terminate or renegotiate it.

In terms of environmental issues, the only significant issue of which we are currently aware is the electric utility easement through the site; we have requested particular attention to this as part of the environmental review. The environmental review investigation is reportedly complete and we expect to receive the report shortly. Wetlands have been identified and are designated open space on the site plan. An archeological study has identified areas of significance which will either be excavated prior to construction or left open.

FINANCING

Vermont National Bank (VNB) holds the first mortgage on the site, with an outstanding loan balance of approximately $2.6 million. VNB's current loan is at prime + 1, floating. We would prefer a fixed rate at this point. We have met with VNB and requested that they participate with us in the lending. We proposed that VNB lend $2.6 million for land acquisition for 60 months at a fixed interest rate of 7 percent per annum with an origination fee of 1 percent. VHFA would provide development and unit construction financing at the same rate and fee. If this is acceptable, VNB and the sellers would therefore finance the land purchase and VHFA would provide the development financing (including carrying costs for the acquisition loan). We would share a first mortgage position with VNB. VHFA would personally guarantee 50 percent of the VNB and the seller financing and Milot would personally guarantee 50 percent of the VNB, seller, and VHFA financing. VHFA would be the lead lender.

VNB has countered our proposal with a proposed rate of prime + 1, adjustable at least annually, or a fixed rate of 7.63%. The latter appears to be negotiable. A rate of 7.63% would add approximately $500 to the cost of a single family unit as presented in the attached development proforma.

While 7 percent is below the 8 percent that we have been charging for construction loans, VHFA will also receive a fee of $500 upon sale of each unit. This will approximate the additional point. We are estimating that, including fees and interest, VHFA will earn over $500,000 over the life of the project.

Attached is the latest project proforma indicating total development costs of approximately $16 million, including acquisition of the entire site, infrastructure development for the single family and multifamily units, and construction of the single family units (but not the development fees, marketing fees, or VHFA fees). VHFA total loan payout over the life of the project is currently estimated at approximately $4.5 million plus the revolving line of credit, not to exceed $700,000, for unit construction costs, but total exposure on this loan at any time is estimated at no more than $2.4 million, including unit construction costs. Since units will only be financed and built as sold, the likely maximum risk at any one time is estimated at $2.1 million. This assumes that the multifamily site is acquired and that it is sold for development in the ninth month of the development process. Loan exposure would be limited by not proceeding with subsequent phases until previous phases had been either sold or pre-sold and additional presales had occurred. In Phase I, the main water and sewer lines and main road will be constructed prior to presales, but we will have a presale requirement for the start of the Phase I interior road. These conditions for proceeding will be established in the construction loan agreement.

MARKET FEASIBILITY

The goal of this development is to provide an affordable housing product that does not exist in South Burlington--a relatively inexpensive (below $110,000) single family home in good condition. Milot has submitted his market data and analysis and supporting documentation, which we are currently reviewing. One concern is whether the weakness of the condominium market will significantly limit the market for Southeast Summit by making it more difficult for current condominium owners to sell. This could be a problem if current condominium owners were to be a significant share of the market for these units. We are also reviewing demographic and economic data to determine whether market absorption projections and risks are reasonable.

Milot has prepared a marketing plan, to be funded by his marketing fee of $4,000 per unit.

DEVELOPMENT AGREEMENT and PURCHASE AND SALE AGREEMENT

We are in the process of negotiating the Development Agreement and the Purchase and Sale Agreement with Milot. The Development Agreement will specify Milot's responsibilities as developer and will include the project budget, schedule and affordability requirements.

OTHER ISSUES

A reservation expressed by some Board members about the project is the density of part of the development; this is a difficult issue to address, since reduction of density will increase unit cost. One possibility is to plan and develop active and/or passive recreation areas in part of the open space.

STRENGTHS

- Expansion of the stock of affordable single family housing in a community that has a shortage of such housing.
- Creation of up to 40 units of perpetually affordable single family housing.
- Public/Private partnership that takes advantage of the strengths of all parties.
- Projected earnings of over $500,000 to the Agency over the life of the project.

WEAKNESSES

- Current plan would result in higher cost units than the initial plan for use of primarily a manufactured home product.
- This undertaking has and will require significant VHFA staff time.
- The Agency will incur significant risk related to the market risks, construction risks, and financing risks of the project.

RECOMMENDATION

Approval of the attached Resolution Pertaining to Letter of Intent for Southeast Summit.

SOUTHEAST SUMMIT -- AFFORDABILITY AS A PERCENTAGE OF MEDIAN INCOME

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ENERGY RATING: 4 STARS
ESTIMATED ANNUAL TAXES: $1.95 per $100
ANNUAL ASSOC. FEE: $100
HAZARD INSURANCE: $360
INTEREST RATE: 7.05% (VHFA & CONV), HOUSE UNITS 5.85% (1ST YR)
LOAN TERM: 30 YEARS
DOWNPAYMENT: VHFA/CONV 5% - NO DOWN PMT FOR HOUSE UNITS

Burlington MSA Median Incomes	
One Person	32,000
Two Persons	36,600
Three Persons	41,100
Four Persons	45,700
Five Persons	49,400

Unit Type - Sq. Ft.	Purchase Price	Minimum Income Required	Percentage of Median Income Based on Family Size				
			1 Person	2 Persons	3 Persons	4 Persons	5 Persons
960 sq. ft.	91,200	27,913	87%	76%	68%	61%	57%
HOUSE UNITS	79,200	25,557	80%	70%	62%	56%	52%
1232 sq. ft.	100,850	30,702	96%	84%	75%	67%	62%
HOUSE UNITS	88,850	28,462	89%	78%	69%	62%	58%
1456 sq. ft.	108,800	32,998	103%	90%	80%	72%	67%
1736 sq. ft.	118,730	36,054	113%	99%	88%	79%	73%

SOUTHEAST SUMMIT 25-Feb-94 02:23 PM
PRELIMINARY CONSTRUCTION COST AND FINANCING ESTIMATES

FINANCING ASSUMPTIONS	LOAN FEE		MAXIMUM LOAN AMOUNT
VHFA	1.00%		2,500,000
PARTICIPATING LENDER	1.00%		2,600,000
	INTEREST RATE		
VHFA	7.00%		
PARTICIPATING LENDER	7.00%		
SELLER FINANCING	0.00%	6.00% (AFTER 48 MONTHS)	
AVERAGE CONSTR COST/UNIT	50,000		

2

SOUTHEAST SUMMIT 25-Feb-94 12:52 PM
PRELIMINARY CONSTRUCTION COST AND FINAN

MONTHLY CONSTRUCTION CASH FLOW		ANNUAL SUMMARY 1994	1995	1996	1997	1998	TOTAL	TOT/UNIT	UNITS	TOTAL COST SINGLE FAMILY UNIT
PHASE										
UNIT STARTS		18	36	36	39	32	161			
UNIT SALES		12	36	36	39	38	161			
DEVELOPMENT COSTS										
==================										
ACQUISITION		3,450,000	0	0	0	0	3,450,000	15,611	221	15,611
IMPACT FEES		0	0	0	0	0	0			
AG SOIL MITIGATION		7,330	14,660	14,660	15,882	13,032	65,565	407	161	407
SCHOOL		13,500	27,000	27,000	29,250	24,000	120,750	750	161	750
SEWER		20,250	40,500	40,500	43,875	36,000	181,125	1,125	161	1,125
BUILDING PERMIT		1,170	2,340	2,340	2,535	2,080	10,465	65	161	65
PROFESSIONAL FEES		0	0	0	0	0	0			
LEGAL		44,150	0	0	0	0	44,150	274	161	274
ACCOUNTING		8,000	0	0	0	0	8,000	50	161	50
ENGINEERING		34,000	0	0	0	0	34,000	211	161	211
CONSTRUCTION INSPECTION		5,760	7,680	7,680	8,320	8,960	38,400	239	161	239
ENVIRONMENTAL REVIEW		2,000	0	0	0	0	2,000	12	161	12
APPRAISALS		5,000	0	0	0	0	5,000	31	161	31
CARRYING COSTS		0	0	0	0	0	0			
REAL ESTATE TAXES--SF	??CHECK	23,014	20,727	13,886	7,004	0	64,631	401	161	401
REAL ESTATE TAXES--MF		0	0	0	0	0	0	0	60	
VHFA DEVELOPMENT CARRY--SF		48,930	98,755	74,979	67,011	23,974	313,650	1,948	161	1,948
VHFA DEVELOPMENT CARRY--MF		11,229	1	1	1	1	11,233	187	60	
VHFA LAND CARRY--SF		88,736	114,591	86,293	59,175	20,058	368,854	2,291	161	2,291
VHFA LAND CARRY--MF		33,622	0	0	0	0	33,622	560	60	
CONSTRUCTION COSTS (HARD)		0	0	0	0	0	0			
OFF-SITE W & S		500,000	0	0	0	0	500,000	2,262	221	2,262
MAIN ROAD (L.F.)						0				
COST		520,000	0	0	0	0	520,000	2,353	221	2,353
INTERIOR ROADS (L.F.) SF						0				
COST		930,000	0	390,000	430,000	0	1,750,000	10,870	161	10,870
INTERIOR ROADS (L.F.) MF						0				
COST		370,000	0	0	0	0	370,000	6,167	60	
OTHER						0				
FINANCING FEES		51,000	0	0	0	0	51,000	231	221	231
TOTAL		6,167,692	326,255	657,340	663,053	128,105	7,942,444	35,939	221	39,131
REVOLVING CONSTRUCTION LINE OF CREDIT--										
SINGLE FAMILY @ 50,000		900,000	1,800,000	1,800,000	1,950,000	1,600,000	8,050,000	50,000	161	50,000
INTEREST CARRY		7,895	21,061	21,061	22,817	21,357	94,192	585	161	585
		7,075,587	2,147,316	2,478,401	2,635,870	1,749,462	16,086,636	86,524		89,717
										5,000 DEVELOPER FEES
										500 VHFA FEE
										4,000 MARKETING FEE
										99,217 TOTAL UNIT COST

SOUTHEAST SUMMIT 25-Feb-94 12:52 PM
PRELIMINARY CONSTRUCTION COST AND FINANCING ESTIMATES

		April 1994																
MONTHLY CONSTRUCTION CASH FLOW	TOTAL	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
PHASE		I						II										
UNIT STARTS	161				3	3	3	3	3	3	3	3	3	3	3	3	3	3
UNIT SALES	161	0	0	0	0	0	3	3	3	3	3	3	3	3	3	3	3	3
DEVELOPMENT COSTS																		
=================																		
ACQUISITION	3,450,000	3,450,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
IMPACT FEES																		
AG SOIL MITIGATION	65,565	0	0	0	1,222	1,222	1,222	1,222	1,222	1,222	1,222	1,222	1,222	1,222	1,222	1,222	1,222	1,222
SCHOOL	120,750	0	0	0	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250
SEWER	181,125	0	0	0	3,375	3,375	3,375	3,375	3,375	3,375	3,375	3,375	3,375	3,375	3,375	3,375	3,375	3,375
BUILDING PERMIT	10,465	0	0	0	195	195	195	195	195	195	195	195	195	195	195	195	195	195
PROFESSIONAL FEES																		
LEGAL	44,150	44,150	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ACCOUNTING	8,000	8,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ENGINEERING	34,000	34,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CONSTRUCTION INSPECTION	38,400	640	640	640	640	640	640	640	640	640	640	640	640	640	640	640	640	640
ENVIRONMENTAL REVIEW	2,000	2,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
APPRAISALS	5,000	5,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CARRYING COSTS																		
REAL ESTATE TAXES--SF ??CHECK	64,631	0	0	0	0	0	0	0	23,014	0	0	0	0	0	0	0	0	0
REAL ESTATE TAXES--MF	0																	
~~VHFA DEVELOPMENT CARRY--SF~~	313,650	0	2,630	4,516	6,413	6,495	6,578	6,289	7,386	8,623	9,733	9,463	9,192	8,919	8,644	8,368	8,090	7,811
VHFA DEVELOPMENT CARRY--MF	11,233	0	450	822	1,197	1,204	1,211	1,218	2,113	3,014	0	0	0	0	0	0	0	0
VHFA LAND CARRY--SF	368,854	0	11,049	11,113	11,178	11,244	11,309	11,129	10,948	10,766	10,583	10,398	10,213	10,027	9,839	9,651	9,461	9,270
VHFA LAND CARRY--MF	33,622	0	4,118	4,142	4,166	4,190	4,215	4,239	4,264	4,289	0	0	0	0	0	0	0	0
CONSTRUCTION COSTS (HARD)																		
OFF-SITE W & S	500,000	166,667	166,667	166,667	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MAIN ROAD (L.F.)																		
COST	520,000	66,667	66,667	66,667	0	0	0	106,667	106,667	106,667	0	0	0	0	0	0	0	0
INTERIOR ROADS (L.F.) SF																		
COST	1,750,000	150,000	150,000	150,000	0	0	0	160,000	160,000	160,000	0	0	0	0	0	0	0	0
INTERIOR ROADS (L.F.) MF																		
COST	370,000	0	0	0	0	0	0	123,333	123,333	123,333	0	0	0	0	0	0	0	0
OTHER																		
FINANCING FEES	51,000	51,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	7,942,444	3,978,123	402,221	404,567	30,635	30,814	30,994	420,557	445,407	424,374	27,998	27,544	27,087	26,627	26,165	25,700	25,233	24,762
REVOLVING CONSTRUCTION LINE OF CREDIT--																		
SINGLE FAMILY @ 50,000	8,050,000	0	0	0	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
INTEREST CARRY	94,192	0	0	0	0	875	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755
	16,086,636	3,978,123	402,221	404,567	180,635	181,689	182,749	572,312	597,162	576,129	179,753	179,299	178,842	178,382	177,920	177,455	176,988	176,517

4

SOUTHEAST SUMMIT 25-Feb-94 12:52 PM
PRELIMINARY CONSTRUCTION COST AND FINAN

MONTHLY CONSTRUCTION CASH FLOW	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34
PHASE								III									
UNIT STARTS	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
UNIT SALES	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
DEVELOPMENT COSTS																	
==================																	
ACQUISITION	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
IMPACT FEES																	
AG SOIL MITIGATION	1,222	1,222	1,222	1,222	1,222	1,222	1,222	1,222	1,222	1,222	1,222	1,222	1,222	1,222	1,222	1,222	1,222
SCHOOL	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250
SEWER	3,375	3,375	3,375	3,375	3,375	3,375	3,375	3,375	3,375	3,375	3,375	3,375	3,375	3,375	3,375	3,375	3,375
BUILDING PERMIT	195	195	195	195	195	195	195	195	195	195	195	195	195	195	195	195	195
PROFESSIONAL FEES																	
LEGAL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ACCOUNTING	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ENGINEERING	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CONSTRUCTION INSPECTION	640	640	640	640	640	640	640	640	640	640	640	640	640	640	640	640	640
ENVIRONMENTAL REVIEW	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
APPRAISALS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CARRYING COSTS																	
REAL ESTATE TAXES--SF ??CHECK	0	0	20,727	0	0	0	0	0	0	0	0	0	0	0	13,886	0	0
REAL ESTATE TAXES--MF																	
VHFA DEVELOPMENT CARRY--SF	7,529	7,247	6,962	6,797	6,510	6,221	5,931	5,639	6,103	6,570	7,040	6,755	6,467	6,178	5,888	5,676	5,383
VHFA DEVELOPMENT CARRY--MF	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
VHFA LAND CARRY--SF	9,078	8,885	8,691	8,496	8,299	8,102	7,903	7,703	7,502	7,300	7,096	6,892	6,686	6,479	6,271	6,061	5,851
VHFA LAND CARRY--MF	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CONSTRUCTION COSTS (HARD)																	
OFF-SITE W & S	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MAIN ROAD (L.F.)																	
COST	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
INTERIOR ROADS (L.F.) SF																	
COST	0	0	0	0	0	0	0	130,000	130,000	130,000	0	0	0	0	0	0	0
INTERIOR ROADS (L.F.) MF																	
COST	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OTHER																	
FINANCING FEES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	24,289	23,813	44,062	22,974	22,491	22,005	21,515	151,023	151,287	151,552	21,818	21,328	20,835	20,339	33,726	19,420	18,915
REVOLVING CONSTRUCTION LINE OF CREDIT--																	
SINGLE FAMILY @ 50,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
INTEREST CARRY	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755
	176,044	175,569	195,817	174,729	174,246	173,760	173,271	302,779	303,042	303,307	173,574	173,083	172,590	172,094	185,481	171,175	170,670

5

SOUTHEAST SUMMIT 25-Feb-94 12:52 PM
PRELIMINARY CONSTRUCTION COST AND FINAN

MONTHLY CONSTRUCTION CASH FLOW	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51
PHASE			IV														
UNIT STARTS	3	3	3	3	3	3	3	3	3	3	3	3	4	4	4	4	4
UNIT SALES	3	3	3	3	3	3	3	3	3	3	3	3	3	3	4	4	4
DEVELOPMENT COSTS																	
==================																	
ACQUISITION	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
IMPACT FEES																	
AG SOIL MITIGATION	1,222	1,222	1,222	1,222	1,222	1,222	1,222	1,222	1,222	1,222	1,222	1,222	1,629	1,629	1,629	1,629	1,629
SCHOOL	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	3,000	3,000	3,000	3,000	3,000
SEWER	3,375	3,375	3,375	3,375	3,375	3,375	3,375	3,375	3,375	3,375	3,375	3,375	4,500	4,500	4,500	4,500	4,500
BUILDING PERMIT	195	195	195	195	195	195	195	195	195	195	195	195	260	260	260	260	260
PROFESSIONAL FEES																	
LEGAL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ACCOUNTING	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ENGINEERING	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CONSTRUCTION INSPECTION	640	640	640	640	640	640	640	640	640	640	640	640	640	640	640	640	640
ENVIRONMENTAL REVIEW	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
APPRAISALS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CARRYING COSTS																	
REAL ESTATE TAXES--SF ??CHECK	0	0	0	0	0	0	0	0	0	7,004	0	0	0	0	0	0	0
REAL ESTATE TAXES--MF																	
VHFA DEVELOPMENT CARRY--SF	5,088	4,790	4,492	5,027	5,566	6,108	5,817	5,524	5,230	4,933	4,676	4,377	4,076	3,786	3,496	3,079	2,660
VHFA DEVELOPMENT CARRY--MF	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
VHFA LAND CARRY--SF	5,639	5,426	5,211	4,996	4,779	4,561	4,341	4,121	3,899	3,676	3,451	3,225	2,998	2,769	3,155	2,769	2,380
VHFA LAND CARRY--MF	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CONSTRUCTION COSTS (HARD)																	
OFF-SITE W & S	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MAIN ROAD (L.F.)																	
COST	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
INTERIOR ROADS (L.F.) SF																	
COST	0	0	143,333	143,333	143,333	0	0	0	0	0	0	0	0	0	0	0	0
INTERIOR ROADS (L.F.) MF																	
COST	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OTHER																	
FINANCING FEES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	18,408	17,898	160,718	161,038	161,360	18,351	17,840	17,327	16,810	23,295	15,809	15,284	17,103	16,585	16,680	15,877	15,069
REVOLVING CONSTRUCTION LINE OF CREDIT--																	
SINGLE FAMILY @ 50,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	200,000	200,000	200,000	200,000	200,000
INTEREST CARRY	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755	2,047	2,340	2,340	2,340
	170,163	169,653	312,473	312,793	313,115	170,106	169,595	169,082	168,565	175,050	167,564	167,039	218,858	218,632	219,020	218,217	217,409

6

SOUTHEAST SUMMIT 25-Feb-94 12:52 PM
PRELIMINARY CONSTRUCTION COST AND FINAN

MONTHLY CONSTRUCTION CASH FLOW		52	53	54	55	56	57	58	59	60
PHASE										
UNIT STARTS		4	4	4						
UNIT SALES		4	4	4	4	4	0	0	0	0
DEVELOPMENT COSTS										
==================										
ACQUISITION		0	0	0	0	0	0	0	0	0
IMPACT FEES										
AG SOIL MITIGATION		1,629	1,629	1,629	0	0	0	0	0	0
SCHOOL		3,000	3,000	3,000	0	0	0	0	0	0
SEWER		4,500	4,500	4,500	0	0	0	0	0	0
BUILDING PERMIT		260	260	260	0	0	0	0	0	0
PROFESSIONAL FEES										
LEGAL		0	0	0	0	0	0	0	0	0
ACCOUNTING		0	0	0	0	0	0	0	0	0
ENGINEERING		0	0	0	0	0	0	0	0	0
CONSTRUCTION INSPECTION		640	640	640	640	640	640	640	640	640
ENVIRONMENTAL REVIEW		0	0	0	0	0	0	0	0	0
APPRAISALS		0	0	0	0	0	0	0	0	0
CARRYING COSTS										
REAL ESTATE TAXES--SF	??CHECK	0	0	0	0	0	0	0	0	0
REAL ESTATE TAXES--MF										
VHFA DEVELOPMENT CARRY--SF		2,239	1,815	1,389	960	474	0	0	0	0
VHFA DEVELOPMENT CARRY--MF		0	0	0	0	0	0	0	0	0
VHFA LAND CARRY--SF		1,989	1,595	1,200	802	402	0	0	0	0
VHFA LAND CARRY--MF		0	0	0	0	0	0	0	0	0
CONSTRUCTION COSTS (HARD)										
OFF-SITE W & S		0	0	0	0	0	0	0	0	0
MAIN ROAD (L.F.)										
COST		0	0	0	0	0	0	0	0	0
INTERIOR ROADS (L.F.) SF										
COST		0	0	0	0	0	0	0	0	0
INTERIOR ROADS (L.F.) MF										
COST		0	0	0	0	0	0	0	0	0
OTHER										
FINANCING FEES		0	0	0	0	0	0	0	0	0
TOTAL		14,257	13,440	12,618	2,402	1,516	640	640	640	640
REVOLVING CONSTRUCTION LINE OF CREDIT--										
SINGLE FAMILY @ 50,000		200,000	200,000	200,000	0	0	0	0	0	0
INTEREST CARRY		2,340	2,340	2,340	2,340	1,174	0	0	0	0
		216,597	215,780	214,958	4,742	2,689	640	640	640	640

7

SOUTHEAST SUMMIT   25-Feb-94 01:31 PM
PRELIMINARY CONSTRUCTION COST AND FINANCING ESTIMATES

			April 1994															
MONTHLY CONSTRUCTION CASH FLOW		TOTAL	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
PHASE			I						II										
UNIT STARTS		161				3	3	3	3	3	3	3	3	3	3	3	3	3	3
UNIT SALES		161	0	0	0	0	0	3	3	3	3	3	3	3	3	3	3	3	3
SOUTHEAST SUMMIT 25-Feb-94 01:31 PM																			
SOURCES OF FUNDS--CONSTRUCTION PERIOD																			
====================================																			
SELLER FINANCING		850,000	850,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
BANK LAND LOAN		2,600,000	2,600,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
VHFA CONSTRUCTION		4,492,444	528,123	402,221	404,567	30,635	30,814	30,994	420,557	445,407	424,374	27,998	27,544	27,087	26,627	26,165	25,700	25,233	24,762
VHFA UNIT REVOLVING		8,144,192	0	0	0	150,000	150,875	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755
TOTAL		16,086,636	3,978,123	402,221	404,567	180,635	181,689	182,749	572,312	597,162	576,129	179,753	179,299	178,842	178,382	177,920	177,455	176,988	176,517
REVENUES																			
====================																			
SINGLE FAMILY LOTS @	15,611		0	0	0	0	0	46,833	46,833	46,833	46,833	46,833	46,833	46,833	46,833	46,833	46,833	46,833	46,833
SINGLE FAMILY IMPROVEMENTS @	15,485		0	0	0	0	0	46,455	46,455	46,455	46,455	46,455	46,455	46,455	46,455	46,455	46,455	46,455	46,455
SINGLE FAMILY CARRY (IMPS) @	1,948		0	0	0	0	0	5,844	5,844	5,844	5,844	5,844	5,844	5,844	5,844	5,844	5,844	5,844	5,844
SINGLE FAMILY CARRY (LAND) @	2,292		0	0	0	0	0	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876
SINGLE FAMILY SOFT (OTHER) @	3,797		0	0	0	0	0	11,390	11,390	11,390	11,390	11,390	11,390	11,390	11,390	11,390	11,390	11,390	11,390
SINGLE FAMILY UNITS @	50,585		0	0	0	0	0	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755
(Sans DEV & MARKET FEES)																			
TOTAL SF SALES @	89,717		0	0	0	0	0	269,152	269,152	269,152	269,152	269,152	269,152	269,152	269,152	269,152	269,152	269,152	269,152
MULTIFAMILY SITE @	15,611		0	0	0	0	0	0	0	0	936,652	0	0	0	0	0	0	0	0
MULTIFAMILY IMPROVEMENTS @	10,782		0	0	0	0	0	0	0	0	646,923	0	0	0	0	0	0	0	0
MULTIFAMILY CARRY (IMPS) @	187		0	0	0	0	0	0	0	0	11,220	0	0	0	0	0	0	0	0
MULTIFAMILY CARRY (LAND) @	560		0	0	0	0	0	0	0	0	33,622	0	0	0	0	0	0	0	0
MULTIFAMILY SOFT @	231		0	0	0	0	0	0	0	0	13,846	0	0	0	0	0	0	0	0
TOTAL MF SITE SALE @	27,371		0	0	0	0	0	0	0	0	1,642,263	0	0	0	0	0	0	0	0

8

SOUTHEAST SUMMIT 25-Feb-94 01:31 PM
PRELIMINARY CONSTRUCTION COST AND FINAN

MONTHLY CONSTRUCTION CASH FLOW		18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34
PHASE									III									
UNIT STARTS		3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
UNIT SALES		3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
SOUTHEAST SUMMIT 25-Feb-94 01:31 PM																		
SOURCES OF FUNDS--CONSTRUCTION PERIOD																		
SELLER FINANCING		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
BANK LAND LOAN		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
VHFA CONSTRUCTION		24,289	23,813	44,062	22,974	22,491	22,005	21,515	151,023	151,287	151,552	21,818	21,328	20,835	20,339	33,726	19,420	18,915
VHFA UNIT REVOLVING		151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755
TOTAL		176,044	175,569	195,817	174,729	174,246	173,760	173,271	302,779	303,042	303,307	173,574	173,083	172,590	172,094	185,481	171,175	170,670
REVENUES																		
SINGLE FAMILY LOTS @	15,611	46,833	46,833	46,833	46,833	46,833	46,833	46,833	46,833	46,833	46,833	46,833	46,833	46,833	46,833	46,833	46,833	46,833
SINGLE FAMILY IMPROVEMENTS @	15,485	46,455	46,455	46,455	46,455	46,455	46,455	46,455	46,455	46,455	46,455	46,455	46,455	46,455	46,455	46,455	46,455	46,455
SINGLE FAMILY CARRY (IMPS) @	1,948	5,844	5,844	5,844	5,844	5,844	5,844	5,844	5,844	5,844	5,844	5,844	5,844	5,844	5,844	5,844	5,844	5,844
SINGLE FAMILY CARRY (LAND) @	2,292	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876
SINGLE FAMILY SOFT (OTHER) @	3,797	11,390	11,390	11,390	11,390	11,390	11,390	11,390	11,390	11,390	11,390	11,390	11,390	11,390	11,390	11,390	11,390	11,390
SINGLE FAMILY UNITS @	50,585	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755
(Sans DEV & MARKET FEES)																		
TOTAL SF SALES @	89,717	269,152	269,152	269,152	269,152	269,152	269,152	269,152	269,152	269,152	269,152	269,152	269,152	269,152	269,152	269,152	269,152	269,152
MULTIFAMILY SITE @	15,611	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MULTIFAMILY IMPROVEMENTS @	10,782	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MULTIFAMILY CARRY (IMPS) @	187	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MULTIFAMILY CARRY (LAND) @	560	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MULTIFAMILY SOFT @	231	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL MF SITE SALE @	27,371	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

9

SOUTHEAST SUMMIT 25-Feb-94 01:31 PM
PRELIMINARY CONSTRUCTION COST AND FINAN

MONTHLY CONSTRUCTION CASH FLOW		35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51
PHASE				IV														
UNIT STARTS		3	3	3	3	3	3	3	3	3	3	3	3	4	4	4	4	4
UNIT SALES		3	3	3	3	3	3	3	3	3	3	3	3	3	3	4	4	4
SOUTHEAST SUMMIT 25-Feb-94 01:31 PM																		
SOURCES OF FUNDS--CONSTRUCTION PERIOD																		
SELLER FINANCING		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
BANK LAND LOAN		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
VHFA CONSTRUCTION		18,408	17,898	160,718	161,038	161,360	18,351	17,840	17,327	16,810	23,295	15,809	15,284	17,103	16,585	16,680	15,877	15,069
VHFA UNIT REVOLVING		151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	201,755	202,047	202,340	202,340	202,340
TOTAL		170,163	169,653	312,473	312,793	313,115	170,106	169,595	169,082	168,565	175,050	167,564	167,039	218,858	218,632	219,020	218,217	217,409
REVENUES																		
SINGLE FAMILY LOTS @	15,611	46,833	46,833	46,833	46,833	46,833	46,833	46,833	46,833	46,833	46,833	46,833	46,833	46,833	46,833	62,443	62,443	62,443
SINGLE FAMILY IMPROVEMENTS @	15,485	46,455	46,455	46,455	46,455	46,455	46,455	46,455	46,455	46,455	46,455	46,455	46,455	46,455	46,455	61,940	61,940	61,940
SINGLE FAMILY CARRY (IMPS) @	1,948	5,844	5,844	5,844	5,844	5,844	5,844	5,844	5,844	5,844	5,844	5,844	5,844	5,844	5,844	7,792	7,792	7,792
SINGLE FAMILY CARRY (LAND) @	2,292	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876	9,168	9,168	9,168
SINGLE FAMILY SOFT (OTHER) @	3,797	11,390	11,390	11,390	11,390	11,390	11,390	11,390	11,390	11,390	11,390	11,390	11,390	11,390	11,390	15,186	15,186	15,186
SINGLE FAMILY UNITS @	50,585	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	202,340	202,340	202,340
(Sans DEV & MARKET FEES)																		
TOTAL SF SALES @	89,717	269,152	269,152	269,152	269,152	269,152	269,152	269,152	269,152	269,152	269,152	269,152	269,152	269,152	269,152	358,869	358,869	358,869
MULTIFAMILY SITE @	15,611	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MULTIFAMILY IMPROVEMENTS @	10,782	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MULTIFAMILY CARRY (IMPS) @	187	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MULTIFAMILY CARRY (LAND) @	560	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MULTIFAMILY SOFT @	231	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL MF SITE SALE @	27,371	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

SOUTHEAST SUMMIT 25-Feb-94 01:31 PM
PRELIMINARY CONSTRUCTION COST AND FINAN

MONTHLY CONSTRUCTION CASH FLOW		52	53	54	55	56	57	58	59	60
PHASE										
UNIT STARTS		4	4	4						
UNIT SALES		4	4	4	4	4	0	0	0	0
SOUTHEAST SUMMIT 25-Feb-94 01:31 PM										
SOURCES OF FUNDS--CONSTRUCTION PERIOD										
SELLER FINANCING		0	0	0	0	0	0	0	0	0
BANK LAND LOAN		0	0	0	0	0	0	0	0	0
VHFA CONSTRUCTION		14,257	13,440	12,618	2,402	1,516	640	640	640	640
VHFA UNIT REVOLVING		202,340	202,340	202,340	2,340	1,174	0	0	0	0
TOTAL		216,597	215,780	214,958	4,742	2,689	640	640	640	640
REVENUES										
SINGLE FAMILY LOTS @	15,611	62,443	62,443	62,443	62,443	62,443	0	0	0	0
SINGLE FAMILY IMPROVEMENTS @	15,485	61,940	61,940	61,940	61,940	61,940	0	0	0	0
SINGLE FAMILY CARRY (IMPS) @	1,948	7,792	7,792	7,792	7,792	7,792	0	0	0	0
SINGLE FAMILY CARRY (LAND) @	2,292	9,168	9,168	9,168	9,168	9,168	0	0	0	0
SINGLE FAMILY SOFT (OTHER) @	3,797	15,186	15,186	15,186	15,186	15,186	0	0	0	0
SINGLE FAMILY UNITS @	50,585	202,340	202,340	202,340	202,340	202,340	0	0	0	0
(Sans DEV & MARKET FEES)										
TOTAL SF SALES @	89,717	358,869	358,869	358,869	358,869	358,869	0	0	0	0
MULTIFAMILY SITE @	15,611	0	0	0	0	0	0	0	0	0
MULTIFAMILY IMPROVEMENTS @	10,782	0	0	0	0	0	0	0	0	0
MULTIFAMILY CARRY (IMPS) @	187	0	0	0	0	0	0	0	0	0
MULTIFAMILY CARRY (LAND) @	560	0	0	0	0	0	0	0	0	0
MULTIFAMILY SOFT @	231	0	0	0	0	0	0	0	0	0
TOTAL MF SITE SALE @	27,371	0	0	0	0	0	0	0	0	0

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SOUTHEAST SUMMIT 25-Feb-94 12:52 PM
PRELIMINARY CONSTRUCTION COST AND FINANCING ESTIMATES

MONTHLY CONSTRUCTION CASH FLOW		TOTAL	April 1994 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
PHASE			I						II										
UNIT STARTS		161				3	3	3	3	3	3	3	3	3	3	3	3	3	3
UNIT SALES		161	0	0	0	0	0	3	3	3	3	3	3	3	3	3	3	3	3
SOUTHEAST SUMMIT 25-Feb-94 12:52 PM																			
LOAN INTEREST AND PAYOFFS																			
==============================																			
SELLER FINANCING--SINGLE FAMILY			619,231	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
REPAYMENTS	24.64%		0	0	0	0	0	11,538	11,538	11,538	11,538	11,538	11,538	11,538	11,538	11,538	11,538	11,538	11,538
INTEREST (ON PRIOR BALANCE)			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LOAN BALANCE			619,231	619,231	619,231	619,231	619,231	607,692	596,154	584,615	573,077	561,538	550,000	538,462	526,923	515,385	503,846	492,308	480,769
SELLER FINANCING--MULTIFAMILY			230,769	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
REPAYMENTS	24.64%		0	0	0	0	0	0	0	0	230,769	0	0	0	0	0	0	0	0
INTEREST (ON PRIOR BALANCE)			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LOAN BALANCE			230,769	230,769	230,769	230,769	230,769	230,769	230,769	230,769	0	0	0	0	0	0	0	0	0
BANK FINANCING--SINGLE FAMILY			1,894,118	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
REPAYMENTS	75.36%		0	0	0	0	0	35,294	35,294	35,294	35,294	35,294	35,294	35,294	35,294	35,294	35,294	35,294	35,294
INTEREST (ON PRIOR BALANCE)			0	11,049	11,049	11,049	11,049	11,049	10,843	10,637	10,431	10,225	10,020	9,814	9,608	9,402	9,196	8,990	8,784
LOAN BALANCE			1,894,118	1,894,118	1,894,118	1,894,118	1,894,118	1,858,824	1,823,529	1,788,235	1,752,941	1,717,647	1,682,353	1,647,059	1,611,765	1,576,471	1,541,176	1,505,882	1,470,588
BANK FINANCING--MULTIFAMILY			705,882	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
REPAYMENTS	75.36%		0	0	0	0	0	0	0	0	705,882	0	0	0	0	0	0	0	0
INTEREST (ON PRIOR BALANCE)			0	4,118	4,118	4,118	4,118	4,118	4,118	4,118	4,118	0	0	0	0	0	0	0	0
LOAN BALANCE			705,882	705,882	705,882	705,882	705,882	705,882	705,882	705,882	0	0	0	0	0	0	0	0	0
VHFA--LAND CARRY--SINGLE FAMILY			0	11,049	11,049	11,049	11,049	11,049	10,843	10,637	10,431	10,225	10,020	9,814	9,608	9,402	9,196	8,990	8,784
REPAYMENTS			0	0	0	0	0	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876
INTEREST (ON PRIOR BALANCE)		22,811	0	0	64	129	194	260	286	311	334	357	379	399	419	437	454	471	486
LOAN BALANCE			0	11,049	22,162	33,341	44,584	49,017	53,270	57,342	61,232	64,939	68,461	71,799	74,949	77,912	80,687	83,272	85,666
VHFA--LAND CARRY--MULTIFAMILY			0	4,118	4,118	4,118	4,118	4,118	4,118	4,118	4,118	0	0	0	0	0	0	0	0
REPAYMENTS			0	0	0	0	0	0	0	0	33,622	0	0	0	0	0	0	0	0
INTEREST (ON PRIOR BALANCE)		680	0	0	24	48	72	97	122	146	171	0	0	0	0	0	0	0	0
LOAN BALANCE			0	4,118	8,259	12,425	16,615	20,830	25,069	29,333	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
VHFA DEVELOPMENT--SINGLE FAMILY			450,929	320,625	320,625	7,682	7,682	7,682	245,389	268,403	245,389	7,682	7,682	7,682	7,682	7,682	7,682	7,682	7,682
REPAYMENTS			0	0	0	0	0	63,688	63,688	63,688	63,688	63,688	63,688	63,688	63,688	63,688	63,688	63,688	63,688
INTEREST (ON PRIOR BALANCE)		313,650	0	2,630	4,516	6,413	6,495	6,578	6,289	7,386	8,623	9,733	9,463	9,192	8,919	8,644	8,368	8,090	7,811
LOAN BALANCE			450,929	774,184	1,099,325	1,113,420	1,127,596	1,078,167	1,266,157	1,478,258	1,668,582	1,622,308	1,575,765	1,528,950	1,481,862	1,434,500	1,386,861	1,338,944	1,290,748
VHFA DEVELOPMENT--MULTIFAMILY			77,195	63,348	63,348	0	0	0	152,293	152,293	152,293	0	0	0	0	0	0	0	0
REPAYMENTS			0	0	0	0	0	0	0	0	671,989	0	0	0	0	0	0	0	0
INTEREST (ON PRIOR BALANCE)		11,233	0	450	822	1,197	1,204	1,211	1,218	2,113	3,014	0	0	0	0	0	0	0	0
LOAN BALANCE			77,195	140,993	205,164	206,361	207,565	208,776	362,286	516,692	9	9	9	10	10	10	10	10	10
VHFA UNIT REVOLVING			0	0	0	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
REPAYMENTS			0	0	0	0	0	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755
INTEREST (ON PRIOR BALANCE)		94,192	0	0	0	0	875	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755
LOAN BALANCE			0	0	0	150,000	300,875	300,875	300,875	300,875	300,875	300,876	300,876	300,876	300,876	300,876	300,876	300,876	300,876
VHFA TOTAL LOAN BALANCES			528,123	930,344	1,334,911	1,515,546	1,697,235	1,657,665	2,007,658	2,382,500	2,030,698	1,988,132	1,945,111	1,901,634	1,857,697	1,813,298	1,768,433	1,723,102	1,677,300

SOUTHEAST SUMMIT 25-Feb-94 12:52 PM
PRELIMINARY CONSTRUCTION COST AND FINAN

MONTHLY CONSTRUCTION CASH FLOW		18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34
PHASE									III									
UNIT STARTS		3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
UNIT SALES		3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
SOUTHEAST SUMMIT 25-Feb-94 12:52 PM																		
LOAN INTEREST AND PAYOFFS																		
==============================																		
SELLER FINANCING--SINGLE FAMILY		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
REPAYMENTS	24.64%	11,538	11,538	11,538	11,538	11,538	11,538	11,538	11,538	11,538	11,538	11,538	11,538	11,538	11,538	11,538	11,538	11,538
INTEREST (ON PRIOR BALANCE)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LOAN BALANCE		469,231	457,692	446,154	434,615	423,077	411,538	400,000	388,462	376,923	365,385	353,846	342,308	330,769	319,231	307,692	296,154	284,615
SELLER FINANCING--MULTIFAMILY		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
REPAYMENTS	24.64%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
INTEREST (ON PRIOR BALANCE)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LOAN BALANCE		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
BANK FINANCING--SINGLE FAMILY		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
REPAYMENTS	75.36%	35,294	35,294	35,294	35,294	35,294	35,294	35,294	35,294	35,294	35,294	35,294	35,294	35,294	35,294	35,294	35,294	35,294
INTEREST (ON PRIOR BALANCE)		8,578	8,373	8,167	7,961	7,755	7,549	7,343	7,137	6,931	6,725	6,520	6,314	6,108	5,902	5,696	5,490	5,284
LOAN BALANCE		1,435,294	1,400,000	1,364,706	1,329,412	1,294,118	1,258,824	1,223,529	1,188,235	1,152,941	1,117,647	1,082,353	1,047,059	1,011,765	976,471	941,176	905,882	870,588
BANK FINANCING--MULTIFAMILY		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
REPAYMENTS	75.36%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
INTEREST (ON PRIOR BALANCE)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LOAN BALANCE		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
VHFA--LAND CARRY--SINGLE FAMILY		8,578	8,373	8,167	7,961	7,755	7,549	7,343	7,137	6,931	6,725	6,520	6,314	6,108	5,902	5,696	5,490	5,284
REPAYMENTS		6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876
INTEREST (ON PRIOR BALANCE)		500	513	524	535	544	553	560	566	571	574	577	578	578	577	575	571	566
LOAN BALANCE		87,868	89,877	91,692	93,312	94,735	95,961	96,987	97,815	98,440	98,864	99,085	99,100	98,910	98,513	97,908	97,093	96,068
VHFA--LAND CARRY--MULTIFAMILY		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
REPAYMENTS		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
INTEREST (ON PRIOR BALANCE)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LOAN BALANCE		(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
VHFA DEVELOPMENT--SINGLE FAMILY		7,682	7,682	28,409	7,682	7,682	7,682	7,682	137,682	137,682	137,682	7,682	7,682	7,682	7,682	21,568	7,682	7,682
REPAYMENTS		63,688	63,688	63,688	63,688	63,688	63,688	63,688	63,688	63,688	63,688	63,688	63,688	63,688	63,688	63,688	63,688	63,688
INTEREST (ON PRIOR BALANCE)		7,529	7,247	6,962	6,797	6,510	6,221	5,931	5,639	6,103	6,570	7,040	6,755	6,467	6,178	5,888	5,676	5,383
LOAN BALANCE		1,242,271	1,193,511	1,165,193	1,115,984	1,066,487	1,016,701	966,625	1,046,257	1,126,354	1,206,917	1,157,951	1,108,699	1,059,160	1,009,331	973,099	922,768	872,144
VHFA DEVELOPMENT--MULTIFAMILY		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
REPAYMENTS		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
INTEREST (ON PRIOR BALANCE)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LOAN BALANCE		10	10	10	10	10	10	10	10	10	10	10	11	11	11	11	11	11
VHFA UNIT REVOLVING		150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
REPAYMENTS		151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755
INTEREST (ON PRIOR BALANCE)		1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755
LOAN BALANCE		300,876	300,877	300,877	300,877	300,877	300,877	300,877	300,877	300,877	300,877	300,878	300,878	300,878	300,878	300,878	300,878	300,878
VHFA TOTAL LOAN BALANCES		1,631,025	1,584,274	1,557,772	1,510,182	1,462,108	1,413,549	1,364,500	1,444,959	1,525,681	1,606,669	1,557,923	1,508,687	1,458,958	1,408,733	1,371,895	1,320,750	1,269,101

13

SOUTHEAST SUMMIT 25-Feb-94 12:52 PM
PRELIMINARY CONSTRUCTION COST AND FINAN

MONTHLY CONSTRUCTION CASH FLOW		35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51
PHASE				IV														
UNIT STARTS		3	3	3	3	3	3	3	3	3	3	3	3	4	4	4	4	4
UNIT SALES		3	3	3	3	3	3	3	3	3	3	3	3	3	3	4	4	4
SOUTHEAST SUMMIT 25-Feb-94 12:52 PM																		
LOAN INTEREST AND PAYOFFS																		
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SELLER FINANCING--SINGLE FAMILY		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
REPAYMENTS	24.64%	11,538	11,538	11,538	11,538	11,538	11,538	11,538	11,538	11,538	11,538	11,538	11,538	11,538	11,538	15,385	15,385	15,385
INTEREST (ON PRIOR BALANCE)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	615	538	462
LOAN BALANCE		273,077	261,538	250,000	238,462	226,923	215,385	203,846	192,308	180,769	169,231	157,692	146,154	134,615	123,077	107,692	92,308	76,923
SELLER FINANCING--MULTIFAMILY		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
REPAYMENTS	24.64%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
INTEREST (ON PRIOR BALANCE)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LOAN BALANCE		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
BANK FINANCING--SINGLE FAMILY		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
REPAYMENTS	75.36%	35,294	35,294	35,294	35,294	35,294	35,294	35,294	35,294	35,294	35,294	35,294	35,294	35,294	35,294	47,059	47,059	47,059
INTEREST (ON PRIOR BALANCE)		5,078	4,873	4,667	4,461	4,255	4,049	3,843	3,637	3,431	3,225	3,020	2,814	2,608	2,402	2,196	1,922	1,647
LOAN BALANCE		835,294	800,000	764,706	729,412	694,118	658,824	623,529	588,235	552,941	517,647	482,353	447,059	411,765	376,471	329,412	282,353	235,294
BANK FINANCING--MULTIFAMILY		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
REPAYMENTS	75.36%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
INTEREST (ON PRIOR BALANCE)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LOAN BALANCE		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
VHFA--LAND CARRY--SINGLE FAMILY		5,078	4,873	4,667	4,461	4,255	4,049	3,843	3,637	3,431	3,225	3,020	2,814	2,608	2,402	2,811	2,460	2,109
REPAYMENTS		6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876	6,876	9,168	9,168	9,168
INTEREST (ON PRIOR BALANCE)		560	553	545	535	524	512	498	484	467	450	431	411	390	368	344	308	271
LOAN BALANCE		94,831	93,380	91,716	89,836	87,739	85,423	82,889	80,134	77,156	73,956	70,531	66,880	63,002	58,896	52,883	46,483	39,695
VHFA--LAND CARRY--MULTIFAMILY		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
REPAYMENTS		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
INTEREST (ON PRIOR BALANCE)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LOAN BALANCE		(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
VHFA DEVELOPMENT--SINGLE FAMILY		7,682	7,682	151,015	151,015	151,015	7,682	7,682	7,682	7,682	14,686	7,682	7,682	10,029	10,029	10,029	10,029	10,029
REPAYMENTS		63,688	63,688	63,688	63,688	63,688	63,688	63,688	63,688	63,688	63,688	63,688	63,688	63,688	63,688	84,918	84,918	84,918
INTEREST (ON PRIOR BALANCE)		5,088	4,790	4,492	5,027	5,566	6,108	5,817	5,524	5,230	4,933	4,676	4,377	4,076	3,786	3,496	3,079	2,660
LOAN BALANCE		821,225	770,009	861,827	954,181	1,047,074	997,175	946,985	896,503	845,726	801,656	750,326	698,696	649,112	599,239	527,846	456,036	383,807
VHFA DEVELOPMENT--MULTIFAMILY		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
REPAYMENTS		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
INTEREST (ON PRIOR BALANCE)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LOAN BALANCE		11	11	11	11	11	11	11	11	11	11	12	12	12	12	12	12	12
VHFA UNIT REVOLVING		150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	200,000	200,000	200,000	200,000	200,000
REPAYMENTS		151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	151,755	202,340	202,340	202,340
INTEREST (ON PRIOR BALANCE)		1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755	1,755	2,047	2,340	2,340	2,340
LOAN BALANCE		300,878	300,879	300,879	300,879	300,879	300,879	300,879	300,879	300,879	300,880	300,880	300,880	350,880	401,172	401,172	401,172	401,172
VHFA TOTAL LOAN BALANCES		1,216,945	1,164,278	1,254,432	1,344,906	1,435,702	1,383,488	1,330,764	1,277,526	1,223,772	1,176,503	1,121,748	1,066,467	1,063,006	1,059,318	981,912	903,703	824,686

14

SOUTHEAST SUMMIT 25-Feb-94 12:52 PM
PRELIMINARY CONSTRUCTION COST AND FINAN

MONTHLY CONSTRUCTION CASH FLOW		52	53	54	55	56	57	58	59	60
PHASE										
UNIT STARTS		4	4	4						
UNIT SALES		4	4	4	4	4	0	0	0	0
SOUTHEAST SUMMIT 25-Feb-94 12:52 PM										
LOAN INTEREST AND PAYOFFS										
==============================										
SELLER FINANCING--SINGLE FAMILY		0	0	0	0	0	0	0	0	0
REPAYMENTS	24.64%	15,385	15,385	15,385	15,385	15,385	0	0	0	0
INTEREST (ON PRIOR BALANCE)		385	308	231	154	77	(0)	(0)	(0)	(0)
LOAN BALANCE		61,538	46,154	30,769	15,385	(0)	(0)	(0)	(0)	(0)
SELLER FINANCING--MULTIFAMILY		0	0	0	0	0	0	0	0	0
REPAYMENTS	24.64%	0	0	0	0	0	0	0	0	0
INTEREST (ON PRIOR BALANCE)		0	0	0	0	0	0	0	0	0
LOAN BALANCE		0	0	0	0	0	0	0	0	0
BANK FINANCING--SINGLE FAMILY		0	0	0	0	0	0	0	0	0
REPAYMENTS	75.36%	47,059	47,059	47,059	47,059	47,059	0	0	0	0
INTEREST (ON PRIOR BALANCE)		1,373	1,098	824	549	275	0	0	0	0
LOAN BALANCE		188,235	141,176	94,118	47,059	0	0	0	0	0
BANK FINANCING--MULTIFAMILY		0	0	0	0	0	0	0	0	0
REPAYMENTS	75.36%	0	0	0	0	0	0	0	0	0
INTEREST (ON PRIOR BALANCE)		0	0	0	0	0	0	0	0	0
LOAN BALANCE		0	0	0	0	0	0	0	0	0
VHFA--LAND CARRY--SINGLE FAMILY		1,757	1,406	1,054	703	351	0	0	0	0
REPAYMENTS		9,168	9,168	9,168	9,168	9,168	0	0	0	0
INTEREST (ON PRIOR BALANCE)		232	190	146	99	50	0	0	0	0
LOAN BALANCE		32,516	24,943	16,975	8,609	(158)	(158)	(158)	(158)	(158)
VHFA--LAND CARRY--MULTIFAMILY		0	0	0	0	0	0	0	0	0
REPAYMENTS		0	0	0	0	0	0	0	0	0
INTEREST (ON PRIOR BALANCE)		0	0	0	0	0	0	0	0	0
LOAN BALANCE		(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
VHFA DEVELOPMENT--SINGLE FAMILY		10,029	10,029	10,029	640	640	640	640	640	640
REPAYMENTS		84,918	84,918	84,918	84,918	84,918	0	0	0	0
INTEREST (ON PRIOR BALANCE)		2,239	1,815	1,389	960	474	0	0	0	0
LOAN BALANCE		311,157	238,083	164,583	81,266	(2,538)	(1,898)	(1,258)	(618)	22
VHFA DEVELOPMENT--MULTIFAMILY		0	0	0	0	0	0	0	0	0
REPAYMENTS		0	0	0	0	0	0	0	0	0
INTEREST (ON PRIOR BALANCE)		0	0	0	0	0	0	0	0	0
LOAN BALANCE		12	12	12	12	12	12	12	13	13
VHFA UNIT REVOLVING		200,000	200,000	200,000	0	0	0	0	0	0
REPAYMENTS		202,340	202,340	202,340	202,340	202,340	0	0	0	0
INTEREST (ON PRIOR BALANCE)		2,340	2,340	2,340	2,340	1,174	0	0	0	0
LOAN BALANCE		401,172	401,173	401,173	201,173	6	6	7	7	7
VHFA TOTAL LOAN BALANCES		744,857	664,211	582,743	291,059	(2,678)	(2,038)	(1,397)	(757)	(117)

RESOLUTION
PERTAINING TO
LETTER OF INTENT FOR SOUTHEAST SUMMIT

WHEREAS, Gerald C. Milot (the "Developer") has presented a proposal for Agency participation in a plan to acquire all or the major portion of an existing 202 acre site on Dorset Street in South Burlington now owned by MBL Associates (the "Site"), and to develop on the Site up to 221 units of housing, including 161 units of single family housing and required infrastructure (the "Single Family Development") and 60 units of multi-family housing and required infrastructure (the "Multi-Family Development"), to be completed in phases over a period of several years; and,

WHEREAS, by its Resolution adopted January 27, 1994 (the "Previous Resolution"), the Agency has authorized the issuance of a letter of interest to the Developer; and,

WHEREAS, staff is satisfied that substantial progress has been made toward satisfying the conditions precedent to commitment as set forth in the Previous Resolution; and,

WHEREAS, the Agency will participate in the owner and borrower (the "housing sponsor") through a Vermont non-profit corporation of which not less than two-thirds of the governing body will be appointed by the Agency; and,

WHEREAS, pursuant to the Agency's rules pertaining to Mortgage Loans to Housing Sponsors for Single Family Development, and with respect to the Site and the Single Family Development, the Agency finds as follows:

1. The Residential Housing is primarily for occupancy by persons and families of low and moderate income;

2. The construction costs incurred or to be incurred by the housing sponsor under agreement are for housing development costs within the meaning of the Act;

3. There exists, or without the proposed Residential Housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low or moderate income are able to afford within the general market area to be served by the Residential Housing and private enterprise and investment are unable, without assistance, to provide an adequate supply of the Residential Housing and sufficient mortgage financing for occupancy by the persons or families;

4. The housing sponsor undertaking the proposed housing development will maintain or increase the supply of well-planned, well-designed permanent housing for persons or families of low and moderate income and the sponsor is a financially responsible person; and,

5. More than one half of each of (a) the total floor area and (b) the total development cost of the Single Family Development will be allocated to dwelling units for persons and families of low and moderate income;

It is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Intent to the Developer as the representative of the housing sponsor to be formed, substantially in the form of "Letter of Intent for Southeast Summit" appended hereto.

2. Upon his determination that the conditions of the Letter of Intent have been substantially satisfied, the Executive Director in his discretion may issue a letter of commitment to make the Mortgage Loan described in the Letter of Intent subject to the conditions outlined in the Letter of Intent, other customary requirements of the Agency appropriate to the case, and such other terms and conditions as the Executive Director deems prudent in the circumstances.

March ___, 1994

Mr. Gerald C. Milot
92521A
Hillsborough Beach
Florida 33062

Re: Letter of Intent for Southeast Summit

Dear Mr. Milot:

I am pleased to advise you as the representative of a Vermont non-profit corporation to be formed, herein provisionally called Southeast Summit, Inc., which shall constitute or shall participate with you personally in the housing sponsor (the "Borrower") that Vermont Housing Finance Agency (hereinafter the "Agency"), subject to the terms and conditions herein stated, intends to participate in the acquisition financing and to provide construction financing on a revolving line-of-credit basis for, respectively, (i) the acquisition of all or a certain portion of 202 acres of land, more or less, with certain improvements thereon, situated in South Burlington, Vermont (the "Land"), currently owned by MBL Associates (the "Seller") and (ii) the construction thereon of 161 units of Single Family Housing (hereinafter, together with the Land, the "Single Family Development"). The Single Family Development is more particularly described in Attachment A hereto.

The terms and conditions hereof are set forth below, with capitizalized terms not otherwise defined having the meaning ascribed to them in the form of Contract for Development Services attached hereto.

1. This letter is not a commitment to finance; however, upon substantial satisfaction of the terms and conditions set forth herein, the Agency intends to issue its commitment to finance, subject to customary terms and conditions precedent to closing, including, by way of example only and without limitation:

a. An appraisal supporting (i) the acquisition cost of the Land fully permitted in accordance with the requirements of the purchase and sale contract; (ii) the substantial equivalence of the combined acquisiton cost and site development costs with no more than the fair market value of the Land assuming completion of all infrastructure improvements; and (iii) the proposed sales price of each type of Single Family Unit and lot.

b. Complete plans and specifications for the Single Family Development.

c. Proof of appropriate casualty, vehicle, public liability, and workers' compensation insurance coverages for the Borrower, the Developer, and all contractors.

d. Appropriate construction contracts.

e. Appropriate architectural and/or engineering contracts, together with design certifications evidencing compliance with all applicable governmental requirements pertaining to building, zoning, and environmental matters, and access for the handicapped.

e. Title insurance.

f. Appropriate opinions of counsel as to the due organization of the Borrower, enforceability of the loan documents, title to the Site, and the sufficiency of permits.

g. A personal guarantee of one-half of the Mortgage Loan and the Seller's loan by such natural person or persons put forward by the Developer as to whom the Agency has received a satisfactory personal financial statement and credit report.

2. The following documents are also incorporated herein:

ATTACHMENT A: Development Description.

ATTACHMENT B: Form of Contract for Development Services.

ATTACHMENT C: Preliminary Budget.

ATTACHMENT D: Preliminary Construction Schedule.

3. The Agency's financing commitment shall be in three parts:

A. As lead lender under a participation agreement with the existing holder of a first mortgage on the Land or another commercial lender (the "Bank Lender"), the Agency shall offer to make a loan (the "Mortgage Loan") to the Borrower in principal amount equal to the sum of (i) so much of the purchase price of the Land as is not financed by the Seller, (ii) site development and carrying costs, and (iii) up to $700,000.00 pursuant to a revolving line of credit for construction of the Single Family Units, all as contemplated in the Preliminary Budget.

B. The Agency, in the participation agreement or otherwise, shall guarantee repayment of up to one-half of the acquisition debt owed to the Bank Lender. Such guarantee shall be in the form of an unsecured general obligation of the Agency.

C. The Agency shall guarantee repayment of up to one-half of the acquisition debt owed to the Seller. Such guarantee shall be in the form of an unsecured general obligation of the Agency.

4. The Mortgage Loan shall be evidenced by one or more promissory notes, containing such general terms as the Agency and/or the Bank Lender may reasonably request, shall have a maximum term of 60 months, shall bear interest at the rate of SEVEN PER CENTUM (7%) per annum or such other rate to which

the Agency and the Bank Lender shall agree, payable monthly, and shall be subject to mandatory partial prepayment from the proceeds of sale of Single Family Units. As a condition of the Mortgage Loan, and in addition to the VHFA fees described in the Contract for Development Services, the Borrower shall be required to pay an origination fee equal to ONE PER CENTUM (1%) of the maximum principal amount of the Mortgage Loan.

5. Issuance of the Agency's commitment to finance shall be subject to the following conditions precedent:

A. Formation and organization of the Borrower, consisting of or including Southeast Summit, Inc., which is the provisional name of a Vermont non-profit corporation to be formed, not less than two-thirds of the governing body of which shall be appointed by Vermont Housing Finance Agency.

B. Negotiation of a satisfactory participation agreement with the Bank Lender. In addition to such other terms and conditions as the Agency may reasonably request, any such participation agreement must include the agreement of the Bank Lender to provide funds for so much of the purchase price of the Land as is not financed by the Seller (as contemplated in the Preliminary Budget), to share pro-rata with the Agency in a first mortgage security position, and to accept a 60 month term, a 1% origination fee, and a 7% per annum fixed rate of return or such other rate as the Agency may agree, together with all other terms of the Mortgage Loan proposed by the Agency.

C. Execution and delivery of a Purchase and Sale Agreement between the Seller and the Borrower, including a purchase price not exceeding $3,450,000.00 for the entire Site or $2,513,350.00 for the Site exclusive of the portion of the Land necessary to accommodate, and/or the right to develop, the Multi-Family Development, and otherwise satisfactory to the Executive Director.

D. Completion of negotiation and execution of a Contract for Development Services between the Borrower as Owner and you as Developer, substantially in the form of Contract for Development Services attached hereto as Attachment B. Negotiation of the the Contract for Development Services shall not be deemed completed until the following matter is negotiated and incorporated into the Contract for Development Services in form satisfactory to the Agency:

(i) A satisfactory plan (a "Perpetual Affordability Plan") providing ongoing affordability of between 10% and 30% of the Single Family Units for persons and families having annual incomes not exceeding 85% of median in the Burlington Metropolitan Statistical Area (as defined by U.S. Dept. of Housing and Urban Development).

E. A satisfactory plan for ownership of the portion of the Site to be set aside for the Multi-Family Development. No such plan shall be deemed satisfactory unless it provides for unit-based pro-rata sharing of site development costs benefitting the Single Family Development and the Multi-Family Development and ongoing common area maintenance costs by the holder of the multi-family development rights.

F. A satisfactory environmental review.

G. A satisfactory personal financial statement for the natural-person guarantor(s) of one-half of the Mortgage Loan.

H. A satisfactory market feasibility study.

VERMONT HOUSING FINANCE AGENCY

by:______________________________
Its Duly Authorized Agent

ACKNOWLEDGEMENT ON BEHALF OF BORROWER

The undersigned, on behalf of the proposed Borrower described above, and on behalf of himself insofar as action is required of him personally to consummate the transactions described above, hereby acknowledges receipt of the foregoing letter and agrees to proceed in good faith toward satisfaction of the conditions thereof.

Date: ________________________ ____________________________
GERALD C. MILOT

LAKE CHAMPLAIN HOUSING
DEVELOPMENT CORPORATION

220 Riverside Avenue
Burlington, VT 05401
(802) 863-5248 TDD/Voice
Fax (802) 864-0734

February 15, 1994

Irene Jenkins, Director of Development
Vermont Housing Finance Agency
P.O. Box 408
Burlington, Vermont 05402-0408

Dear Irene:

This letter is a follow up to my January 12th letter regarding the Southeast Summit multifamily unit development. I am working under the following assumptions based on my discussions with you and with Gerry Milot:

- **Division of units:** LCHDC will work on a financing plan to develop the 44 units on C Street. The remaining 16 units will be retained by the Milot partnership.

- **Configuration of units:** LCHDC has agreed to a fourplex design if the design of the units could accommodate the mix of two and three bedroom units with separate driveway and parking spaces for each unit.

- **Cost of Land and Infrastructure:** There currently is no agreement on this issue. VHFA/Milot does not agree to any price differential between the cost of land for the single and the multifamily units. LCHDC is waiting for a design and price from Milot for the units as a turnkey before we pursue this issue further.

- **Building the units:** At your request and after a conversation with Gerry Milot, I have decided to wait to review his designs. The proposed units will be similar in quality and design to the LCHDC Pinecrest units. If I wish to get Duncan Wisniewski to design the units, I need to submit a Ventures application to pay for this service. I still have some concern that having the units designed by the developer will not necessarily save any money, since we will need to pay for the review of the units, but it might resolve some cost issues more quickly. The downside to working this way is that if we wind up arguing about specifications we do not necessarily save time, and it may set a bad tone for the overall negotiations.

•**Timing:** It is my understanding that the 44 units could be ready for construction in the fall of 1994.

•**Tax Credit syndication:** I have not heard any response to whether Gerry is interested in bringing together a group of investors who would be interested in a limited partnership. This is an important piece of the project for us to figure out, since Housing Vermont may not have the resources to take on another Chittenden County development. If we need to go elsewhere for the syndication of the project it could cost both time and money.

•**Power lines:** The power lines remain a major concern for the development of the multifamily units. I understand you do not yet have any reports on the lines, and I am looking to you to give us a timeframe on getting the report, as I see this issue as requiring LCHDC Board education and involvement.

Overall, I hope that the multifamily units move on same track as the single family development. At this point I am waiting for the following information to take to my Board:

- design plans and specifications
- environmental reports, specifically information on the electro magnetic fields
- a price for the units build as a turnkey by Milot
- an answer on the syndication possibility

The time frame for LCHDC to commit to the project is constrained by the VHCB Board schedule for review. If I get this information by next week it may be possible to submit an application by the 28th of February for their April Board meeting. If I miss this meeting the project would be held off until the June VHCB Board meeting.

I understand that VHFA can proceed with the single family portion of the project without the multifamily units as a part of the partnership. But it seems in all of our best interest to resolve the multifamily unit development as quickly as possible. LCHDC can pursue other options if we cannot come to agreement, and you will have a clearer picture of what the project will look like as a whole.

I look forward to hearing from you.

Sincerely,

Amy

Amy Wright
Director of Development

SOUTHEAST SUMMIT PERPETUAL AFFORDABILITY ANALYSIS c:\quattro\sesummit.1

100% FINANCING: VHFA 1ST MTG/VHFA 2ND MTG
BUYER REPAYS 2ND MORTGAGE AT RESALE PLUS INTEREST, ACCRUED ANNUALLY
BUYERS RECEIVES 50% OF THE APPRECIATION

ASSUMPTIONS

ORIGINAL UNIT COST	91,200
ASSUMED ANNUAL RATE OF APPRECIATION	3.0%
ASSUMED FAMILY SIZE	3 PERSONS
MEDIAN INCOME @ TIME OF ORIG PURCHASE	41,100
ASSUMED ANNUAL RATE OF INCOME INCREASE	2.0%
ANNUAL INSURANCE, ASSOC. FEE	460
TAX RATE (1.95)	1.95
ASSUMED ANNUAL RATE OF INCREASE	3.0%
% INCOME AVAILABLE FOR PITI	33.0%
ASSUMED INTEREST RATE ON 1ST MTG	7.35%
AMOUNT OF SECOND MORTGAGE @ PURCHASE	12,000
INTEREST RATE ON SECOND MORTGAGE	5.00%

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
MARKET VALUE -- FEE SIMPLE	93,936	96,754	99,657	102,646	105,726	108,898	112,164	115,529	118,995	122,565
INCREASE IN PRICE/APPRECIATION	2,736	5,554	8,457	11,446	14,526	17,698	20,964	24,329	27,795	31,365
50% APPRECIATION	1,368	2,777	4,228	5,723	7,263	8,849	10,482	12,165	13,898	15,683
SECOND MORTGAGE + INTEREST	12,600	13,230	13,892	14,586	15,315	16,081	16,885	17,729	18,616	19,547
FUNDS AVAIL. FOR SECONDS POOL	13,968	16,007	18,120	20,309	22,578	24,930	27,367	29,894	32,514	35,229
FIRST MORTGAGE NEEDED	79,968	80,747	81,537	82,337	83,148	83,968	84,797	85,635	86,482	87,336
LTV OF FIRST MORTGAGE	0.85	0.83	0.82	0.80	0.79	0.77	0.76	0.74	0.73	0.71
ANNUAL DEBT SERVICE	6,611	6,676	6,741	6,807	6,874	6,942	7,011	7,080	7,150	7,221
ANNUAL INSURANCE & ASSOC. FEE	474	488	503	518	533	549	566	583	600	618
TAXES @ 1.95% OF MARKET VALUE	1,832	1,887	1,943	2,002	2,062	2,124	2,187	2,253	2,320	2,390
TOTAL ANNUAL PITI	8,917	9,051	9,187	9,327	9,469	9,615	9,764	9,916	10,071	10,229
INCOME REQUIRED FOR PITI @ 33%	27,021	27,426	27,840	28,263	28,695	29,136	29,587	30,047	30,517	30,997
REQUIRED INCOME AS % OF MEDIAN	64.5%	64.1%	63.8%	63.5%	63.2%	62.9%	62.7%	62.4%	62.1%	61.9%
MEDIAN INCOME	41,922	42,760	43,616	44,488	45,378	46,285	47,211	48,155	49,118	50,101
NET CASH TO SELLER	768	1,547	2,337	3,137	3,948	4,768	5,597	6,435	7,282	8,136

NET CASH TO SELLER DOES NOT INCLUDE PRINCIPAL REPAYMENTS ON THE FIRST MORTGAGE OR TAX BENEFITS

SOUTHEAST SUMMIT PERPETUAL AFFORDABILITY ANALYSIS c:\quattro\sesummit.2
LAND TRUST MODEL -- HOMELAND METHOD -- OWNER RECEIVES 25% OF APPRECIATION
$12,000 INITIAL GRANT

ASSUMPTIONS

NET UNIT COST (PUR. PRICE - GRANT)	79,200
ASSUMED ANNUAL RATE OF APPRECIATION	3.0%
ASSUMED FAMILY SIZE	3 PERSONS
MEDIAN INCOME @ TIME OF ORIG PURCHASE	41,100
ASSUMED ANNUAL RATE OF INCOME INCREASE	2.0%
ANNUAL INSURANCE, ASSOC. FEE	460
TAX RATE PER $100	1.95
ASSUMED ANNUAL RATE OF INCREASE	3.0%
ASSUMED INTEREST RATE OF 1ST MTG	7.35%
% INCOME AVAILABLE FOR SHELTER COST (4 STAR RATED)	33.0%

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
NET MARKET VALUE (ORIG COST + APPRECIATION)	81,576	84,023	86,544	89,140	91,815	94,569	97,406	100,328	103,338	106,438
APPRECIATION	2,376	4,823	7,344	9,940	12,615	15,369	18,206	21,128	24,138	27,238
25% OF APPRECIATION	594	1,206	1,836	2,485	3,154	3,842	4,552	5,282	6,035	6,810
NET OPTION PRICE (ORIG. COST + 25% OF APPREC.)	79,794	80,406	81,036	81,685	82,354	83,042	83,752	84,482	85,235	86,010
FIRST MORTGAGE NEEDED	79,794	80,406	81,036	81,685	82,354	83,042	83,752	84,482	85,235	86,010
ANNUAL DEBT SERVICE	6,597	6,648	6,700	6,753	6,809	6,866	6,924	6,985	7,047	7,111
ANNUAL INSURANCE & ASSOC. FEE	474	488	503	518	533	549	566	583	600	618
TAXES @ 1.95% OF MARKET VALUE	1,591	1,638	1,688	1,738	1,790	1,844	1,899	1,956	2,015	2,076
TOTAL ANNUAL PITI	8,662	8,774	8,890	9,009	9,132	9,259	9,389	9,524	9,662	9,805
INCOME REQUIRED FOR PITI @ 33%	26,247	26,588	26,940	27,301	27,674	28,058	28,453	28,860	29,279	29,711
REQUIRED INCOME AS % OF MEDIAN	62.6%	62.2%	61.8%	61.4%	61.0%	60.6%	60.3%	59.9%	59.6%	59.3%
MEDIAN INCOME	41,922	42,760	43,616	44,488	45,378	46,285	47,211	48,155	49,118	50,101
NET CASH TO OWNER	594	1,206	1,836	2,485	3,154	3,842	4,552	5,282	6,035	6,810

NET CASH TO OWNER DOES NOT INCLUDE PRINCIPAL REPAYMENTS ON THE FIRST MORTGAGE OR TAX BENEFITS

RESOLUTION
PERTAINING TO
LETTER OF INTENT FOR SOUTHEAST SUMMIT

WHEREAS, Gerald C. Milot (the "Developer") has presented a proposal for Agency participation in a plan to acquire all or the major portion of an existing 202 acre site on Dorset Street in South Burlington now owned by MBL Associates (the "Site"), and to develop on the Site up to 221 units of housing, including 161 units of single family housing and required infrastructure (the "Single Family Development") and 60 units of multi-family housing and required infrastructure (the "Multi-Family Development"), to be completed in phases over a period of several years; and,

WHEREAS, by its Resolution adopted January 27, 1994 (the "Previous Resolution"), the Agency has authorized the issuance of a letter of interest to the Developer; and,

WHEREAS, staff is satisfied that substantial progress has been made toward satisfying the conditions precedent to commitment as set forth in the Previous Resolution and has requested certain changes in the details of the Agency's participation; and,

WHEREAS, the Agency will participate in the owner and borrower (the "housing sponsor") through a Vermont non-profit corporation of which not less than one half of the governing body will be appointed by the Agency; and,

WHEREAS, pursuant to the Agency's rules pertaining to Mortgage Loans to Housing Sponsors for Single Family Development, and with respect to the Site and the Single Family Development, the Agency finds as follows:

1. The Residential Housing is primarily for occupancy by persons and families of low and moderate income;

2. The construction costs incurred or to be incurred by the housing sponsor under agreement are for housing development costs within the meaning of the Act;

3. There exists, or without the proposed Residential Housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low or moderate income are able to afford within the general market area to be served by the Residential Housing and private enterprise and investment are unable, without assistance, to provide an adequate supply of the Residential Housing and sufficient mortgage financing for occupancy by the persons or families;

4. The housing sponsor undertaking the proposed housing development will maintain or increase the supply of well-planned, well-designed permanent housing for persons or families of low and moderate income and the sponsor is a financially responsible person; and,

5. More than one half of each of (a) the total floor area and (b) the total development cost of the Single Family Development will be allocated to dwelling units for persons and families of low and moderate income;

It is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Intent to the Developer as the representative of the housing sponsor to be formed, substantially in the form of "Letter of Intent for Southeast Summit" appended hereto.

2. Upon his determination that the conditions of the Letter of Intent have been substantially satisfied, the Executive Director in his discretion may issue a letter of commitment to make the Mortgage Loan described in the Letter of Intent subject to the conditions outlined in the Letter of Intent, other customary requirements of the Agency appropriate to the case, and such other terms and conditions as the Executive Director deems prudent in the circumstances.

March ___, 1994

Mr. Gerald C. Milot
92521A
Hillsborough Beach
Florida 33062

Re: Letter of Intent for Southeast Summit

Dear Mr. Milot:

I am pleased to advise you as the representative of a Vermont non-profit corporation to be formed, herein provisionally called Southeast Summit, Inc., (the "Borrower") that Vermont Housing Finance Agency (hereinafter the "Agency"), subject to the terms and conditions herein stated, intends to participate in the acquisition financing and to provide construction financing on a revolving line-of-credit basis for, respectively, (i) the acquisition of all or a certain portion of 202 acres of land, more or less, with certain improvements thereon, situated in South Burlington, Vermont (the "Land"), currently owned by MBL Associates (the "Seller") and (ii) the construction thereon of 161 units of Single Family Housing (hereinafter, together with the Land, the "Single Family Development"). The Single Family Development is more particularly described in Attachment A hereto.

The terms and conditions hereof are set forth below, with capitizalized terms not otherwise defined having the meaning ascribed to them in the form of Contract for Development Services attached hereto.

1. This letter is not a commitment to finance; however, upon substantial satisfaction of the terms and conditions set forth herein, the Agency intends to issue its commitment to finance, subject to customary terms and conditions precedent to closing including, by way of example only and without limitation, the following matters in form and substance satisfactory to the Agency:

a. An appraisal supporting (i) the acquisition cost of the Land fully permitted in accordance with the requirements of the purchase and sale contract; (ii) the substantial equivalence of the combined acquisiton cost and site development costs with no more than the fair market value of the Land assuming completion of all infrastructure improvements; and (iii) the proposed sales price of each type of Single Family Unit and lot.

b. Complete plans and specifications for the Single Family Development.

c. Proof of appropriate casualty, vehicle, public liability, and workers' compensation insurance coverages for the Borrower, the Developer, and all contractors.

d. Appropriate construction contracts.

e. Appropriate architectural and/or engineering contracts, together with design certifications evidencing compliance with all applicable governmental requirements pertaining to building, zoning, and environmental matters, and access for the handicapped.

e. Title insurance.

f. Appropriate opinions of counsel as to the due organization of the Borrower, enforceability of the loan documents, title to the Site, and the sufficiency of permits.

g. A personal guarantee of one-half of the Mortgage Loan and the Seller's loan by such natural person or persons put forward by the Developer as to whom the Agency has received a satisfactory personal financial statement and credit report.

2. The following documents are also incorporated herein:

ATTACHMENT A: Development Description.

ATTACHMENT B: Form of Contract for Development Services.

ATTACHMENT C: Preliminary Budget.

ATTACHMENT D: Preliminary Construction Schedule.

3. The Agency's financing commitment shall be in three parts:

A. As lead lender under a participation agreement with the existing holder of a first mortgage on the Land or another commercial lender (the "Bank Lender"), the Agency shall offer to make a loan (the "Mortgage Loan") to the Borrower in principal amount equal to the sum of (i) so much of the purchase price of the Land as is not financed by the Seller, (ii) site development and carrying costs, and (iii) up to $700,000.00 pursuant to a revolving line of credit for construction of the Single Family Units, all as contemplated in the Preliminary Budget.

B. The Agency, in the participation agreement or otherwise, shall guarantee repayment of up to one-half of the acquisition debt owed to the Bank Lender. Such guarantee shall be in the form of an unsecured general obligation of the Agency.

C. The Agency shall guarantee repayment of up to one-half of the acquisition debt owed to the Seller. Such guarantee shall be in the form of an unsecured general obligation of the Agency.

4. The Mortgage Loan shall be evidenced by one or more promissory notes, containing such general terms as the Agency and/or the Bank Lender may reasonably request, shall have a maximum term of 60 months, shall bear interest at the rate of SEVEN PER CENTUM (7%) per annum or such other rate to which

the Agency and the Bank Lender shall agree, payable monthly, and shall be subject to mandatory partial prepayment from the proceeds of sale of Single Family Units. As a condition of the Mortgage Loan, and in addition to the VHFA fees described in the Contract for Development Services, the Borrower shall be required to pay an origination fee equal to ONE PER CENTUM (1%) of the maximum principal amount of the Mortgage Loan.

5. Issuance of the Agency's commitment to finance shall be subject to the following conditions precedent:

A. Formation of the Borrower, which will be a Vermont non-profit corporation not less than one-half of the governing body of which shall be appointed by Vermont Housing Finance Agency.

B. Negotiation of a satisfactory participation agreement with the Bank Lender. In addition to such other terms and conditions as the Agency may reasonably request, any such participation agreement must include the agreement of the Bank Lender to provide funds for so much of the purchase price of the Land as is not financed by the Seller (as contemplated in the Preliminary Budget), to share pro-rata with the Agency in a first mortgage security position, and to accept a 60 month term, a 1% origination fee, and a 7% per annum fixed rate of return or such other rate as the Agency and the Bank Lender may agree, together with all other terms of the Mortgage Loan proposed by the Agency.

C. Negotiation, execution and delivery of a Purchase and Sale Agreement between the Seller and the Borrower, including a purchase price not exceeding $3,450,000.00 for the entire Site or $2,513,350.00 for the Site exclusive of the portion of the Land and appurtenant rights necessary to develop the Multi-Family Housing, and otherwise satisfactory to the Executive Director.

D. Completion of negotiation and execution of a Contract for Development Services between the Borrower as Owner and you as Developer, substantially in the form of Contract for Development Services attached hereto as Attachment B. Negotiation of the the Contract for Development Services shall not be deemed completed until the following matter is negotiated and incorporated into the Contract for Development Services in form satisfactory to the Agency:

(i) A satisfactory plan (a "Perpetual Affordability Plan") providing ongoing affordability of between 10% and 30% of the Single Family Units for persons and families having annual incomes not exceeding 85% of median in the Burlington Metropolitan Statistical Area (as defined by U.S. Dept. of Housing and Urban Development).

E. A satisfactory plan for ownership of the portion of the Site to be set aside for the Multi-Family Development. No such plan shall be deemed satisfactory unless it provides for unit-based pro-rata sharing of site development costs benefitting the Single Family Development and the Multi-Family Development and ongoing common area maintenance costs by the holder of the multi-family development rights.

F. A satisfactory environmental review.

G. A satisfactory personal financial statement for the natural-person guarantor(s) of one-half of the Mortgage Loan.

H. A satisfactory market feasibility study.

VERMONT HOUSING FINANCE AGENCY

by: ______________________________
Its Duly Authorized Agent

ACKNOWLEDGEMENT ON BEHALF OF BORROWER

The undersigned, on behalf of the proposed Borrower described above, and on behalf of himself insofar as action is required of him personally to consummate the transactions described above, hereby acknowledges receipt of the foregoing letter and agrees to proceed in good faith toward satisfaction of the conditions thereof.

Date: _________________________ ____________________________
GERALD C. MILOT

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PAC
Irene D. Jenkins, Director of Development IDJ

DATE: February 24, 1994

RE: Twin Pines Housing Trust/Starlake Village -- Loan Extension Agreement and Starlake Land Mortgage

SUMMARY OF REQUEST

On September 27, 1992, the Board approved a loan in the amount of $500,000 to Twin Pines Housing Trust (TPHT). The purpose of this loan was to finance the site development and construction of 14 single family homes at Starlake Village, Norwich. This loan matured on December 31, 1993. At the December 1993 meeting, the Board approved a Resolution to extend the term of the loan to September 30, 1994, provided TPHT met certain conditions. VHFA has not presented TPHT with a Loan Extension Agreement because we were waiting for the results of bids from contractors to complete the remaining five units and an updated budget and marketing plan from TPHT. This information was received by VHFA on February 16, 1994.

Eight of the fourteen units have been completed and sold. All of those units are cape style. The ninth unit is a ranch style home and a closing is scheduled on or about March 25, 1994. There are five unsold units. The approximate balance that will remain on VHFA's loan after the sale of the ninth house will be $138,000. VHFA advances loan funds to pay soft costs and construction costs and receives net proceeds from the sale of units. In addition, VHCB has provided approximately $139,000, out of their total commitment of $192,554, in grant funds to cover development costs. On February 16, 1994, VHFA received an updated budget for the completion of the five remaining units and a marketing plan. The budget and marketing plan assume that the remaining five units will be ranch style and will sell for $76,500 (base price with several popular features added). TPHT's budget projects a deficit of $24,492. VHFA has reviewed TPHT's budget and believes that the deficit will be approximately $51,745. Attached is a comparison of TPHT and VHFA projections.

VHFA's projections include funds to pay a Housing Vermont pre-development loan of $15,000, and to pay unpaid legal and engineering expenses. TPHT has proposed a back-charge to the sitework contractor of some of the unpaid engineering expenses, which were a result of problems with two cracked septic tanks and problems with the filter for the water system. Staff is not confident that TPHT will be successful in persuading the sitework contractor to reimburse TPHT for these costs since they occurred almost a year ago. VHFA also made adjustments to TPHT's projections for the sitework contractor who submitted a change order in the amount of $2,260 that was approved but never requisitioned, and has updated some soft costs to reflect the new projected completion schedule for the remaining five units. VHFA also included a contingency item which represents ten percent of the material costs to complete the last five units. The builder who submitted the lowest bid was KMS Frame to Finish. KMS was the contractor who completed the finish work on units six and seven, which were modular units, and stick built the last two homes. KMS has agreed to not take a mark-up on the materials they will purchase from Lavalley Building Supply. VHFA's construction inspector, David Anderson, has indicated that he believes that the budget should include a ten percent contingency because of the potential for increases in the cost of some materials.

TPHT requests that VHFA continue to hold a mortgage on the land after the completion of the project to cover the deficit projected by TPHT of $24,492, and proposes that TPHT pay an annual principal and interest payment. The funds to pay VHFA would be obtained from fund raising activities. TPHT may also use proceeds from the resale of any of the first five units, which were priced below cost, to reduce the principal. TPHT has also indicated that they will continue to pursue an Affordable Housing Program grant application with the Federal Home Loan Bank and may also approach the Upper Valley Land Trust, the original purchasers of the Starlake Village site, to contribute to a deficit reduction fund. As indicated above, VHFA believes that the actual deficit will be approximately $51,745.

Staff recommends approval of TPHT's request that VHFA continue to hold a mortgage on the land, after the completion of the project, in an amount not to exceed $30,000, and that the development/construction loan be extended to September 30, 1994, subject to conditions outlined in the recommendation section of this memo. Staff also recommends an increase in the price of the ranch style unit to approximately $81,500 to eliminate the balance of the deficit, and that TPHT continue to seek grant funds from the FHLB (and apply in the first round of the 1994 Affordable Housing Program), or financing and/or grant funds from VHCB or another source to eliminate the need for a VHFA mortgage when the project is completed. Unfortunately, there is not time to identify a source that would entirely eliminate the deficit and the need to increase the price of the five remaining units. VHFA believes that if the project is to be completed by September 30, 1994, the sale price of the units must be determined in early March so that TPHT may implement its marketing plan.

AFFORDABILITY/MARKETING PLAN

TPHT has presented VHFA with a marketing plan that includes: outreach to employees of major employers in the Upper Valley by including a flyer in pay envelopes; using the ranch home that is complete but not scheduled to be delivered to the buyer until March 25, 1994, as a "model home" (two open house weekends are scheduled); and a media campaign including print and radio advertising emphasizing the quality of homes at Starlake Village and the high degree of satisfaction of the current home owners.

TPHT recommends building only the ranch style unit because the cape style unit would have to sell for approximately $98,600 to entirely eliminate any deficit, or approximately $93,600 to reduce the deficit to approximately $25,000. TPHT's grant agreement with VHCB allows units at Starlake Village to be sold to persons and families at or below 100% of median income for Windsor County. Ranch style units priced at $81,500 would be affordable to two-person households at 88% of median income, three-person households at 78% of median income, and four-person households at 71% of median income. A cape style home priced at $93,600, would be affordable to a two-person household at 97% of median income, a three-person household at 86% of median income, and a four-person household at 78% of median income.

TPHT acknowledges that building only ranch style units will eliminate some prospects but might consider selling a cape, which is still affordable to families at or below median income, provided the selling price reflects the increased cost to build a cape. VHFA believes that the window of affordability is extremely narrow for the cape; another problem is marketing capes at approximately $93,600 when the last cape built sold for $79,450, and the first five capes sold in May 1993 for approximately $66,000. Also, the appraisal method acceptable to VHFA would require that a buyer of a cape style unit make a substantial down payment. The difference in sale price of the ranch style unit is not as great: the ranch style unit scheduled to close on March 25, 1994, sold for $76,635 and was constructed with a walkout basement. Three of the five remaining lots would be suitable for a walkout basement, which might greatly enhance the appeal of the ranch to buyers who anticipate a change in their family size. Buyers who select a ranch with a walk-out basement would pay approximately $2,500 over the VHFA recommended base price of $81,500. Starlake Village buyers could receive financing through VHFA's HOUSE program, currently priced at a first year interest rate of 5.85% with no points.

STAFF RECOMMENDATION

Staff recommends that VHFA extend the term of its loan to TPHT on Starlake Village to September 30, 1994, and that VHFA commit to hold a first mortgage on the land, in an amount not to exceed $30,000, which would be subordinate to the land leases given by TPHT to the home buyers. The interest rate on the development/construction loan will remain at 7.50% per annum until the sale of the last unit. The interest rate on the mortgage on the land will be 8% per annum for a maximum term of six years with annual principal payments of $5,000.

As part of the extension agreement, TPHT would agree to:

- Market the remaining five units as ranch style units according to the marketing plan submitted to VHFA:

- Have a goal of executing sales agreements with buyers on all five units by June 1, 1994;

- All units must be under contract with buyers by July 1, 1994;

- All construction of the development must be completed by no later than September 30, 1994;

- If the cost of construction and soft costs increase and it becomes evident to VHFA that the funds available to TPHT will not fully pay the cost of construction in accordance with the approved budget and cash flow, then TPHT, at the request of VHFA, shall advance sufficient funds to the construction account to provide for the payment of the full cost of construction, or give VHFA a deed in lieu of foreclosure;

Failure to meet any condition of the extension would result in a default of the loan. TPHT would have to agree to give VHFA, upon such default and at our request, a deed in lieu of foreclosure.

BOARD ACTION REQUESTED

Staff recommends approval of the attached Resolution to extend the development/construction loan given to Twin Pines Housing Trust for Starlake Village to September 30, 1994, and to provide a mortgage on the land in an amount not to exceed $30,000 at an interest rate of 8% per annum for a maximum term of six years with annual principal payments of $5,000.

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STARLAKE VILLAGE -- SOURCES AND USES C:\QUATTRO\STARLAKE.COM
COMPARISON OF TPHT BUDGET SUBMITTED 2/17/94 AND VHFA PROJECTIONS

USES OF FUNDS

	TPHT	VHFA	NET DIFF.
Land Acquisition	100,000	100,000	0
Pre-Development Costs	64,342	64,342	0
Total Land and Pre-Dev. Costs	164,342	164,342	0
Site Development Hard Costs			
Site Clearing	6,000	6,000	0
Power to Site (GMP)	13,140	13,140	0
Electrical (water & septic)	3,398	3,398	0
Sitework Contractor	214,038	216,928	2,890
Landscaping	2,500	2,500	0
Well House	2,367	2,367	0
Contingency	2,500	2,500	0
Total Site Dev. Hard Costs	243,943	246,833	2,890
Soft Costs			
Project Manager	14,011	14,783	772
Engineering	15,382	18,000	2,618
Loan Origination Fee	5,000	5,000	0
Legal/Taxes/Ins./Permits	22,209	23,712	1,503
Lender Inspections	5,000	6,000	1,000
Interest	28,600	35,000	6,400
Closing Costs for Units	1,204	1,204	0
TPHT Development Fee	17,500	17,500	0
Marketing	11,000	11,000	0
Winter Heating/Main. Costs	6,530	8,600	2,070
Total Soft Costs	126,436	140,799	14,363
TOTAL PRE-DEV., SITE & SOFT COSTS	534,721	551,974	14,363
HOUSE CONSTRUCTION			
Units 1-5	249,659	249,659	0
Units 6-9	208,421	208,421	0
Units 10-14 (ranches)	241,320	241,320	0
Material Contingency	0	10,000	10,000
TOTAL HOUSE CONSTR. ALL UNITS	699,400	709,400	10,000
TOTAL PROJECT COSTS	1,234,121	1,261,374	24,363

SOURCES OF FUNDS

	TPHT ESTIMATE	VHFA ESTIMATE	NET DIFFERENCE
PROJECT REVENUES			
Sale of Units	1,017,071	1,017,073	2
VHCB Land Grant	100,000	100,000	0
VHCB Construction Subsidy	75,056	75,056	0
VHCB Development Fees	17,500	17,500	0
TOTAL PROJECT REVENUES	1,209,627	1,209,629	2
SURPLUS/(DEFICIT)	(24,494)	(51,745)	(27,251)

RESOLUTION PERTAINING TO EXTENSION OF TERM OF LOAN RE: STARLAKE VILLAGE/TWIN PINES HOUSING TRUST DEVELOPMENT

WHEREAS, a proposal has been presented to the Agency by Twin Pines Housing Trust, a non-profit corporation located in Lebanon, New Hampshire (the "Sponsor"), involving the construction of 14 homes on a 14.9 acre site in Norwich (the "Development"); and

WHEREAS, the Development has been the subject of previous resolutions of the Agency on December 16, 1993, November 18, 1992, September 24, 1992, May 20, 1992 and June 26, 1991; and

WHEREAS, the Agency made a loan on October 26, 1992 of up to $500,000 for infrastructure work and construction (the "Loan"); and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible and that extending the construction loan is appropriate in carrying out and effectuating the purposes and provisions of the Vermont Housing Finance Agency Act;

WHEREAS, the Sponsor requested an extension of the repayment of the Agency's Loan from December 31, 1993 to September 30, 1994, which request was approved, but the extension has not been issued because of delays in receiving information pertaining to construction bids and the Sponsor's updated budget and marketing plan; and

WHEREAS, having reviewed the information provided to the Agency by the Sponsor, staff has additional recommendations regarding the Development that include the possibility of the Agency continuing to hold its mortgage open with an outstanding balance after the maturity date of September 30, 1994;

NOW, THEREFORE, it is hereby DETERMINED:

1. The Determinations made in the Agency's prior resolutions relating to this Development are reaffirmed.

2. The Development may need to maintain some of its Agency financing after the loan maturity date of September 30, 1994.

WHEREFORE, it is hereby RESOLVED:

1. The recommendations contained in the February 24, 1993 staff memorandum are adopted and the Executive Director shall extend the maturity of the Sponsor's Loan from the Agency from December 31, 1993 to September 30, 1994 by entering into a modified loan agreement containing the following conditions:

(a) The Sponsor will market the remaining five units as ranch style homes in accordance with the marketing plan submitted to the Agency;

(b) The Sponsor will have a goal of executing sales agreements with buyers on all five homes by June 1, 1994;

(c) All units must be under contract with eligible buyers by July 1, 1994;

(d) All construction of the Development must be completed on or before September 30, 1994;

(e) If, in the reasonable judgment of the Agency, the costs of construction and soft costs increase so that the funds available to the Sponsor are not sufficient to fully pay the cost of construction in accordance with the Agency-approved budget and cash flow, the Sponsor will, upon request of the Agency, advance sufficient funds to the construction account to pay the full costs of construction and soft costs, or, in the alternative, provide the Agency with a deed to the Development in lieu of foreclosure.

2. Failure to meet any of the conditions shall constitute an event of default under the modified loan agreement and the Sponsor shall, at the Agency's request, promptly deliver a deed in lieu of foreclosure to the Agency.

3. If the Development funds are insufficient to fully pay the Agency's Loan at the maturity date of September 30, 1994, the Agency will permit its first mortgage to remain on the land, subject to the land leases given by the Sponsor to home buyers. The maximum amount outstanding in the Loan at that time will be $30,000. The interest rate on the outstanding amount will be 7.50% per annum until the sale of the last home in the Development, at which time the interest rate will increase to 8% per annum for a maximum term of six years. Principal payments of $5,000 will be due annually, together with accrued interest.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PAC
Irene D. Jenkins, Director of Development

DATE: February 24, 1994

RE: Westview Court Intermediate Care Facility, Rutland - Resolution of Intent/Commitment

Note: This report is similar to the report presented at the January 1994 Board meeting. Substantive changes are highlighted.

SUMMARY OF REQUEST

Staff requests approval of the attached Resolution of Intent/Commitment to provide a first mortgage to Rutland Area Community Services in the amount of $192,500 to finance a six bed Intermediate Care Facility (ICF) for developmentally disabled/physically disabled adults. The six adults housed in this facility were former residents of the infirmary at Brandon Training School. The source of funding for this request would be an advance from the Federal Home Loan Bank. The loan term would be 15 years and the interest rate would be based on our borrowing rate from the Federal Home Loan Bank plus 100 basis points. The loan origination fee would be one percent.

This request would refinance a first mortgage loan by the Chittenden Bank that balloons in June 1997, and a second mortgage loan by the Vermont Community Loan Fund that matures in December 1994. The development cost to acquire the subject property and to complete improvements and an addition to the existing structure was approximately $426,500. The project has received a HUD Special Purpose grant in the amount of $200,000 and a grant from VHCB in the amount of $34,000.

THE PROJECT

The Sponsor

The sponsor is Rutland Area Community Services (RACS). RACS is a private nonprofit provider of services to the mentally ill, developmentally disabled, and to persons with substance abuse. Formerly known as Rutland County Mental Health, Inc., RACS has served Rutland County for thirty years. The sponsor is one of three organizations under a holding company called Rutland County Community Services, Inc. All three organizations are under common control and management. The annual combined budget for Fiscal 1994 is projected to be $12.0 million.

Most of the projected revenues will come from State and Federal grants and Medicaid Waivers. Combined financial statements for the year ending June 30, 1993 show operating revenue of $257,723. The combined fund balance as of June 30, 1993 was $483,807. In addition to Westview Court, the sponsor owns and manages two other group homes and manages several additional group homes that are leased from private owners by RACS.

The Project

Westview Court is a six-bedroom Intermediate Care Facility developed by RACS to provide housing for six former residents of the infirmary at Brandon Training School. All residents are developmentally and physically disabled. Westview Court is located in an established single family residential neighborhood in Rutland City. It was formerly a three bedroom single family home located on a double lot built in 1960 that was rehabilitated to make it handicap accessible and two wings were added to increase the home to six bedrooms. There is also a large living room and dining area, a kitchen, two bathrooms, and a room for physical therapy. The home was completed and placed in service in 1993.

Westview Court was designed to meet the needs of developmentally disabled adults who also have physical disabilities that make medical care necessary. Residents are provided with 24 hour nursing and residential care services. The entire facility is handicap accessible and has been designed to meet the special needs of the residents, all of whom are wheelchairs users.

This request would refinance a first mortgage held by the Chittenden Bank that has a balloon payment in June 1997, and a second mortgage held by the Vermont Community Loan Fund that matures in December 1994. The total cost to RACS to acquire the subject property and to complete improvements and an addition to the existing structure was approximately $426,500. The project has received a HUD Special Purpose grant in the amount of $200,000 and a grant from VHCB in the amount of $34,000.

Gretchen Goodman of RACS (formerly Executive Director of Rutland County Community Land Trust--RCCLT) initially applied in the name of RCCLT because the original plan was for RCCLT to own the property and lease it to RACS. At that time, RACS believed that the involvement of RCCLT was necessary in order to receive a HUD grant and use medicaid waivers to fund operating costs. They have since learned that they may continue to own the property and still receive the HUD grant and that medicaid waivers may be used to fund operating costs of the facility. Ms. Goodman has indicated that RACS now would prefer to continue to own the property. Elizabeth Kulas, the new Executive Director of RCCLT (formerly with Rockingham Area Community Land Trust), has requested that RCCLT be released from its agreement to purchase the property from RACS. RACS Board has approved RCCLT's request and will request that HUD transfer the Special Purpose grant to RACS.

There is a suit pending with adjoining land owners who initially appealed the building permit. The City of Rutland denied their appeal. The adjoining land owners then filed a suit based on their claim that RACS was operating a business in a residential neighborhood. RACS filed a counter-suit. RACS has since received a letter from the adjoining land owner's attorney stating that they will drop their suit if RACS drops their counter-suit. Ms. Goodman indicates that a verbal agreement has been reached by the adjoining land owners and RACS, and a written agreement is expected shortly.

VHFA has a copy of an appraisal that was completed in June 1993 showing the value to be $192,500. This appraisal was based on the market value of the property as a single family residence. The total acquisition cost is projected to be $426,500. The loan to value would be 100%. The total loan to development cost is 45%. A new appraisal has been ordered.

RACS has not obtained a Phase I Environmental Assessment of the property. Because the home is located in an established residential neighborhood, staff recommends that in lieu of a Phase I Environmental Assessment, RACS complete the attached Environmental Site Review Checklist developed by VHCB for group homes. VHFA would require a Phase I Environmental Assessment if the completed checklist indicates the potential for environmental hazards.

Attached is the annual operating budget for the facility for Fiscal Year 1994. The Vermont Agency of Human Services has indicated in a letter to RACS their commitment to provide funding for the operation of Westview Court as an ICF and to ensure payment of debt service paid at a reasonable interest rate. The letter projects that the annual operating budget for Westview Court will be $738,000. The operating budget provided by RACS indicates the operating expenses for Fiscal Year 1994 are approximately $761,000. VHFA will require verification from VAHS of the approval of the Fiscal Year 1994 budget.

<u>Affordability/Need</u>

All six of the current residents have no independent income sources, and therefore have incomes below 30% of median income for Rutland County. The completion of this facility has played an important role in the State's efforts to close the Brandon Training School. The six residents are all between the ages of 30 and 40 and have lived together for many years. This project has been determined to be by the Agency of Human Services to be the best and only living alternative for these six individuals.

In addition to standard conditions, VHFA will place the following conditions on its commitment to refinance mortgage loans secured by Westview Court:

- The availability of funds to VHFA from the Federal Home Loan Bank;

- Verification from the Vermont Agency of Human Services that the budget for Westview Court has been approved and of their commitment to provide full funding as an Intermediate Care Facility and to guarantee payment to VHFA of the monthly debt service;

- Satisfactory verification from HUD that the Special Purpose Grant issued to Rutland Area Community Land Trust has been transferred to Rutland Area Community Services;

- Satisfactory verification that the suit pending with adjoining land owners has been dismissed;

- In lieu of a full Phase I Environmental Assessment, satifactory completion of the attached Environmental Site Review Checklist used by VHCB for group homes;

- An appraisal of the property in an amount sufficient to meet the requirements of VHFA Regulations.

BOARD ACTION REQUESTED

Staff requests approval of the attached Resolution of Intent/Commitment to provide financing in the amount of $192,500 to Rutland Area Community Services to refinance mortgage loans made by Chittenden Bank and Vermont Community Loan Fund secured by Westview Court in Rutland. The source of funds would be an advance from the Federal Home Loan Bank.

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COMBINED RESOLUTION OF INTENT AND FOR COMMITMENT LETTER
RE: WESTVIEW COURT INTERMEDIATE CARE FACILITY (RUTLAND)

WHEREAS, a proposal has been presented to the Agency by Rutland Area Community Services ("RACS" or the "Sponsor") involving the refinancing of two short term loans on a six bed intermediate care facility for developmentally disabled and physically disabled adults in Rutland City (the "Development");

WHEREAS, the Sponsor has received a HUD Special Purpose grant in the amount of $200,000 and a grant in the amount of $34,000 from the Vermont Housing and Conservation Board;

WHEREAS, all the residents of the Development are developmentally disabled, have physical disabilities that make medical care necessary and have income less than 30% of Rutland County median income; and

WHEREAS, RACS qualifies as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act");

NOW, THEREFORE, it is hereby DETERMINED:

1. The Development will assist in fulfilling the purposes of the Act and qualifies as residential housing.

2. The Development is primarily for persons of low and moderate income.

3. The refinancing costs incurred by the Sponsor are for housing development costs within the meaning of the Act.

4. The loan will assist the operation of residential housing primarily for persons of low and moderate income.

5. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing for the developmentally disabled within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of such residential housing for occupancy by such persons.

6. The Sponsor undertaking the Development will maintain the supply of well-planned, well-designed permanent housing for persons of low and moderate income.

7. The security value of the Development will equal at least the amount of the VHFA loan.

8. The Sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a Commitment Letter (the "Commitment Letter") to Rutland Area Community Services to provide a loan to refinance two short term loans on the Development, in an amount to be determined by the Executive Director, but not to exceed $192,500.

2. The Commitment Letter shall be conditioned on the satisfaction by the Developer of all requirements of the Act, any applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the following documents that must be submitted in form and content acceptable to the Agency:

   (a) the availability of funds to the Agency for such purpose from the Federal Home Loan Bank;

   (b) submittal of an appraisal of the Development in an amount sufficient to meet the requirements of the Agency's regulations;

   (c) evidence that the HUD Special Purpose grant has been transferred from the Rutland County Community Land Trust to the Sponsor;

   (d) resolution of a pending lawsuit challenging the rehabilitation or operation of the Development filed by adjoining land owners;

   (e) verification from the Vermont Agency of Human Services ("VAHS") of approval of the Fiscal Year 1994 budget for the Development;

   (f) evidence of a satisfactory commitment from VAHS to continue to provide full funding to the Development as an intermediate care facility;

   (g) guarantee of monthly debt service payments from VAHS; and

   (h) completion of the environmental review checklist, indicating no environmental problems, in lieu of a full Phase I environmental assessment.

3. The maximum amount of the loan will be $192,500, the loan will be amortized over a period of 15 years, and the interest rate will be 100 basis points above the effective interest rate paid by the Agency on the advance from the Federal Home Loan Bank. The loan origination fee will be one percent.

4. The Executive Director, the Deputy Director and the Director of Finance, or any of them, are authorized to take all necessary steps and execute all documents required to effectuate this loan.

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RUTLAND AREA COMMUNITY SERVICES
Westview Court ICF -- Rutland
Annual Operating Budget c:\quattro\westoper.bud

EXPENSES	
SERVICES	
Clinical Salaries/Benefits	533,445
Administration	53,632
Contracts	49,055
Staff Training/Recruitment	3,800
Liability/Malpractice Insurance	3,044
Food	25,256
Misc/Medical Suppies	28,667
Transportation	4,900
Telephone/Office Supplies	2,000
Equipment Replacement Reserve	7,910
TOTAL SERVICES	711,709
PROPERTY EXPENSES	
Electricity	9,350
Fuel Oil	2,100
Water and Sewer	3,500
Repairs/Maintenance/Replacement	9,600
Taxes	2,300
Insurance	461
TOTAL PROPERTY EXPENSES	27,311
DEBT SERVICE ($192,500, 7.8%, 15 yrs)	21,810
TOTAL ANNUAL EXPENSES	760,830
INCOME	
CONTRACT WITH VT AGENCY OF HUMAN SERVICES	760,830

ENVIRONMENTAL SITE REVIEW CHECKLIST

Date of Review ______________

Present Owner and Address of Property ______________

Present Use of Property ______________

VHCB Applicant ______________

Proposed Use of Property ______________

Age of Building(s) ______________

High-risk Construction Materials:

Asbestos ______________ Lead ______________

Urea formaldehyde ______________ Other ______________

Is there an on-site water supply? _____ Yes _____ No

What is the distance of the water source from any high-risk activity sites as identified below?

Does the property show any of the following signs?

Yes	No		Yes	No	
_____	_____	absence of, or stressed, vegetation	_____	_____	oil staining of soils
_____	_____	leaking tank(s)	_____	_____	junked vehicles
_____	_____	leaking septic system	_____	_____	sheen on surface waters
_____	_____	unusual colored or smelling seeps			

Have there ever been any underground tanks, or above-ground storage in tanks or drums, for any of the following materials?

_____ fuel oil _____ heating oil _____ gasoline _____ diesel

_____ kerosene _____ waste oils _____ solvents

_____ chemicals ______________ _____ other, explain ______________

Has there ever been any area within the property, or adjacent property that has been used as a dumping ground for materials, including:

_____ automobiles _____ asbestos

_____ PCBs _____ agricultural chemicals

_____ waste oils _____ industrial cleaners or solvents

_____ industrial, commercial or household trash _____ other; explain ______________

SITE HISTORY: Has the property or adjacent property ever been used for any of the activities listed as "high risk"?

High Risk Activities

Site	Adj. Site		Site	Adj. Site	
______	______	service station	______	______	battery storage
______	______	leather tanning	______	______	paint or stain mfg.
______	______	industrial cleaning	______	______	medical laboratories
______	______	pest control	______	______	septic system cleaner
______	______	dry cleaners	______	______	lubricant mfg/sales
______	______	wood manufacturing	______	______	junk/salvage yard
______	______	paint removal	______	______	printing
______	______	hospital	______	______	film/photo processing
______	______	wool processing	______	______	ag. supplies/operations
______	______	testing laboratories	______	______	paper processing
______	______	plastics	______	______	chemical/solvent use
______	______	metal plating	______	______	roofing
______	______	fuel oil dealer	______	______	equipment rental
______	______	adhesive and sealant production	______	______	waste disposal/removal
______	______	tire repair	______	______	sandblasting/stone cutting
______	______	electrical transformers	______	______	hog farming
______	______	boat yard	______	______	computer industry
______	______	automotive repair	______	______	textile manufacturing
______	______	railroad			

Is the property within one mile of any state or federal hazardous waste sites?

_____ Yes _____ No

Has there ever been any problem with the septic system backing up or seeping out?

_____ Yes _____ No

Have there ever been any chemical septic system cleaners used at this site?

_____ Yes _____ No

Are there floor drains in the building that discharge to an on-site or municipal sewer treatment system?

_____ Yes _____ No

Is there on-site discharge of wastewater to waterbodies? _____ Yes _____ No

Is the property in a neighborhood that is/was zoned for industrial? _____ Yes _____ No

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PAC
Irene D. Jenkins, Director of Development

DATE: February 24, 1994

RE: Swanage Court and Birchard Park Group Homes - Resolution of Interest

SUMMARY OF REQUEST

Staff requests approval of the attached Resolution of Interest to provide two first mortgages to Counseling Service of Addison County, Inc. (CSAC) to finance two group homes for developmentally disabled adults owned by CSAC. Both homes are located in Middlebury. One home is an existing single family home located at 8 Swanage Court. CSAC requests a first mortgage in the amount of $109,700 to refinance a mortgage held by Vermont National Bank, which has an interest rate of 9.75%, and to complete approximately $10,100 in energy improvements. The second home is a newly constructed single family home located on lot #1, Birchard Park. CSAC requests a first mortgage in the amount of $130,600 to replace a construction mortgage also held by Vermont National Bank. The source of funding for the two loans would be an advance from the Federal Home Loan Bank (FHLB). The term of each loan will be 20 years and the interest rate would be based on our borrowing rate from the FHLB plus 100 basis points. The loan origination fee would be one percent.

The two group homes were developed by CSAC to allow for the closure of an Intermediate Care Facility (ICF) on Peterson Terrace in Middlebury. It is the policy of the Vermont Agency of Human Services (VAHS) to decrease the total number of ICF's and to replace some of the facilities with small group homes or other individualized residential options. The development of these two homes is a part of that overall policy. CSAC currently receives $436,242 annually in funding from VAHS for residents of the Peterson Terrace ICF. This funding will be transferred to the Swanage Court and Birchard Park group homes. CSAC also receives a rental payment from residents through SSI benefits.

CSAC initially submitted an application through the Fannie Mae Community Living Program (CLP). This request is not eligible for CLP because the appraised value of each group home is not adequate to support the requested mortgage using Fannie Mae eligibility criteria. Fannie Mae requires that a group home be appraised as a single family residence. Both homes were improved to be handicap accessible and sprinkler systems were added. The improvements completed to the homes do not contribute to the value as a single family home.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • FAX: 802/864-5746 • TDD: 1-800/586-5832

For the Community Living Program, VAHS has agreed to guarantee payment of the rental payments to the service provider in the event they are not received from the resident. VHFA will require a similar guarantee of rental payments for group homes financed with FHLB advances.

THE PROJECT

The Sponsor

The sponsor is Counseling Service of Addison County, Inc. (CSAC). CSAC was established in 1959 as the community mental health center for Addison County. CSAC provides a wide range of mental health, mental retardation, and substance abuse services to about 2,000 individuals each year. CSAC receives funding through client fees, insurance and Medicaid reimbursements, the United Way of Addison County, and State and Federal grants. The annual budget for CSAC for FY 1994 is projected to be $7.2 million. Financial statements for the year ending June 30, 1993, show operating revenue of $134,590. The total fund balance as of June 30, 1993, was $672,424. In addition to the two group homes that are the subject of this request, CSAC owns one other group home and leases three others. CSAC houses and supervises a total of 95 developmentally disabled clients.

Swanage Court Group Home

Swanage Court is located at 8 Swanage Court and was acquired by CSAC in April 1993. This home provides permanent housing for three developmentally disabled adults. Services provided to residents include: meals, laundry, cleaning and maintenance, 24-hour a day supervision, and counseling. CSAC requests a first mortgage in the amount of $109,700. This request will refinance a mortgage in the amount of $99,600 with Vermont National Bank that has an interest rate of 9.75%, and will also provide approximately $10,100 in funds to improve the energy efficiency of the to a 4 STAR level as determined by Energy Rated Homes of Vermont. The total development cost including the planned energy improvements will be approximately $153,000. CSAC has received a $30,000 grant from VHCB. The appraised value of the home as a single family residence is $127,000. VHFA's loan to value would be 86% and the total loan to development cost ratio would be 72%. Attached is an annual operating budget for FY 1994 for the Swanage Court group home.

Birchard Park

Birchard Park is a newly constructed, three bedroom single family home located on Lot #1 at Birchard Park. The home was designed specifically for use as a fully handicap accessible group home. Birchard Park will provide permanent housing for three developmentally disabled adults. Services provided to residents include: meals, laundry, cleaning and maintenance, 24-hour a day supervision, and counseling. CSAC requests a first mortgage in the amount of $130,600 to refinance a Vermont National Bank construction loan. The home has received a 4 STAR PLUS energy rating from Energy Rated Homes of Vermont. The total development cost is projected to be $163,000. CSAC has received a grant of $30,000 from VHCB. The appraised value as a single family residence is $139,700. VHFA's loan to value would be 95%. The total loan to development cost ratio would be 80%. Attached is an annual operating budget for FY 1994 the Birchard Park group home.

Affordability/Need

All six of the residents that will live at Swanage Court and Birchard Park have no independent income sources and receive SSI benefits of approximately $7,727 annually (approximately 30% of median income for Addison County); of this, $6,647 will be paid to CSAC for room and board. The Vermont Agency of Human Services will provide Medicaid Waiver funding for the balance of the operating expenses.

Both group homes were developed by CSAC to allow for the closure of an Intermediate Care Facility (ICF) on Peterson Terrace in Middlebury. The VAHS has indicated that there will be a long-term need for group homes for low-income, developmentally disabled adults.

Loan Conditions

In addition to standard loan conditions, VHFA would place the following additional conditions to a commitment to finance the Swanage Court and Birchard Park group homes:

- Approval by VAHS of the operating budget for Fiscal Year 1994 and transfer of the funding from the Peterson Terrace ICF to the Swanage Court and Birchard Park group homes;
- Satisfactory guarantee from VAHS of rental payments normally paid by the residents of Swanage Court and Birchard Park in the event they are not received by CSAC;
- Satisfactory completion of an Environmental Site Review Checklist for each property.

BOARD ACTION REQUESTED

Staff requests approval of the attached Resolution of Interest to provide financing to Counseling Service of Addison County, Inc. to refinance two group homes in Middlebury. One loan will be in the amount of $109,700 to refinance a loan given by Vermont National Bank and to complete energy improvements to 8 Swanage Court. The second loan will be in the amount of $130,600 to refinance a construction loan given by Vermont National Bank to construct a home at Birchard Park. The source of funds will be an advance from the Federal Home Loan Bank.

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RESOLUTION OF INTEREST PERTAINING TO COUNSELING SERVICE OF ADDISON COUNTY (CSAC) REFINANCING OF LOANS FOR TWO GROUP HOMES

WHEREAS, a proposal has been presented to the Agency by Counseling Service of Addison County ("CSAC" or the "Sponsor") involving the refinancing of loans on two three bedroom group homes for developmentally disabled adults in Middlebury (the "Developments");

WHEREAS, all the residents of the Developments are developmentally disabled and have as their only income SSI benefits that approximate 30% of Addison County median income;

WHEREAS, CSAC qualifies as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act");

WHEREAS, the Sponsor is requesting a first mortgage in the amount of $109,700 on the Development located on Swanage Court in order to refinance a mortgage in the approximate amount of $99,600 and to perform energy improvements in the approximate amount of $10,100 in order to improve the energy efficiency of the Development to a 4 STAR level; and

WHEREAS, the Sponsor is requesting a first mortgage in the amount of $130,600 on the Development located on Birchard Park to replace a construction loan;

NOW, THEREFORE, it is hereby DETERMINED:

1. The Developments will assist in fulfilling the purposes of the Act and qualify as residential housing.

2. The Developments are primarily for persons of low and moderate income.

3. The refinancing costs incurred by the Sponsor are for housing development costs within the meaning of the Act.

4. The loan will assist the operation of residential housing primarily for persons of low and moderate income.

5. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing for the developmentally disabled within the general housing market area of the Developments, and private enterprise and investment are unable, without assistance, to provide an adequate supply of such residential housing for occupancy by such persons.

6. The Sponsor undertaking the Developments will maintain the supply of well-planned, well-designed permanent housing for persons of low and moderate income.

7. The security value of the Developments will equal at least the amount of the VHFA loans.

8. The Sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Vermont Housing Finance Agency hereby declares its interest in refinancing an existing mortgage loan and providing financing for energy improvements on the Swanage Court group home and in refinancing a construction loan on the Birchard Park group home, both of which are located in Middlebury and owned by the Counseling Service of Addison County.

2. This Resolution of Interest is not a commitment to make a loan or to otherwise finance the Developments and is expressly conditional upon the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency and such further requirements as the Agency may establish, including, but not limited to, the following:

   (a) the availability of funds to the Agency for such purpose from the Federal Home Loan Bank;

   (b) verification from the Vermont Agency of Human Services ("VAHS") of approval of the Fiscal Year 1994 budget for the Development and transfer of funding from the Peterson Terrace Intermediate Care Facility to the Developments;

   (c) evidence of a satisfactory commitment from VAHS to continue to provide full funding to the Developments as group homes;

   (d) guarantee of monthly rental payments normally paid by the residents from VAHS; and

   (e) completion of the environmental review checklist, indicating no environmental problems, in lieu of a full Phase I environmental assessment.

3. The maximum amount of the loans will be $109,700 for Swanage Court and $130,600 for Birchard Park. The loans will be amortized over a period of 20 years, and the interest rate will be 100 basis points above the effective interest rate paid by the Agency on the advance from the Federal Home Loan Bank. The loan origination fee will be one percent.

4. The Executive Director is authorized to deliver a copy of this resolution to the Sponsor. This Resolution of Interest may be used by the housing sponsor in support of applications for operating subsidies or for other purposes with the consent of the Agency.

COUNSELING SERVICE OF ADDISON COUNTY
Swanage Court Group Home Operating Budget
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REVENUE	
Resident Rental Payments (SSI)	19,941
Medicaid Waiver Revenue (VAHS)	187,013
TOTAL REVENUE	206,954
EXPENSES	
Personnel	
Salaries	117,600
Benefits	24,696
Contracted Salaries	810
Recruitment & Training	1,800
Administration	16,748
Total Personnel	161,654
Program	
Telephone/Cable/Entertainment	1,900
Food & Groceries	7,500
Miscellaneous Supplies	1,400
Total Program	10,800
Travel & Transportation	
Gas/Oil	1,000
Insurance	1,100
Repairs/Maintenance	500
Staff Mileage	300
Total Travel & Transportation	2,900
Building Expenses	
Property Taxes	3,500
Electricity	1,500
Fuel Oil	1,800
Water/Sewer	1,200
Custodial Supplies/Misc. Supplies	1,800
Equipment Replacement Reserve	1,050
Trash Removal	1,000
Repairs/Maintenance	1,500
Insurance	750
Mortgage P & I (7.95%, 20 yrs)	10,385
Total Building Expenses	24,485
TOTAL EXPENSES	199,839

COUNSELING SERVICE OF ADDISON COUNTY
Birchard Park Group Home Operating Budget
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REVENUE	
Resident Rental Payments (SSI)	19,940
Medicaid Waiver Revenue (VAHS)	219,250
TOTAL REVENUE	239,190
EXPENSES	
Personnel	
Salaries	119,625
Benefits	25,251
Contracted Salaries	19,376
Recruitment & Training	1,800
Administration	24,358
Total Personnel	190,410
Program & Operating	
Telephone/Cable/Entertainment	2,000
Food & Groceries	7,500
Medical & Misc. Supplies	650
Total Program & Operating	10,150
Travel & Transportation	
Gas/Oil	1,000
Insurance	1,100
Repairs/Maintenance	500
Staff Mileage	300
Total Travel & Transportation	2,900
Building Expenses	
Property Taxes	4,000
Electricity	1,800
Fuel Oil	2,500
Custodial Supplies	1800
Equipment Repair	500
Water/Sewer	1,200
Repairs/Maintenance	1,500
Equipment Replacement Reserve	1000
Trash Removal	1150
Insurance	750
Mortgage P & I (estimated 7.95%, 20 yrs)	11,625
Total Building Expenses	27,825
TOTAL EXPENSES	231,285

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: January 31, 1994

Lenders	Total Loans	30	Days	60	Days	90+	Days	Auth	FCL	Total Delinq		REO		Grand Total	
BancBoston Mortgage Corp.	324	11	3.40%	1	0.31%	3	0.93%	0	0.00%	15	4.63%	1	0.31%	16	4.94%
Banknorth Mortgage Co.	758	41	5.41%	10	1.32%	9	1.19%	2	0.26%	62	8.18%	7	0.92%	69	9.10%
Bennington Co-op S&L Assoc.	36	1	2.78%	1	2.78%	0	0.00%	0	0.00%	2	5.56%	0	0.00%	2	5.56%
Chittenden Bank	854	53	6.21%	12	1.41%	13	1.52%	3	0.35%	81	9.48%	6	0.70%	87	10.19%
Citizens Savings Bank	56	2	3.57%	0	0.00%	1	1.79%	0	0.00%	3	5.36%	0	0.00%	3	5.36%
Comfed Mortgage Co.	7	0	0.00%	1	14.29%	0	0.00%	0	0.00%	1	14.29%	0	0.00%	1	14.29%
Community National Bank	198	5	2.53%	2	1.01%	2	1.01%	0	0.00%	9	4.55%	1	0.51%	10	5.05%
Factory Point Nat. Bank	27	4	14.81%	2	7.41%	0	0.00%	0	0.00%	6	22.22%	0	0.00%	6	22.22%
Farragut Mortgage Co.	7	1	14.29%	0	0.00%	0	0.00%	0	0.00%	1	14.29%	0	0.00%	1	14.29%
First Brandon Nat. Bank	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
First Northern Mortgage Corp.	3	1	33.33%	0	0.00%	0	0.00%	0	0.00%	1	33.33%	0	0.00%	1	33.33%
Fleet Mortgage	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Green Mountain Bank	190	10	5.26%	5	2.63%	0	0.00%	1	0.53%	16	8.42%	1	0.53%	17	8.95%
Lomas & Nettleton Company	14	1	7.14%	0	0.00%	0	0.00%	0	0.00%	1	7.14%	0	0.00%	1	7.14%
Lyndonville Savings Bank	61	3	4.92%	1	1.64%	0	0.00%	0	0.00%	4	6.56%	1	1.64%	5	8.20%
Marble Bank	209	8	3.83%	3	1.44%	1	0.48%	0	0.00%	12	5.74%	0	0.00%	12	5.74%
Merchants Bank	360	16	4.44%	4	1.11%	4	1.11%	2	0.56%	26	7.22%	1	0.28%	27	7.50%
Mortgage Service Ctr. of NE	53	2	3.77%	2	3.77%	0	0.00%	2	3.77%	6	11.32%	2	3.77%	8	15.09%
National Bank of Middlebury	60	3	5.00%	0	0.00%	0	0.00%	0	0.00%	3	5.00%	1	1.67%	4	6.67%
New England IBM Employees FCU	51	1	1.96%	1	1.96%	0	0.00%	0	0.00%	2	3.92%	2	3.92%	4	7.84%
Northfield Savings Bank	106	6	5.66%	1	0.94%	1	0.94%	0	0.00%	8	7.55%	1	0.94%	9	8.49%
Passumpsic Savings Bank	168	5	2.98%	1	0.60%	1	0.60%	0	0.00%	7	4.17%	3	1.79%	10	5.95%
Peoples Trust Co.	116	9	7.76%	1	0.86%	1	0.86%	0	0.00%	11	9.48%	0	0.00%	11	9.48%
Randolph National Bank	54	3	5.56%	1	1.85%	0	0.00%	0	0.00%	4	7.41%	0	0.00%	4	7.41%
Statewide Funding Corp.	150	10	6.67%	0	0.00%	1	0.67%	2	1.33%	13	8.67%	2	1.33%	15	10.00%
Union Bank	149	4	2.68%	0	0.00%	0	0.00%	0	0.00%	4	2.68%	0	0.00%	4	2.68%
Vermont Development CU	4	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Vermont Federal Bank	809	31	3.83%	11	1.36%	12	1.48%	3	0.37%	57	7.05%	7	0.87%	64	7.91%
Vermont National Bank	522	23	4.41%	10	1.92%	5	0.96%	1	0.19%	39	7.47%	1	0.19%	40	7.66%
Wells River Savings Bank	35	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Totals Month/Day/Year	5385	254	4.72%	70	1.30%	54	1.00%	16	0.30%	394	7.32%	37	0.69%	431	8.00%
Totals Previous Month	5395	280	5.19%	54	1.00%	45	0.83%	16	0.30%	395	7.32%	35	0.65%	430	7.97%

VERMONT HOUSING FINANCE AGENCY

REO Status Report

Through January 31, 1994

Name Property Location	Appraisal Original Current	Market Analysis	Loan Bal.	Date Acquired	Sale Date	Sale Price	Total Due	Primary Claim Paid	LLCF/ Pool Paid
BancBoston Mortgage Corporation									
Fitzgerald Huntington	$63,500	$45,000	$58,947	4/02/93					
Turcotte Fairfield	$72,000 $60,000		$66,046	2/19/93	6/7/93	$65,900	$86,969	$12,047	($ 9,022)
Banknorth Mortgage Company									
Colomb Bakersf'd	$82,000 $77,500	$78,500	$76,209	3/15/93	10/15/93	$78,000	$97,642	$16,150	($ 3,492)
Cleveland Morristown	$76,000 $72,000	$72,500	$64,182	8/3/92			$75,805		
Edwards Georgia	$94,000 $92,000	$87,500	$71,713	1/2/94	3/31/94	$92,900	$81,940		
Blow Burlington	$75,500 $91,000	$86,400	$65,773	3/31/93	7/23/93	$91,000	$93,752	$ 4,806	$ 2,054
Nichols Rockingham	$62,000 $56,000	$42,500	$57,298	3/11/93			$64,087		
Sherwin Rutland	$71,000 $85,000	Ordered	$62,483	10/23/93			$75,873		

Highlighted items are preliminary

Name Property Location	Appraisal Original Current	Market Analysis	Loan Bal.	Date Acquired	Sale Date	Sale Price	Total Due	Primary Claim Paid	LLCF Payment
Shaw B'boro	$59,500 $59,500	$60,000	$54,528	4/13/93			$70,764		
Marshall Cambridge	$50,000 $45,000	$30,000	$43,728	1/20/92	12/3/93	$40,000	$60,126	$ 9,600	($10,526)
Larabee Albany	$49,000 $47,000	$37,000	$46,304	11/10/91			$60,242		
Corey Barton	$33,000 $25,000		$29,912	7/29/92	5/28/93	$15,000	$39,140	$ 7,596	($16,544)
Chittenden Bank									
Chatterly Bolton	$93,500 $81,000	$75,000	$85,749	1/19/93			$104,418		
Boutin Essex	$74,500 $50,000	$34,000	$69,456	4/13/93			$92,460		
Plante Swanton	$70,000 $68,000	$55,000	$65,043	3/19/93	7/22/93	$62,000	$98,322	$13,800	($22,522)
Morrill Fair Haven	$70,000 $30,000	$30,000	$65,678	5/7/92			$84,460		
Cote Milton	$63,000 $81,000	$89,900 $86,500	$55,261	4/30/93	$3/28/94	$92,500	$98,005	$ 5,505	
Beauchemin St Albans	$99,500 Ordered	$94,900	$86,122	1/18/92			$94,018		
O'Bryan N. Hero	$80,000 $95,000	$87,000	$69,049	6/3/92			$81,304		
Benoit Georgia	$52,500 $85,000	$79,900	$46,494	7/21/93	11/12/93	$84,900	$95,694	$ 8,694	($ 2,100)

Highlighted items are preliminary

Name Property Location	Appraisal Original Current	Market Analysis	Loan Bal.	Date Acquired	Sale Date	Sale Price	Total Due	Primary Claim Paid	LLCF Payment
Community National Bank									
Martin Troy	$25,000 $29,000	$23,500	$22,897	6/17/91			$36,342		
Merchants Bank									
Stone Newberry	$47,500 $40,000	$32,500	$41,775	1/5/90		$32,000	$71,607	$9,000	($30,607)
Green Mountain Bank									
Converse Cavendish	$63,000 $61,000	$74,500	$36,282	7/17/93			$47,704		
Lyndonville Savings Bank									
Beck Burke	$50,000 $40,000	$33,900	$44,306	5/14/92			$57,986		
Marble Bank									
Putnam Springf'd	$64,500 $65,000	$52,500	$60,352	11/15/89	3/15/93	$40,000	$88,580	$12,800	($35,780)
Mortgage Service Center of New England									
Kuit Hartford	$78,000 Ordered		$71,732	1/12/94			$84,922		

Highlighted items are preliminary

Name Property Location	Appraisal Original Current	Market Analysis	Loan Bal.	Date Acquired	Sale Date	Sale Price	Total Due	Primary Claim Paid	LLCF Payment
Collazo St. Jay	$23,000 Ordered	Ordered	$20,902	12/20/93			$23,519		
National Bank of Middlebury									
Novak Middlebury	$73,500 $71,700	$69,500	$67,135	8/2/93			$83,298		
New England IBM Employees FCU									
Desimone S. B'ton	$80,000 $69,000	$67,500	$69,012	10/25/93			$74,828		
Raub Colchester	$80,900 $76,500	$74,000	$73,226	11/9/93			$76,916		
Northfield Savings Bank									
Egri Northfield	$63,000		$54,017	11/9/93			$62,932		
Passumpsic Savings Bank									
Pond Lunenburg	$37,000 $51,000	$46,000	$28,437	4/15/91	1/27/94	$51,000	$53,722	$2,187	($ 535)
Fenoff Sutton	$80,000 $58,000	$54,900	$73,953	2/19/93	9/10/93	$70,000	$86,667	$16,500	($ 167)
Phelps St. Jay	$28,000	$17,900	$24,832	12/20/93			$27,576		
Magoon Walden	$69,000 $68,000		$66,703	4/12/93	2/11/94	$70,000	$86,552		

Highlighted items are preliminary

Name Property Location	Appraisal Original Current	Market Analysis	Loan Bal.	Date Acquired	Sale Date	Sale Price	Total Due	Primary Claim Paid	LLCF Payment
Powell St. Jay	$67,000		$61,854	3/5/92			$90,444		
Union Bank									
McArthur Hardwick	$63,000 $55,000	$47,000	$58,782	6/3/92	6/18/93	$56,800	$80,697	$12,600	($11,297)
Vermont Federal Bank, FSB									
Young Milton	$72,000 $53,000		$64,406	10/23/93			$76,892		
Beachler Johnson	$66,000 $45,000	$45,000	$55,000	8/21/92	12/8/93	$45,000	$85,018		
Geagon Montpelier	$76,500 $68,000	$71,500	$65,344	12/3/93			$76,637		
Bartolomeo Charleston	$59,000 $55,000		$57,402	9/13/93			$67,002		
Manfredi Rutland	$86,500 $71,000	$75,000	$80,073	11/30/93			$93,683		
Moore Concord	$42,000 $25,000	$20,000	$35,414	7/19/93	1/14/94	$20,000	$47,828	$ 7,600	($20,228)
Papineau Montpelier	$75,000 $ 7,000	$53,995							
Bly Newport	$48,500 $45,000	$40,000	$42,700	1/7/93	11/10/93	$45,000	$69,398	$ 9,075	($15,323)
Baker Barre	$79,000 $67,000	$72,000	$72,028	6/10/93			$96,261		

Highlighted items are preliminary

Name Property Location	Appraisal Original Current	Market Analysis	Loan Bal.	Date Acquired	Sale Date	Sale Price	Total Due	Primary Claim Paid	LLCF Payment
Vermont National Bank									
Leitem Rutland	$33,000 $48,000		$29,423	9/3/91	5/3/93	$30,000	$48,337	$ 6,500	($11,837)
Doria Essex	$76,500 $70,500	$65,000	$71,803	9/23/92	7/26/93	$66,000	$95,932	$15,300	($14,632)
Sabol Rutland	$85,000 $73,500	$73,500	$79,578	5/10/93	4/01/94	$70,000	$110,480		

Highlighted items are preliminary

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Jim Gandini, ~~Data~~ Processing Manager

DATE: February 25, 1994

RE: Update on Computer Conversion Process

The computer conversion process, which was begun in November 1992 with the selection of a software vendor, the Mitas Group, and a hardware vendor, McAuliffe's Office systems, has not gone as smoothly as originally intended. The initial implementation schedule called for completion of the conversion during the fall of 1993. That schedule was not met for several reasons and my best estimate currently is for an early fall 1994 completion of the conversion. While the conversion process has taken longer than anticipated, I am confident that the project will be successfully completed within budget.

Specific reasons that the conversion has not been completed in accordance with the original schedule include:

1. The original schedule was too optimistic and did not anticipate the length of time required for customization of the software in order to meet VHFA's requirements and the commitment required of VHFA's staff in contributing to the conversion. (Mitas now recognizes the complexity of VHFA's requirements and is working hard to assure that VHFA is a satisfied customer and that our comprehensive needs are met. VHFA staff have come to understand the commitment required for a successful conversion and are providing the required effort.)

2. Mitas' early methods in determining the operating practices at VHFA relied mostly on the work done at other housing finance agencies and did not examine VHFA's specific requirements closely enough. (Mitas now recognizes that each of its HFA customers operate somewhat differently, and because of its interest in developing a product marketable to other HFA's is working to both meet VHFA's needs and expand the versatility of its product.)

3. Early efforts at involving all VHFA staff were hampered by unclear expectations on everyone' part about who would be responsible for what aspect of the

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conversion and just who would have to do what to facilitate a timely conversion. (We have instituted practices intended to enhance communications through the establishment of user group meetings, written conversion schedule agendas and meeting debriefings after visits by Mitas staff to facilitate the conversion. While we can continue to make improvements in this area, communications have improved significantly and staff has a clear understanding of who is responsible for what aspects of the conversion.)

In spite of the difficulties associated with the conversion, things are going relatively well. The mortgage loan accounting system is up and running as are the new accounts payable, cash management and general ledger modules. While we have not yet been able to generate financial statements for the current fiscal year, transaction data for the first half of the fiscal year is being entered into the system so we should be able to produce financials in the near future. Four aspects of the data processing system remain to be completed. They are the conversion of the VHMGB loan data into the agency database (the system must also be modified to accommodate VHMGB's policies and procedures), the development of a multi-family project management module, the installation of the loan servicing module, and the creation of a system for maintaining self-service loans. While each of these tasks presents its own challenges, our earlier experiences have prepared us to undertake them more efficiently. Again, I expect to see these tasks completed by early fall 1994.

I will be available at the Board meeting to answer any questions about the conversion.

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Samuel J. Falzone, Director, Multi-Family Management

DATE: February 25, 1994

RE: EXISTING PROJECT STATUS

There are two properties in VHFA's Multi-Family portfolio that have not performed as expected and we want to brief you on the situation as it relates to Winchester Place and St. Johnsbury Housing Partnership I. Each of these Housing Vermont properties were approved for financing with the expectation that there would be operating deficits for a period of time. At permanent loan closing, Sinking Funds were established based on underwriting assumptions that seemed reasonable at the time. In some cases, these assumptions did not hold up due to the downturn in the economy. In other instances, actual operating expenses turned out to be much higher than those projected. With each of these properties, the Sinking Funds have been depleted much more rapidly than expected and we have been working with project owners and managers to find long term solutions to the problems these properties now face.

Winchester Place

This property opened for occupancy in 1990 and contains 166 units (75 are affordable under the LIHTC program). The $725,681 Sinking Fund was expected to be available to offset planned operating deficits for the first eight years. The fund will be fully depleted early in 1994 and we have been working with Housing Vermont and the Merchants Bank, their tax credit equity partner, on a plan to replenish the Sinking Fund and meet the deferred maintenance needs of the property. VHFA holds a $157,624 Working Capital letter of credit that can be used to fund deficits if and when this becomes necessary. The difficulty is that the most recent financial projections indicate that deficits may continue for the next 7 to 10 years and require additional deposits to the Sinking Fund of nearly $1 million.

Discussions have taken place with St. Michael's College to see if they are willing to reduce annual land lease payments in order to help improve Winchester's long range cash flow projections (St. Michael's will ultimately gain ownership of the project in 2021). VHFA has also explored various options in terms of debt refinancing and we are unable to provide any relief until 1999 unless a default leads to foreclosure. As you may recall, the Evensen Dodge study found Winchester Place to be the most vulnerable loan in their risk analysis of the Multi-Family portfolio.

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St. Johnsbury Housing Partnership I

This scattered site property consists of 32 units located in seven buildings in various parts of St. Johnsbury. Thirteen of the units have project based Section 8 assistance and are part of a total of 23 units that are covered by LIHTC affordability restrictions. The scope of rehab at the time of acquisition was limited, and the plan was to upgrade units using operating income after closing which occurred in 1990. Operating expenses have been much higher than anticipated, unexpected unit turnovers have been costly and cash flow from operations for the additional rehab that was planned has been unavailable. Replacement Reserve funds and Working Capital have been drawn down at an alarming rate in order to complete repairs and upgrade units in order to stay competitive in St. Johnsbury's distressed rental market. $53,000 in original VHCB grant funding is available in a Sinking Fund; however, if the current level of deficits continue, these funds will be gone by 1996. Concern over these issues contributed to our decision not to participate in St. Johnsbury Housing Partnership II when it was submitted for financing last year.

Housing Vermont's local partner, Northern Community Housing Corporation is revising a second phase financing application that was submitted to VHCB in January 1994. If approved, they plan to use these funds to complete a more comprehensive second phase of rehabilitation in an attempt to moderate expenses related to ongoing maintenance and rehab. They also hope to increase funding for the Replacement Reserve account so that it will be capable of meeting the long term capital needs of the property. The Partners have suggested that there may be an opportunity to reduce debt service payments and we have discussed approaching the Bank of Vermont and Federal Home Loan Bank in an attempt to provide some relief through debt modifications. Despite these measures, there may still be a need for a Sinking Fund if the projected operating deficits are not erased entirely.

Discussion

With each of these properties, and some others that are not as troubled, we have acknowledged that our ability to continue financing multi-family developments is based on VHFA's willingness to take more risks as a lender. This higher risk requires that we be much more vigilant and critical in our review, underwriting and approval of projects in the current environment. As a result of the lessons we have learned with these projects, we have determined that income and expense trending needs to be more conservative, per unit month operating expense benchmarks need to be established and used as an important part of the underwriting process, the implications of minimal rehab on future operating expenses need to be considered and resolved, written verification of projected real estate taxes and impact fees and/or their abatement or waiver need to be obtained <u>before</u> closing. Many of these improvements in our underwriting process have been implemented. We realize that Sinking Funds alone will not assure financial viability. Ultimately, the cost to VHFA could be significant if riskier properties such as these fail.

No action is requested at this time although we plan to keep the Board informed regarding the status on these and any other properties that run into difficulty. Any proposed changes in debt financing will be brought before the Board for approval.

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Roger A. Schoenbeck, Director of Finance

RE: Single Family Bond Financing (Series 5)

DATE: February 25, 1994

Pursuant to the last Board meeting, we announced our new mortgage rate to the public on February 15th. Unfortunately, the bond market has not cooperated with us. Bond rates have increased about a quarter of a point or 25 basis points since we announced our rate. We have reserved approximately $1.5 million of mortgages since the release of the rate. We had originally built in a 20 basis point (safety) cushion to the announced rates of February 15. The 6.75% two-point mortgage was the lowest rate offered in VHFA history. That rate will be increased to 7% effective Monday, February 28. Conventional mortgage rates have increased at least as much as our rates. Negative arbitrage (the difference between what we have to pay bondholders and what we can invest bond funds at) has narrowed to closer to 2% from 2.5% earlier this month. This change would save us about $125,000 on an annual basis for lendable proceeds of $25 million. However, annual negative arbitrage still amounts to about $500,000.

MORTGAGE RATES

In addition to the 6.75% two-point mortgage initially offered, we also offered a no-point mortgage at 7.05% for the MOVE program. We also set the HOUSE program rates at 5.85%, increasing 1/2 point a year until rates reached 7.35% in the fourth year through the balance of the mortgage. This was also a no-point mortgage product. All mortgages were set for 30 year terms. The February 28 adjustment boosts all the above rates by 25 basis points. We will be continuing to monitor bond rates on a daily basis.

CURRENT STRATEGY

Although rates are trending upward, they have not increased so much as to be problematic at this time. We have had two working sessions on the official statement (the document that would be released in preparation for the sale of bonds) and feel that we could issue that document on very short notice if market conditions warrant. The underwriters are forecasting that rates should stabilize or possibly move up by not more than 25 basis points between now and the anticipated sale of our bonds in April.

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EQUAL HOUSING OPPORTUNITY

LOCK IN OF RATES
At the last Board meeting, we discussed the control of limiting our commitment of mortgages to a maximum of $5 million without further approval by the Board. After a meeting of pertinent staff it was decided that it would be too difficult to change our program and lock rates in at commitment. A rate will be provided at the time of reservation for a 60 day period; if the loan does not come in for commitment in the 60 day period, it will lose its committed rate and will be subject to the then-current rate being offered. This procedure is somewhat different from what was envisioned and therefore suggests that we restrict **reservations** to the $5 million limitation, rather than commitments. This will be somewhat conservative since historically about 25% of reservations end up dropping out of the process.

BOARD ACTION
No action required at this time.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: CG Cathleen Gent, Interim Director of Communications

DATE: February 25, 1994

RE: 1994 Marketing Campaign

The VHFA 1994 marketing campaign plan is finalized and Phase 1 (Spring) will begin shortly. This marketing campaign has been modified from last year's in several respects:

1) The campaign has two phases (Spring and Fall) rather than the three phases (Spring, Summer, and Fall) in 1993. The two-phase approach has been used most often in VHFA advertising in prior years.

2) The advertising budget is proposed to be $100,000 for 1993 (including design and production, advertising management, and advertising purchasing). This budget represents a 35% reduction from the 1993 budget of $155,000, in which an aggressive campaign was launched to help utilize the remaining balance from the convertible option bonds issued in September of 1990 which expired in February 1994. (The goal was to reserve $47.5 million: $42 million were actually reserved in conjunction with the 1993 advertising campaign.)

   The 1994 advertising budget of $100,000 is on par with the 1992 advertising budget.

3) The objectives of the 1994 advertising campaign are:
   1) To maintain the overall level of activity in calls to the VHFA Hotline and in reservations that was generated in 1993;
   2) To generate a level of response in each county on par which reflects each county's distribution of households within VHFA's target income of $20,000 to $40,00

   The relatively small size and structure of the Series 5 Single Family bond financing enables VHFA to have greater flexibility with setting interest rates and to be more market sensitive. It is anticipated that VHFA will have a low interest rate competitive with lenders making our programs attractive in relation to banks' affordable housing programs. This factor, combined with better targeting of our advertising dollars, should result in reservations of $42 million during the months of

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our advertising campaign in 1994.

It should be noted that the pool of 150 Down Payment Assistance IORTA loans will be made available again in June. These popular loans will themselves result in about $10 million in reservations.

4) Because of the reduction in the budget, the advertising dollars will be spent as efficiently as possible. Thus, ad dollars will be targeted where and when we feel we have the greatest potential to generate response. The following strategies will be employed:
1) Target ad dollars to counties with the greatest potential for response, especially those where media coverage extends to large geographic area;
2) Reduce the time frame of the ad program to correspond to the real estate market's most active periods, namely from March to June and from mid-August to mid-October;
3) Use print and radio as the primary vehicle for reaching targeted counties and maintain expenditures.

5) An analysis of the ad campaign will be conducted from mid-March to early May. Ways to reduce expenditures for Phase 2 of the advertising campaign will be examined and adopted as appropriate.

Given that we are in midst of transition with Hollis Hope's departure and strategic planning, VHFA does have an excellent opportunity to re-examine how advertising is approached. Some long-term planning should be considered, which will need direction from the Board.

For instance:

- Negative arbitrage remains a factor, even with the approach we have taken with the current bond deal by accelerating the delivery of mortgages. In general, we believe that the ad campaign is needed in order to get money out and reduce the negative arbitrage. This condition **may become** less of a factor if the sale of VHFA bonds occurs after loan purchases are delivered for the funds. If it is less of a factor, the need for advertising might diminish.

- We know from VHFA Costumers Satisfaction Surveys that the primary sources of information about VHFA from our borrowers are: **lenders** (59%); information packets (45%); and **realtors** (36%). Calls to the Hotline suggest that their inquiries may be prompted through our advertising since about two-thirds of callers heard about VHFA via print, radio, or TV and one-third via lenders or realtors. Several questions emerge:
1) How much of a presence should VHFA have in the marketplace via advertising if lenders and realtors are more influential in VHFA loans being made?
2) How important is it to maintain VHFA's **visibility** via advertising?

- Should we increase our level of work using other channels to bring low and moderate income buyers to VHFA as opposed to doing direct advertising?
  1) Lenders
  2) Realtors
  3) Home buyer fairs and other home buyer education courses

- VHFA's market share of both primary homes and those within VHFA price limits has decreased in the last couple years. Should VHFA strive to regain a higher market share? If so, this might require even more advertising spending.

In order to look at these issues, we might need to gather more data about the impact of our outreach efforts versus using direct advertising.

I look forward to your thoughts about both the 1994 advertising campaign and long-term planning issues.

BOARD ACTION

No Board action is necessary. Phase 1 of the 1994 advertising campaign will cost $50,000. It is expected that approximately $38,000 will be made available through the bond proceeds from the Series 5 single family bond financing. The remaining $12,000 will be paid for through the Communications Department General Fund budget already approved.

POST

National Council of State Housing Agencies
WASHINGTON

John T. McEvoy, *Executive Director* | Barbara J. Thompson, *Director of Government Affairs*

February 14, 1994

HUD NET WINNER IN ADMINISTRATION'S FY 95 BUDGET REQUEST

On February 7, the Clinton Administration released its Fiscal Year 1995 (FY 95) Budget, which contains the Administration's funding requests and related legislative proposals for the federal government. Because of spending limits enacted in last year's budget reconciliation bill, discretionary government spending is scheduled to decrease by 1.4 percent, or $8 billion, between FY 94 and FY 95. For many programs and several federal agencies, the freeze results in lower spending in FY 95 than in FY 94.

In a victory for Secretary Cisneros, however, the Administration proposed to increase HUD's budget by 4 percent, from $25.1 billion to $26.1 billion. The Office of Management and Budget (OMB) had recommended that HUD's budget be cut by 15 percent.

In keeping with HUD's first priority, combating homelessness, the Budget proposes $1.12 billion for McKinney Act programs -- an increase of $389 million from FY 1994. The McKinney programs (Emergency Shelter Grants, Shelter Plus Care, Section 8 Moderate Rehabilitation, and Transitional Housing) would be reorganized as a single grant program allocated by a need-based formula. To receive funds, grantees would have to implement a strategic homeless assistance program based on the "continuum of care" concept, providing progressive services from initial shelter to permanent housing.

Another major budget increase would be in Section 8, which would receive $2.7 billion, an increase of $1.4 billion over FY 1994. Of the increase, $1.1 billion would fund three new initiatives: $514 million for 5,000 units of new rental housing under a Pension Fund Partnership program; $343 million for 15,000 homeless households; and $171 million to assist 5,000 disabled households. HUD also proposes to reduce fair market rents (FMRs), freeze rents for assisted housing projects in some areas, and redesign how Section 8 administrative fees are calculated.

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The Budget proposes only $1 billion for the HOME program, $275 million less than the FY 1994 enacted level and $600 million less than the Administration requested last year. NCSHA will continue to urge Congress to provide at least as much for HOME in FY 95 as it appropriated in FY 94.

The Budget also proposes $100 million to fund the National Homeownership Trust. The Trust, which Congress authorized in 1990 but has never funded, provides downpayment and closing cost assistance or mortgage interest rate subsidies for lower income first-time homebuyers. HUD has indicated that it expects to utilize housing finance agencies to administer this program.

Community and economic development activities would receive an increase under the Budget, with a proposed new $800 million Project-Based Community Development Grants program. The $800 million includes $150 million for Economic Revitalization Grants to assist economic development projects in conjunction with the Section 108 loan guarantee program, $150 million for the Community Viability Fund to support urban planning activities, and $500 million for grants to support the financing of capital projects in empowerment zones and enterprise communities.

The current funding level for the Community Development Block Grant program would be maintained at $4.4 billion. Of this amount, HUD proposes to set aside $200 million for a new program called the "Leveraged Investment for Tomorrow" (LIFT) program to provide project-based assistance to stimulate investment in urban neighborhoods.

The Section 202 Housing for the Elderly program would suffer the largest reduction in the Budget, falling from $1.2 billion in FY 94 to $150 million in FY 95. Funding for the Section 811 Housing for Disabled Persons program would be maintained at the FY 94 funding level of $387 million. A HUD spokesman justified the reduction in elderly housing and increase in housing for the disabled by claiming that the "mixed populations" legislation enacted in 1992 will increase the relative level of available housing for elderly persons by allowing public housing authorities to restrict admission to some of their properties to the elderly.

The Budget requests no new funding for preservation activities under the 1990 Low Income Housing Preservation and Resident Homeownership Act (LIHPRHA). HUD expects existing spending authority to cover the program's expenses through FY 95.

The Budget repeats last year's proposal to reduce the federal cost limit under this program from 120 percent of area FMRs to 100 percent of area FMRs. The federal cost limit restricts the value of the incentives that HUD will offer owners to preserve the properties for low income use. The cost limit reduction is intended to produce cost savings, but its enactment could mean that significant numbers of properties will be permitted to prepay and will be lost from the lower income inventory.

The Budget requests less funding than current levels for all public housing programs, including new construction, which would fall from $598 million to $150 million, and modernization, which would decrease from $3.23 billion to $2.79 billion.

The Budget would reduce funding for FmHA's Section 515 rural multifamily loan program from $540 million to $220 million. Funding for the Section 502 single family subsidized direct loan program would remain at $1.8 billion, while the unsubsidized version of this program would increase from $750 million to $1.3 billion.

CONGRESS APPROVES EMERGENCY SUPPLEMENTAL FUNDING FOR EARTHQUAKE ASSISTANCE

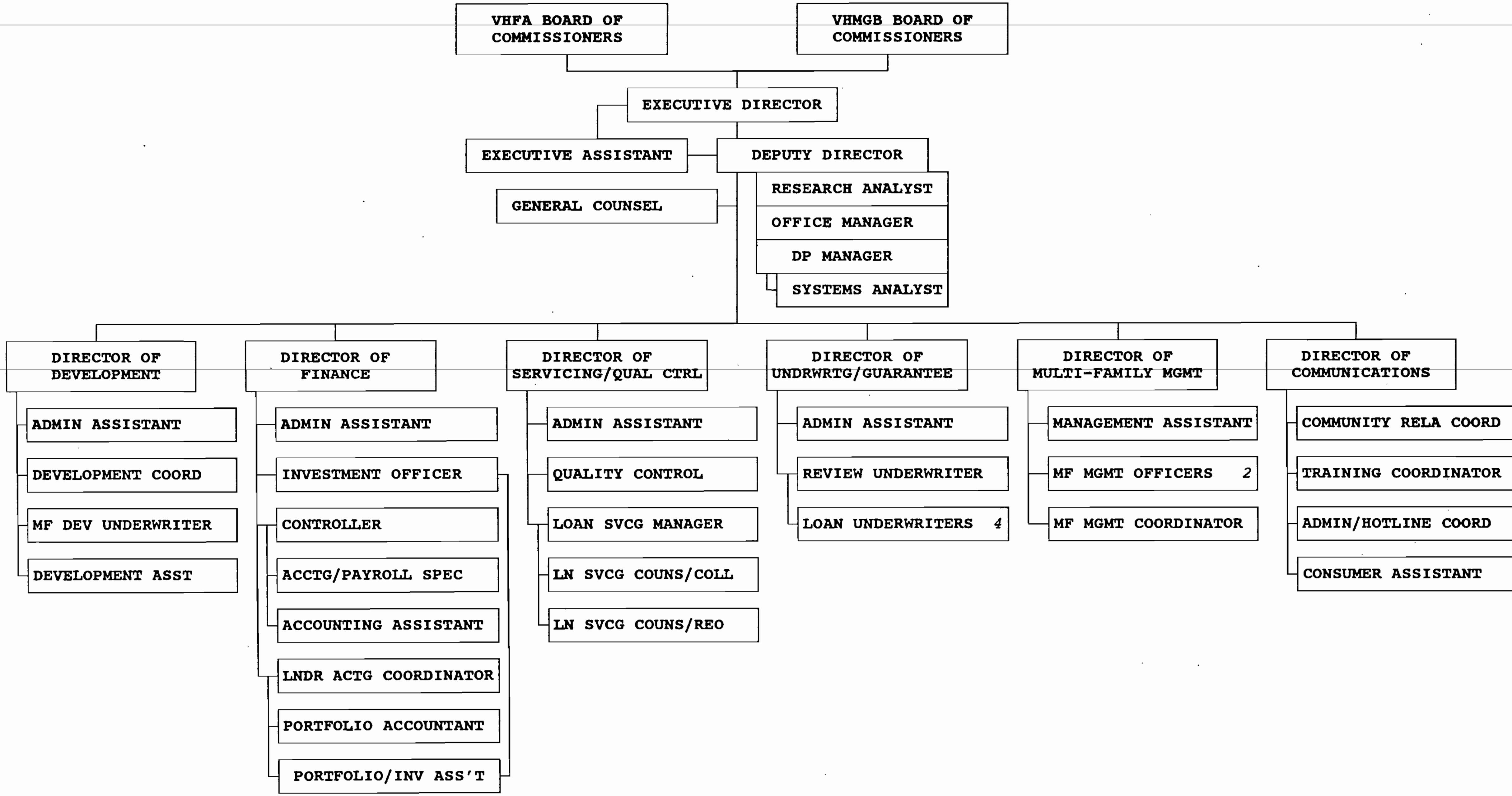
Last week, Congress approved and the President signed an emergency FY 1994 supplemental appropriations bill to assist earthquake victims in Southern California. The bill includes $500 million for the CDBG program, from which HUD may transfer up to $75 million to the HOME program. HUD may also designate a portion of the CDBG funds, expected to be about $250 million, to assist Midwest states affected by last summer's floods.

The bill also provides $200 million for Section 8 rental assistance, $100 million for the Flexible Subsidy program, and $25 million for public housing modernization in Southern California. In addition, the bill increases the mortgage limits on the FHA Section 203(k) and 203(h) single family rehabilitation insurance programs and the Section 234 condominium insurance program from the current $151,750 to $203,150 for 18 months in the areas affected by the earthquake.

In addition to the supplemental appropriations, the bill includes the following FY 1994 rescissions from HUD programs; $75 million from the preservation program; $25 million from Section 8 contract amendments; $66 million from the HOPE program; and $76 million from Section 8 contract renewals. The Senate had proposed cutting $325 million from the preservation program as a warning to HUD to speed the program's implementation. Over $1 billion has been appropriated for the program, but very little has been obligated. The bill instructs HUD to submit a report to Congress by April 1 of this year detailing its plans to obligate the remaining funds. House Banking Committee Chairman Henry Gonzalez (D-TX), and Representatives Barney Frank (D-MA), Joe Kennedy (D-MA) and Nancy

Pelosi (D-CA) sent a letter to the Appropriations Committee protesting the proposed cut.

The bill also reduced the Farmers Home Administration's insurance authority under the Section 502 home loan program, the Section 515 rental housing loan program and the Section 504 housing repair loan program and rescinded $25 million from the rural housing voucher program.



PROPOSED 02/28/94

FEDERAL HOME LOAN BANK OF BOSTON

CORPORATE RESOLUTIONS

I, the undersigned, being the duly qualified and acting Secretary of ______________________________

____
(Name of Institution in Full)

____, hereby CERTIFY
(Name of City or Town)

that the following* is a true copy of a resolution duly adopted by the governing body of said instituion and recorded in the minutes of a meeting of said body duly held on ______________ (Date), 19____, that at said meeting a quorum was present and voting throughout, and that said resolution has not been rescinded or modified and is in full force and effect:

RESOLVED

1. That the Federal Home Loan Bank of Boston is hereby designated a depositary of this Institution and the proper officers of this Institution are hereby authorized to deposit any funds of this Institution in said Bank either in a time or demand deposit account, subject to the Regulations of the Bank.

2. That until the further order of this Board, any funds of this Institution deposited in an IDEAL WAY account, with said Bank be subject to withdrawal or charge at any time and from time to time upon checks, when made, signed and drawn on behalf of this Institution by any ____________ (Insert Number) of the following:
(Give Titles Only — do not list names)

____

____

____

3. That the Federal Home Loan Bank of Boston is hereby authorized to pay any such checks, provided such checks are in the form prescribed by said Bank, and charge the IDEAL WAY account of this Institution for the amount of such payment, without inquiry as to the circumstances of issue or the disposition of the proceeds even if drawn to the individual order of any signing person, or payable to others for his account.

4. That the Secretary or any other officer of this Institution be, and hereby is, authorized to certify to the Federal Home Loan Bank of Boston the names of the present officers of this Institution and other persons authorized to sign for it and the offices respectively held by them, together with specimens of their signatures, and in case of any change of any holder of any such office or holders of any such offices, the fact of such change and the names of any new officers and the offices respectively held by them, together with specimens of their signatures; and the said Bank be, and hereby is, authorized to honor any check signed by any new officer or officers in respect to whom it has received any such certificate or certificates with the same force and effect as if said officer or said officers were named in this resolution in the place of any person or persons with the same title or titles.

5. That the Federal Home Loan Bank of Boston be promptly notified in writing by the Secretary or any officer of this Institution of any change in this resolution, and that until it has actually received such notice in writing it is authorized to act in pursuance of this resolution, and that until it has actually so received such notice it shall be indemnified and saved harmless from any loss suffered or liablity incurred by it in continuing to act in pursuance of this resolution, even though this resolution may have been changed

I FURTHER CERTIFY that there is no provision in the Charter or Bylaws of said Institution limiting the power of this Board to pass this resolution, and that the same is in conformity with the provisions of said Charter and Bylaws.

I FURTHER CERTIFY that the present officers of said Institutions empowered to act for and on behalf of said Institution in any of its business with the said Bank within the authority prescribed in this Resolution and the offices respectfully held by them as follows:

NAME	TITLE

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Institution this ____________ day of ______________, 19____.

____
Secretary

CONFIRMED: ______________________________
*Other Officer

(Corporate Seal)

____
Title

Notes: *If the Secretary or other recording officer is authorized to sign checks by the above resolution, this certificate must *also* be signed by a *second officer* of the Institution.

vhfa
VERMONT HOUSING FINANCE AGENCY

April 11, 1994

Ms. Marie Carpenter
Department of Administration
Secretary of Administration's Office
Pavilion Office Building
109 State Street
Montpelier, VT 05602

Dear Ms. Carpenter:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Thursday, April 21, at 1:30 p.m., at the office of the Department of Banking, Insurance and Securities, 89 Main Street, Montpelier, Vermont.

If you have any questions, please do not hesitate to contact me at 864-5743, ext. 255.

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • FAX: 802/864-5746 • TDD: 1-800/586-5832

vhfa
VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director Allan

DATE: April 15, 1994

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:30 p.m. Thursday, April 21, at the office of the Department of Banking, Insurance and Securities, 89 Main Street, Montpelier, Vermont.

Attached is the agenda and Board packet. The master copy of the Board minutes kept on file here at the Agency includes any attachments that may be referenced in the minutes; copies will be made available should any Board members be interested in reviewing them.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier at 1:30 April 21!

REMEMBER: Chairman White will not be able to participate in this meeting.

Cake-cutting celebration of VHFA's 20th Anniversary 11:30 at the Statehouse!

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

Office of the Department of Banking, Insurance and Securities
89 Main Street
Montpelier, Vermont

Thursday, April 21, 1994 at 1:30 p.m.

1. Review and approval of minutes of March 3, 1994

2. Development
   - ⌂ Tax Credit Reservations **[Jenkins/Erdelyi//Encl.]**
   - ⌂ Single Family Development Loan Program **[Jenkins/Crady//Encl.]**
   - ⌂ Swanage Court/Birchard Park Resolution of Intent/Commitment **[Jenkins/Crady//Encl.]**
   - ⌂ Financing of Group Homes for Developmentally Disabled **[Jenkins/Crady//Encl.]**

3. Multi-Family Management
   - ⌂ Winchester Place Update **[Falzone//Enclosure]**

4. Administration
   - ⌂ Executive Director's Report **[Hunt]**
   - ⌂ Strategic Planning Update **[Hunt/Francis/Gent//Encl.]**
   - ⌂ NEKCA Request **[Hunt//Enclosure]**
   - ⌂ Lead Paint Hazard Legislation **[Francis//Enclosure]**

5. Operations
   - ⌂ MOVE/Mortgage Plus Updates/ Delinquency Report **[Lothrop//Enclosure]**

6. Finance
   - ⌂ Series 5 Bond Update **[Schoenbeck//Encl.]**

7. Legal
   - ⌂ Legislative Update **[Jarrett]**

8. Communications
   - ⌂ Home Buyer Fair Results **[Gent//Enclosure]**

9. Other old or new business to come before the Board

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VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
Office of the Commissioner of Banking, Insurance and Securities
89 Main Street
Montpelier, Vermont

Thursday, March 3, 1994

PRESENT: Chairman White; Commissioners Seelig, Ruse, Candon (designee of Costle), Myette (via speakerphone)

Agency Staff: Mr. Hunt, Mr. Francis, Mr. Schoenbeck, Mr. Jarrett, Mr. Lothrop, Ms. Jenkins, Mr. Falzone, Ms. Gent, Ms. Crady, Mrs. Parker, Mr. Erdelyi

Guests: Mr. Milot (re: Southeast Summit); Ms. Wright (Lake Champlain Housing Development Corporation); Mr. Roberts (re: Twin Pines Housing Trust); Mr. Feeley (re: City Center Apartments); Ms. Torpy, (Burlington Community Land Trust)

The meeting was called to order by the Chairman at 1:45 p.m. Upon a motion made by Mr. Seelig and seconded by Mr. Ruse, it was unanimously agreed to amend the minutes of January 27, 1994, to insert the following into the first paragraph on Page 6, just before the motion on the bond issue, to indicate that *"Mr. Seelig noted that should interest rates continue to rise at the same pace, and the Agency not respond in a timely manner, the Agency would be at a greater risk of losing money in this transaction"* and to accept the minutes as amended. In a separate motion made by Mr. Seelig and seconded by Mr. Ruse, the minutes of the February 18, 1994 meeting were unanimously accepted as written.

Ms. Crady reviewed her memo of February 24, regarding the "Twin Pines Housing Trust/Starlake Village—Loan Extension Agreement and Starlake Land Mortgage" and reintroduced Mr. Roberts, who represented Twin Pines Housing Trust (TPHT). The Board was reminded by Ms. Crady that an extension of the loan was approved at the December Board meeting, with a condition that TPHT receive bids on the cost of construction of the remaining five houses to be built at Starlake Village. According to Ms. Crady, an updated budget has been received which reflects a projected deficit of $25,000; staff feels that the actual deficit would be closer to $50,000. The higher figure reflects anticipated soft costs, engineering costs and legal expenses, as well as a budget line item for contingency for materials.

{At this time, Mr. Myette expressed his regrets and stated that he would be unable to remain on the phone for the rest of the meeting. Mr. Myette also informed the Board that he has sent a letter to the Governor asking that he not be reappointed to the Board.}

Continuing the discussion of the Twin Pines project, Ms. Crady pointed out that staff recommends that not more than $30,000 of the total loan amount should be carried by the Agency, with a requirement that TPHT make up the balance by increasing the purchase price of the remaining units. Mr. Seelig noted that the State's Department of Corrections has a mill in Windsor and should be ready and able to sell lumber to nonprofits below market costs; they also have a shop in St. Albans that produces items such as kitchen cabinetry, which is also available to nonprofit organizations. While he did not propose amending the resolution to specify using these facilities, he did suggest that such alternatives be considered and pursued as an effort to lower costs. Mr. Seelig then made a motion which was seconded by Mr. Candon to adopt the "Resolution Pertaining to Extension of Term of Loan re: Starlake Village/Twin Pines Housing Trust Development" as attached to these minutes; this motion carried unanimously. Mr. Roberts left the meeting following the vote.

Next, Mr. Erdelyi reviewed his memo regarding the "City Center Apartments, Burlington," dated February 25 and included in the Board packet, and introduced Mr. Feeley, representing the owners of the property. The apartments are located on the second and third floors of the Huntington Building and the Burlington Building on St. Paul street in downtown Burlington. The requested loan would allow the building's owner, The Fairchild Square Company, to provide improvements to the building's exterior; one issue is whether a loan of this kind falls within the Agency's policy and mission statement. Ms. Jenkins further explained that staff recommends placing a restriction on the rental of the units to low- and moderate-income tenants throughout the term of the loan (eight years), with appropriate documentation required to ensure availability to and tenancy by individuals within those income brackets. Addressing the Board, Mr. Feeley noted that part of the work to be accomplished and which will be financed by the City of Burlington, includes replacement of the building's signboard; Ms. Wadhams, a consultant on the Agency's Dalton Drive project, has agreed to help with the historic preservation aspect of the City Center renovations. According to Mr. Feeley, conventional financing sources are not available at this time to allow the owners to accomplish the changes outlined in the loan request submitted to the Agency. Although there are some units that may not meet HUD's housing quality standards, Mr. Erdelyi pointed out that this is due more to a failure to have bathrooms that vent outside, rather than unsafe or unacceptable living conditions. There are currently no residents of the building that have Section 8 rental assistance. Mr. Feeley also noted that there are no outstanding City of Burlington code violations for these buildings, and also explained that a significant amount of renovation and repair work was completed approximately four years ago, following a fire at the Burlington Bagel Bakery.

The discussion then focused on the appropriateness of securing a loan of this nature with a personal guarantee. Mr. Feeley offered the possibility of either a second security on the buildings or on a nearby parking lot which is also owned by the same partnership. Mr. Seelig also suggested that the Agency be given right of first refusal, should the current owners decide to sell the property or change the use of the building in a manner which would directly affect the tenants. Mr. Feeley stated that while the partnership might be willing to consider such an option, he was unable to make such a commitment without consulting with his partners. A motion was then made by Mr. Candon and seconded by Mr. Seelig to adopt the revised "Resolution Regarding Loan for City Center Apartments (Burlington)" as distributed at the meeting. In the discussion that followed this motion, and prior to any vote on this matter, it was determined that approving the Resolution as drafted would not include obtaining a mortgage on another property as a condition, and Mr. Candon then withdrew the motion. Further discussion determined that, given the size of the loan and other factors, it would not be necessary to take a mortgage on the property. Another motion was made by Mr. Candon, and seconded by Mr. Ruse, to adopt the "Resolution Regarding Loan for City Center Apartments (Burlington)" as drafted and as attached to these minutes. The Resolution carried, with Mr. Seelig opposed. Following the vote, Mr. Feeley left the meeting.

Ms. Jenkins then reviewed the "Southeast Summit, South Burlington" proposal as described in her memo of February 25, included in the Board packet, and reintroduced Mr. Milot to the Board. Approval of this loan would allow the borrower to acquire and develop 202+ acres of land on the east and west sides of Dorset Street (between Swift and Barstow Street) in South Burlington. This area consists primarily of open land, including some wetlands and archaeologically sensitive areas, as well as a large, almost new dairy barn. According to Ms. Jenkins, the Agency has been negotiating agreements with Mr. Milot to enter into a new development entity to acquire the project site and develop the single family units, with the understanding that the Lake Champlain Housing Development Corporation (LCHDC) might acquire the proposed multi-family portion of the site. An alternative, should LCHDC not wish to purchase this portion, would be to allow the current partnership to retain ownership; the multi-family segment of the proposed development might then be either townhouse rental units or condominiums. Staff has also been meeting with representatives of Vermont National Bank, which currently holds the mortgage on the land and is interested in providing financing to the new entity for the land acquisition. Ms. Jenkins explained that construction, as currently planned, would be completed in phases, in an attempt to limit the amount of financing outstanding at any one time. Originally, Mr. Milot had proposed manufactured housing for the site; however, his further research has determined that large-scale manufactured housing would not be feasible in view of design issues such as roof lines. Some manufactured housing is still planned to be offered. The average unit sales price is projected to be $99,000, with some unit prices starting at $89,000.

An environmental review of the site has been conducted; although there are some minor areas of concern such as two farm dumps that need to be closed and some metal machinery parts still on the site, the review did not show the presence of any toxic materials. There are two underground storage tanks on an adjacent site that may need further investigation. A development agreement has not yet been fully negotiated, and a purchase and sale agreement is also in negotiation. Still to be determined is the manner of acquiring the single family site, if the Agency does not in fact acquire the multi-family segment of the development. While staff hopes to reach an agreement that would allow for acquiring both the single and multi-family areas, there is a possibility that only the single family site would be acquired by the Agency. Ms. Jenkins noted that the purchase prices of the single family units would be within a range that would provide a more affordable single family housing product than currently exists in South Burlington. Two programs for perpetual affordability are currently being developed that would result in at least 10 percent, and up to 25 percent of the units being perpetually affordable. Mr. Milot has also agreed to provide a second mortgage loan for the same term and at the same interest rate as the first mortgage loan; this would be made available only to buyers who could not otherwise purchase, because they lack the down payment; the units thus purchased would not be perpetually affordable. These second mortgages would be provided out of the developer's fees.

Ms. Crady introduced Ms. Torpy, of the Burlington Community Land Trust (BCLT), reintroduced Ms. Wright of LCHDC, and briefly explained the land trust concept. At least 20 single family units are proposed to be sold through BCLT to qualifying purchasers. BCLT would own the land and the units would be perpetually affordable.

There was then a discussion of whether the Agency would proceed with only the single family portion of the site if LCHDC did not firmly commit to acquiring the multi-family site and developing it as affordable housing. Several members of the Board indicated that they wanted and expected the multi-family portion to be developed as affordable housing and that staff of the different housing agencies should continue to work on making this happen. A revised "Resolution Pertaining to Letter of Intent for Southeast Summit" was distributed for the Board's review. A motion was then made by Mr. Candon and seconded by Mr. Ruse to amend paragraph 5(E) of the letter of intent, to read: "A satisfactory plan for ownership of the portion of the Site to be set aside for the Multi-Family Development, *such that some portion of the development is affordable, to maximize low-income occupancy in a manner consistent with Low Income Housing Tax Credit unit requirements*." The motion carried unanimously, and following the vote Ms. Wright, Ms. Torpy, and Mr. Milot left the meeting.

The Board then turned to the "Existing Project Status" report as described by Mr. Falzone in his memo of February 25, included in the Board packet. Mr. Falzone explained that the Winchester Place and St. Johnsbury "scattered site" projects were not performing in compliance with the proformas that were used during underwriting. According to Mr. Falzone, Winchester Place tax and mortgage payments due in March might not be made, due to the need to restore the sinking fund; this sinking fund was supposed to last eight years, but has actually lasted only three years. Mr. Hunt noted that while working capital could be drawn upon to make the required payments this month, letters of credit would need to be called. Rent increases are projected at 1.5 percent over the next year, with a gradual increase of two to three percent over the next few years. Mr. Hunt also advised the Board that Housing Vermont has indicated that other projects in their portfolio are having similar problems, but adjustments have been made to avoid a repeat of the severity of these problems. No Board action was required.

Ms. Crady reviewed her memo of February 24 regarding the "Swanage Court and Birchard Park Group Homes—Resolution of Interest" as included in the Board packet. Approval of the Resolution would provide two first mortgages to Counseling Services of Addison County, Inc. (CSAC) to finance two group homes for developmentally disabled adults; these homes are currently owned by CSAC and are located in Middlebury. For technical reasons, neither of these loans could be made with funds from Fannie Mae's Community Living Program. A motion was made by Mr. Ruse and seconded by Mr. Seelig, and the "Resolution of Interest Pertaining to Counseling Service of Addison County (CSAC) Refinancing of Loans for Two Group Homes" as attached to these minutes was unanimously adopted.

The "Westview Court Intermediate Care Facility, Rutland—Resolution of Intent/ Commitment" as described in her memo of February 24, included in the Board packet, was reviewed by Ms. Crady. A motion was then made by Mr. Ruse and seconded by Mr. Seelig to adopt the "Combined Resolution of Intent and for Commitment Letter re: Westview Court Intermediate Care Facility (Rutland)" as attached to these minutes. The motion carried unanimously.

Mr. Hunt then began his Executive Director's report, noting that the consolidation between the Agency and VHMGB is moving forward. A revised floor plan and proposed organization chart were distributed for the Board's review. Construction estimates should be received in early March, with costs expected to be absorbed in the existing FY94 budget. A formal contract under which the Agency would agree to perform VHMGB functions will be available in April for the Agency and VHMGB Boards to review. Legislative action regarding an increase in VHMGB fees was still pending at the time of the Board meeting. Mr. Hunt also noted that he has spoken with the Chairman and other members of the Board regarding heating problems at Dalton Drive, especially the first floor units. Apparently it is difficult to keep these units at 64° even when the outside temperature is above 0°. Problems with missing or inadequate attic insulation have been discovered, but Engelberth Construction has agreed to correct any problems they may have created. The heating problem is affecting approximately 30 of the 77 units, and the most troublesome issue is the widespread shutdown of the high-efficiency gas-fired Heatmaker boilers. Mr. Hunt indicated he is working with Engelberth Construction and Energy Rated Homes of Vermont to find solutions to the problems. According to Mr. Hunt, the Agency is likely to incur costs in remedying this situation and he will keep the Board apprised.

Mr. Schoenbeck presented a Resolution required by the Federal Home Loan Bank (FHLB) in conjunction with a contemplated borrowing from the FHLB. A motion was then made by Mr. Seelig and seconded by Mr. Ruse to allow Mr. Hunt, Mr. Schoenbeck, or Mr. Francis to be authorized to sign Federal Home Loan Bank of Boston Corporate Resolutions, as distributed at the meeting. This motion carried unanimously.

Mr. Schoenbeck reviewed the "Single Family Bond Financing (Series 5)" as described in his memo of February 25, included in the Board packet. According to Mr. Schoenbeck, $1.6 million in reservations had been received by 1:00 Friday, February 25. Any new interest rates can only take effect after allowing one business day's notice. On February 28 faxes were sent to participating lenders indicating the higher interest rates that would be in effect on Monday, February 28. By the close of business February 25, reservations had reached $2 million, and another $500,000 in reservations was made February 28. Although no formal vote was taken, the Board directed staff to track reservations closely, and to arrange a Board conference call should reservations near $7 million prior to the next scheduled Board meeting. Historically, nearly 25 percent of reservations do not result in actual mortgages; thus, reservations of $7 million should result in approximately $5 million in mortgages. Mr. Schoenbeck also noted that under this program the total bond issue would be nearly $25 million.

The status of delinquent loans was reviewed by Mr. Lothrop, who noted that overall delinquencies have not increased. However, loans in the 60 day category did take a significant jump. Lenders have indicated that this was an aberration, as most of these borrowers had made their payments after the report was run, paying closer to the end of the month. No Board action was required.

Mr. Lothrop then reviewed the "Update on Computer Conversion Process" as described in Mr. Gandini's memo of February 25, included in the Board packet. While the process is slower and more difficult than originally anticipated, some progress has been made. Mr. Francis noted that several problems have been discovered in the financial or accounting segment of the software, but a careful analysis is being performed in order to ensure that all provisions of the software contract are being met. The new computer system is being used to underwrite loans, and efforts are under way to bring the trial balances and general ledger on line.

Turning to the Strategic Planning underway, the Board was advised by Ms. Gent that the consolidation of the Agency and VHMGB has affected the schedule of events. The Advisory Committee has been considering the implications of the merger as well as the 49 options developed thus far; goal statements have been developed for major topic areas being discussed and the 49 options have been narrowed to 20 in accordance with the goal statements. After a final session to provide closure for the Advisory Committee, the Board will be asked to meet to review the Committee's actions and to provide direction.

The "1994 Marketing Campaign" was reviewed by Ms. Gent, who noted that as she has assumed the position of interim director of Communications, an analysis of the marketing campaign will help provide direction for the role of advertising in relation to other outreach activities. While the Agency's market share has dropped fairly significantly in the last year, due to several factors such as low conventional interest rates, still unresolved is how important a high market share is to the Agency, and what should be done as far as advertising to maintain a strong market share, if indeed that is determined to be important. The new method of selling bonds might affect the direction of the Agency's advertising efforts. No Board action was necessary.

Mr. Hunt reminded the Board that the spring Home Buyer Fair will take place at the Ramada in South Burlington on March 19. These Fairs are an excellent way to understand the potential borrowers that the Agency is reaching, and Board members were encouraged to attend.

The next meeting was scheduled for Thursday, April 21, in Montpelier; Mr. White reminded the Board that he would not be available for that meeting, and Mr. Candon advised that he would arrange to have an alternate representative available from Banking, Insurance and Securities. There being no further business and following a motion duly made and seconded, the meeting was adjourned at 5:00 p.m.

Respectfully submitted,

Allan S. Hunt,
Secretary

RESOLUTION PERTAINING TO EXTENSION OF TERM OF LOAN RE: STARLAKE VILLAGE/TWIN PINES HOUSING TRUST DEVELOPMENT

WHEREAS, a proposal has been presented to the Agency by Twin Pines Housing Trust, a non-profit corporation located in Lebanon, New Hampshire (the "Sponsor"), involving the construction of 14 homes on a 14.9 acre site in Norwich (the "Development"); and

WHEREAS, the Development has been the subject of previous resolutions of the Agency on December 16, 1993, November 18, 1992, September 24, 1992, May 20, 1992 and June 26, 1991; and

WHEREAS, the Agency made a loan on October 26, 1992 of up to $500,000 for infrastructure work and construction (the "Loan"); and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible and that extending the construction loan is appropriate in carrying out and effectuating the purposes and provisions of the Vermont Housing Finance Agency Act;

WHEREAS, the Sponsor requested an extension of the repayment of the Agency's Loan from December 31, 1993 to September 30, 1994, which request was approved, but the extension has not been issued because of delays in receiving information pertaining to construction bids and the Sponsor's updated budget and marketing plan; and

WHEREAS, having reviewed the information provided to the Agency by the Sponsor, staff has additional recommendations regarding the Development that include the possibility of the Agency continuing to hold its mortgage open with an outstanding balance after the maturity date of September 30, 1994;

NOW, THEREFORE, it is hereby DETERMINED:

1. The Determinations made in the Agency's prior resolutions relating to this Development are reaffirmed.

2. The Development may need to maintain some of its Agency financing after the loan maturity date of September 30, 1994.

WHEREFORE, it is hereby RESOLVED:

1. The recommendations contained in the February 24, 1993 staff memorandum are adopted and the Executive Director shall extend the maturity of the Sponsor's Loan from the Agency from December 31, 1993 to September 30, 1994 by entering into a modified loan agreement containing the following conditions:

(a) The Sponsor will market the remaining five units as ranch style homes in accordance with the marketing plan submitted to the Agency;

(b) The Sponsor will have a goal of executing sales agreements with buyers on all five homes by June 1, 1994;

(c) All units must be under contract with eligible buyers by July 1, 1994;

(d) All construction of the Development must be completed on or before September 30, 1994;

(e) If, in the reasonable judgment of the Agency, the costs of construction and soft costs increase so that the funds available to the Sponsor are not sufficient to fully pay the cost of construction in accordance with the Agency-approved budget and cash flow, the Sponsor will, upon request of the Agency, advance sufficient funds to the construction account to pay the full costs of construction and soft costs, or, in the alternative, provide the Agency with a deed to the Development in lieu of foreclosure.

2. Failure to meet any of the conditions shall constitute an event of default under the modified loan agreement and the Sponsor shall, at the Agency's request, promptly deliver a deed in lieu of foreclosure to the Agency.

3. If the Development funds are insufficient to fully pay the Agency's Loan at the maturity date of September 30, 1994, the Agency will permit its first mortgage to remain on the land, subject to the land leases given by the Sponsor to home buyers. The maximum amount outstanding in the Loan at that time will be $30,000. The interest rate on the outstanding amount will be 7.50% per annum until the sale of the last home in the Development, at which time the interest rate will increase to 8% per annum for a maximum term of six years. Principal payments of $5,000 will be due annually, together with accrued interest.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on March 3, 1994.

Allan S. Hunt
Executive Director and Secretary
Vermont Housing Finance Agency

RESOLUTION REGARDING LOAN FOR
CITY CENTER APARTMENTS (BURLINGTON)

WHEREAS, a proposal has been presented to the Agency by The Fairchild Square Company (the "Sponsor") requesting a loan for exterior renovation work to two buildings known as the Burlington Building and the Huntington Building on St. Paul and Main Streets in Burlington (the "Development");

WHEREAS, the Development contains 50 apartment units in which rents range from $275 to $375 per month, including utilities, making the apartments affordable to households earning $11,000 to $15,000 per year, approximately 32-47% of the area median income for a one person household;

WHEREAS, the Sponsor proposes to repair the facade of the building and paint the entire building, as well as do some work for the benefit of commercial businesses in the Development;

WHEREAS, the City of Burlington has given the Sponsor a letter stating that the City will fund the commercial portion of the work in the amount of approximately $13,800;

WHEREAS, the Sponsor has agreed to target 75% of the units to households below area median income and to target either (1) 20% of the units to households at or below 50% of are median income or (2) 40% of the units to households at or below 60% of area median income;

WHEREAS, the Development is carrying considerable debt, which would make a mortgage problematic, but the partners in the company owning the Development have agreed to give the Agency personal guarantees to secure the loan; and

WHEREAS, pursuant to 10 V.S.A. § 621(5), the Agency has the power to make such grants, loans, or advances as will assist the operation of residential housing primarily for persons of low and moderate income;

NOW, THEREFORE, it is hereby DETERMINED:

1. The Development constitutes residential housing that is primarily for persons of low and moderate income.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, upon the satisfaction of conditions contained herein, to issue the Agency's commitment for a loan of up to $48,000 for exterior renovations at the City Center Apartments in Burlington that benefit the residential portion of the building. The interest rate on the loan shall be 8% per annum, the loan

shall be amortized over a period of 15 years, but with a balloon payment of all remaining principal at the end of eight years, and the borrower will pay a commitment fee of 1%.

2. The loan is conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the following conditions that must be satisfied in a manner acceptable to the Agency:

   (a) satisfactory review of the proposed work specifications by the State Historic Preservation Office;

   (b) abatement of asbestos in areas accessible to tenants; and

   (c) after a review of the Sponsor's partners' personal financial statements, securing personal guarantees from Richard Feeley, Thomas Coburn and Frederick Tiballi, and their spouses, if necessary.

3. The Executive Director, the Deputy Director and the Director of Finance, or any of them, are authorized to take all necessary steps and execute all documents required to effectuate this loan.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on March 3, 1994.

Allan S. Hunt
Executive Director and Secretary
Vermont Housing Finance Agency

RESOLUTION PERTAINING TO
LETTER OF INTENT FOR SOUTHEAST SUMMIT

WHEREAS, Gerald C. Milot (the "Developer") has presented a proposal for Agency participation in a plan to acquire all or the major portion of an existing 202 acre site on Dorset Street in South Burlington now owned by MBL Associates (the "Site"), and to develop on the Site up to 221 units of housing, including 161 units of single family housing and required infrastructure (the "Single Family Development") and 60 units of multi-family housing and required infrastructure (the "MultiFamily Development"), to be completed in phases over a period of several years; and,

WHEREAS, by its Resolution adopted January 27, 1994 (the "Previous Resolution"), the Agency has authorized the issuance of a letter of interest to the Developer; and,

WHEREAS, staff is satisfied that substantial progress has been made toward satisfying the conditions precedent to commitment as set forth in the Previous Resolution and has requested certain changes in the details of the Agency's participation; and,

WHEREAS, the Agency will participate in the owner and borrower (the "housing sponsor") through a Vermont non-profit corporation of which not less than one half of the governing body will be appointed by the Agency; and,

WHEREAS, pursuant to the Agency's rules pertaining to Mortgage Loans to Housing Sponsors for Single Family Development, and with respect to the Site and the Single Family Development, the Agency finds as follows:

1. The Residential Housing is primarily for occupancy by persons and families of low and moderate income;

2. The construction costs incurred or to be incurred by the housing sponsor under agreement are for housing development costs within the meaning of the Act;

3. There exists, or without the proposed Residential Housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low or moderate income are able to afford within the general market area to be served by the Residential Housing and private enterprise and investment are unable, without assistance, to provide an adequate supply of the Residential Housing and sufficient mortgage financing for occupancy by the persons or families;

4. The housing sponsor undertaking the proposed housing development will maintain or increase the supply of well planned, well-designed permanent housing for persons or families of low and moderate income and the sponsor is a financially responsible person; and,

5. More than one half of each of (a) the total floor area and (b) the total development cost of the Single Family Development will be allocated to dwelling units for persons and families of low and moderate income;

It is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Intent to the Developer as the representative of the housing sponsor to be formed, substantially in the form of "Letter of Intent for Southeast Summit" appended hereto.

2. Upon his determination that the conditions of the Letter of Intent have been substantially satisfied, the Executive Director in his discretion may issue a letter of commitment to make the Mortgage Loan described in the Letter of Intent subject to the conditions outlined in the Letter of Intent, other customary requirements of the Agency appropriate to the case, and such other terms and conditions as the Executive Director deems prudent in the circumstances.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on March 3, 1994.

Allan S. Hunt
Executive Director and Secretary
Vermont Housing Finance Agency

March , 1994

Mr. Gerald C. Milot
92521A
Hillsborough Beach
Florida 33062

Re: Letter of Intent for Southeast Summit

Dear Mr. Milot:

I am pleased to advise you as the representative of a Vermont nonprofit corporation to be formed, herein provisionally called Southeast Summit, Inc., (the "Borrower") that Vermont Housing Finance Agency (hereinafter the "Agency"), subject to the terms and conditions herein stated, intends to participate in the acquisition financing and to provide construction financing on a revolving line-of-credit basis for, respectively, (i) the acquisition of all or a certain portion of 202 acres of land, more or less, with certain improvements thereon, situated in South Burlington, Vermont (the "Land"), currently owned by MBL Associates (the "Seller") and (ii) the construction thereon of 161 units of Single Family Housing (hereinafter, together with the Land, the "Single Family Development"). The Single Family Development is more particularly described in Attachment A hereto.

The terms and conditions hereof are set forth below, with capitalized terms not otherwise defined having the meaning ascribed to them in the form of Contract for Development Services attached hereto.

1. This letter is not a commitment to finance; however, upon substantial satisfaction of the terms and conditions set forth herein, the Agency intends to issue its commitment to finance, subject to customary terms and conditions precedent to closing including, by way of example only and without limitation, the following matters in form and substance satisfactory to the Agency:

    a. An appraisal supporting (i) the acquisition cost of the Land fully permitted in accordance with the requirements of the purchase and sale contract; (ii) the substantial equivalence of the combined acquisition cost and site development costs with no more than the fair market value of the Land assuming completion of all infrastructure improvements; and (iii) the proposed sales price of each type of Single Family Unit and lot.

    b. Complete plans and specifications for the Single Family Development.

    c. Proof of appropriate casualty, vehicle, public liability, and workers' compensation insurance coverages for the Borrower, the Developer, and all contractors.

    d. Appropriate construction contracts.

    e. Appropriate architectural and/or engineering contracts, together with design certifications evidencing compliance with all applicable governmental requirements pertaining to building, zoning, and environmental matters, and access for the handicapped.

    e. Title insurance.

    f. Appropriate opinions of counsel as to the due organization of the Borrower, enforceability of the loan documents, title to the Site, and the sufficiency of permits.

    g. A personal guarantee of one-half of the Mortgage Loan and the Seller's loan by such natural person or persons put forward by the Developer as to whom the Agency has received a satisfactory personal financial statement and credit report.

2. The following documents are also incorporated herein:

   ATTACHMENT A: Development Description.

   ATTACHMENT B: Form of Contract for Development Services.

   ATTACHMENT C: Preliminary Budget.

   ATTACHMENT D: Preliminary Construction Schedule.

3. The Agency's financing commitment shall be in three parts:

   A. As lead lender under a participation agreement with the existing holder of a first mortgage on the Land or another commercial lender (the "Bank Lender"), the Agency shall offer to make a loan (the "Mortgage Loan") to the Borrower in principal amount equal to the sum of (i) so much of the purchase price of the Land as is not financed by the Seller, (ii) site development and carrying costs, and (iii) up to $700,000.00 pursuant to a revolving line of credit for construction of the Single Family Units, all as contemplated in the Preliminary Budget.

   B. The Agency, in the participation agreement or otherwise, shall guarantee repayment of up to one-half of the acquisition debt owed to the Bank Lender. Such guarantee shall be in the form of an unsecured general obligation of the Agency.

   C. The Agency shall guarantee repayment of up to one-half of the acquisition debt owed to the Seller. Such guarantee shall be in the form of an unsecured general obligation of the Agency.

4. The Mortgage Loan shall be evidenced by one or more promissory notes, containing such general terms as the Agency and/or the Bank Lender may reasonably request, shall have a maximum term of 60 months, shall bear interest at the rate of SEVEN PER CENTUM (7%) per annum or such other rate to which the Agency and the Bank Lender shall agree, payable monthly, and shall be subject to mandatory partial prepayment from the proceeds of sale of Single Family Units. As a condition of the Mortgage Loan, and in addition to the VHFA fees described in the Contract for Development Services, the Borrower shall be required to pay an origination fee equal to ONE PER CENTUM (1%) of the maximum principal amount of the Mortgage Loan.

5. Issuance of the Agency's commitment to finance shall be subject to the following conditions precedent:

   A. Formation of the Borrower, which will be a Vermont non-profit corporation not less than one-half of the governing body of which shall be appointed by Vermont Housing Finance Agency.

   B. Negotiation of a satisfactory participation agreement with the Bank Lender. In addition to such other terms and conditions as the Agency may reasonably request, any such participation agreement must include the agreement of the Bank Lender to provide funds for so much of the purchase price of the Land as is not financed by the Seller (as contemplated in the Preliminary Budget), to share pro-rata with the Agency in a first mortgage security position, and to accept a 60 month term, a 1% origination fee, and a 7% per annum fixed rate of return or such other rate as the Agency and the Bank Lender may agree, together with all other terms of the Mortgage Loan proposed by the Agency.

C. Negotiation, execution and delivery of a Purchase and Sale Agreement between the Seller and the Borrower, including a purchase price not exceeding $3,450,000.00 for the entire Site or $2,513,350.00 for the Site exclusive of the portion of the Land and appurtenant rights necessary to develop the Multi-Family Housing, and otherwise satisfactory to the Executive Director.

D. Completion of negotiation and execution of a Contract for Development Services between the Borrower as Owner and you as Developer, substantially in the form of Contract for Development Services attached hereto as Attachment B. Negotiation of the Contract for Development Services shall not be deemed completed until the following matter is negotiated and incorporated into the Contract for Development Services in form satisfactory to the Agency:

(i) A satisfactory plan (a "Perpetual Affordability Plan") providing ongoing affordability of between 10% and 30% of the Single Family Units for persons and families having annual incomes not exceeding 85% of median in the Burlington Metropolitan Statistical Area (as defined by U.S. Dept. of Housing and Urban Development).

E. A satisfactory plan for ownership of the portion of the Site to be set aside for the Multi-Family Development, such that some portion of the development is affordable, to maximize low-income occupancy in a manner consistent with Low Income Housing Tax Credit unit requirements. No such plan shall be deemed satisfactory unless it provides for unit-based pro-rata sharing of site development costs benefitting the Single Family Development and the Multi-Family Development and ongoing common area maintenance costs by the holder of the multi-family development rights.

F. A satisfactory environmental review.

G. A satisfactory personal financial statement for the natural-person guarantor(s) of one-half of the Mortgage Loan.

H. A satisfactory market feasibility study.

VERMONT HOUSING FINANCE AGENCY

by: ____________________
Its Duly Authorized Agent

ACKNOWLEDGEMENT ON BEHALF OF BORROWER

The undersigned, on behalf of the proposed Borrower described above, and on behalf of himself insofar as action is required of him personally to consummate the transactions described above, hereby acknowledges receipt of the foregoing letter and agrees to proceed in good faith toward satisfaction of the conditions thereof.

Date: ____________________ ____________________
GERALD C. MILOT

RESOLUTION OF INTEREST PERTAINING TO COUNSELING SERVICE OF ADDISON COUNTY (CSAC) REFINANCING OF LOANS FOR TWO GROUP HOMES

WHEREAS, a proposal has been presented to the Agency by Counseling Service of Addison County ("CSAC" or the "Sponsor") involving the refinancing of loans on two three bedroom group homes for developmentally disabled adults in Middlebury (the "Developments");

WHEREAS, all the residents of the Developments are developmentally disabled and have as their only income SSI benefits that approximate 30% of Addison County median income;

WHEREAS, CSAC qualifies as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act");

WHEREAS, the Sponsor is requesting a first mortgage in the amount of $109,700 on the Development located on Swanage Court in order to refinance a mortgage in the approximate amount of $99,600 and to perform energy improvements in the approximate amount of $10,100 in order to improve the energy efficiency of the Development to a 4 STAR level; and

WHEREAS, the Sponsor is requesting a first mortgage in the amount of $130,600 on the Development located on Birchard Park to replace a construction loan;

NOW, THEREFORE, it is hereby DETERMINED:

1. The Developments will assist in fulfilling the purposes of the Act and qualify as residential housing.

2. The Developments are primarily for persons of low and moderate income.

3. The refinancing costs incurred by the Sponsor are for housing development costs within the meaning of the Act.

4. The loan will assist the operation of residential housing primarily for persons of low and moderate income.

5. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing for the developmentally disabled within the general housing market area of the Developments, and private enterprise and investment are unable, without assistance, to provide an adequate supply of such residential housing for occupancy by such persons.

6. The Sponsor undertaking the Developments will maintain the supply of well-planned, well-designed permanent housing for persons of low and moderate income.

7. The security value of the Developments will equal at least the amount of the VHFA loans.

8. The Sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Vermont Housing Finance Agency hereby declares its interest in refinancing an existing mortgage loan and providing financing for energy improvements on the Swanage Court group home and in refinancing a construction loan on the Birchard Park group home, both of which are located in Middlebury and owned by the Counseling Service of Addison County.

2. This Resolution of Interest is not a commitment to make a loan or to otherwise finance the Developments and is expressly conditional upon the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency and such further requirements as the Agency may establish, including, but not limited to, the following:

    (a) the availability of funds to the Agency for such purpose from the Federal Home Loan Bank;

    (b) verification from the Vermont Agency of Human Services ("VAHS") of approval of the Fiscal Year 1994 budget for the Development and transfer of funding from the Peterson Terrace Intermediate Care Facility to the Developments;

    (c) evidence of a satisfactory commitment from VAHS to continue to provide full funding to the Developments as group homes;

    (d) guarantee of monthly rental payments normally paid by the residents from VAHS; and

    (e) completion of the environmental review checklist, indicating no environmental problems, in lieu of a full Phase I environmental assessment.

3. The maximum amount of the loans will be $109,700 for Swanage Court and $130,600 for Birchard Park. The loans will be amortized over a period of 20 years, and the interest rate will be 100 basis points above the effective interest rate paid by the Agency on the advance from the Federal Home Loan Bank. The loan origination fee will be one percent.

4. The Executive Director is authorized to deliver a copy of this resolution to the Sponsor. This Resolution of Interest may be used by the housing sponsor in support of applications for operating subsidies or for other purposes with the consent of the Agency.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on March 3, 1994.

Allan S. Hunt
Executive Director and Secretary
Vermont Housing Finance Agency

COMBINED RESOLUTION OF INTENT AND FOR COMMITMENT LETTER RE: WESTVIEW COURT INTERMEDIATE CARE FACILITY (RUTLAND)

WHEREAS, a proposal has been presented to the Agency by Rutland Area Community Services ("RACS" or the "Sponsor") involving the refinancing of two short term loans on a six bed intermediate care facility for developmentally disabled and physically disabled adults in Rutland City (the "Development");

WHEREAS, the Sponsor has received a HUD Special Purpose grant in the amount of $200,000 and a grant in the amount of $34,000 from the Vermont Housing and Conservation Board;

WHEREAS, all the residents of the Development are developmentally disabled, have physical disabilities that make medical care necessary and have income less than 30% of Rutland County median income; and

WHEREAS, RACS qualifies as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act");

NOW, THEREFORE, it is hereby DETERMINED:

1. The Development will assist in fulfilling the purposes of the Act and qualifies as residential housing.

2. The Development is primarily for persons of low and moderate income.

3. The refinancing costs incurred by the Sponsor are for housing development costs within the meaning of the Act.

4. The loan will assist the operation of residential housing primarily for persons of low and moderate income.

5. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing for the developmentally disabled within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of such residential housing for occupancy by such persons.

6. The Sponsor undertaking the Development will maintain the supply of well-planned, well-designed permanent housing for persons of low and moderate income.

7. The security value of the Development will equal at least the amount of the VHFA loan.

8. The Sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a Commitment Letter (the "Commitment Letter") to Rutland Area Community Services to provide a loan to refinance two short term loans on the Development, in an amount to be determined by the Executive Director, but not to exceed $192,500.

2. The Commitment Letter shall be conditioned on the satisfaction by the Developer of all requirements of the Act, any applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the following documents that must be submitted in form and content acceptable to the Agency:

   (a) the availability of funds to the Agency for such purpose from the Federal Home Loan Bank;

   (b) submittal of an appraisal of the Development in an amount sufficient to meet the requirements of the Agency's regulations;

   (c) evidence that the HUD Special Purpose grant has been transferred from the Rutland County Community Land Trust to the Sponsor;

   (d) resolution of a pending lawsuit challenging the rehabilitation or operation of the Development filed by adjoining land owners;

   (e) verification from the Vermont Agency of Human Services ("VAHS") of approval of the Fiscal Year 1994 budget for the Development;

   (f) evidence of a satisfactory commitment from VAHS to continue to provide full funding to the Development as an intermediate care facility;

   (g) guarantee of monthly debt service payments from VAHS; and

   (h) completion of the environmental review checklist, indicating no environmental problems, in lieu of a full Phase I environmental assessment.

3. The maximum amount of the loan will be $192,500, the loan will be amortized over a period of 15 years, and the interest rate will be 100 basis points above the effective interest rate paid by the Agency on the advance

from the Federal Home Loan Bank. The loan origination fee will be one percent.

4. The Executive Director, the Deputy Director and the Director of Finance, or any of them, are authorized to take all necessary steps and execute all documents required to effectuate this loan.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on March 3, 1994.

Allan S. Hunt
Executive Director and Secretary
Vermont Housing Finance Agency

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Multifamily Development Underwriter
Irene Jenkins, Director of Development

DATE: April 15, 1994

RE: April 1994 Tax Credit Reservation Round

BACKGROUND

At the November 18, 1993 Board meeting, staff recommended that the Board consider and approve staff recommendations on specific Low Income Housing Tax Credit (LIHTC) project reservations after such recommendations had been presented to and considered by the Joint Tax Credit Committee (JTCC). The Board accepted that recommendation. At that time two Board members and the Executive Director also sat on the JTCC. Gus Seelig is currently the only Board member who sits on the JTCC.

On April 13, 1994 staff presented to the JTCC recommendations for a total of $590,790 in reservations of tax credits for six (6) proposed projects. This amount represents 42 percent of the state's 1994 total tax credit ceiling of $1,410,131. Given the large amount of tax credits available this year, we do not think that allocating $590,790 at this time will create a problematic shortage of credit for good projects later in the year. The six applications were submitted to VHFA on or before the March 4, 1994 deadline date and have been reviewed in accordance with the requirements of the LIHTC program and the state's LIHTC Allocation Plan. The JTCC accepted all VHFA staff recommendations. Attached is a list of the recommended projects. Following are project descriptions including recommended conditions for receiving carryover allocations, which are required to be issued by the end of 1994.

PROJECT DESCRIPTIONS

Name:	Thelma Maple Cooperative (formerly Archibald Street)
Location:	Burlington
Sponsor:	Housing Vermont/Lake Champlain Housing Development Corporation
Unit Breakdown:	20 total: four 1-Bedroom, 675 square feet; twelve 2-Bedroom, 880-1,300 square feet; four 3-Bedroom, 1,200 square feet
Cost:	$1,890,290 total; $94,515/unit; $48/s.f. hard construction cost
Income Targeting:	41% - 46% of Area Median Income

The project consists of newly constructed family housing in Burlington's Old North End on the former Gracie Roofing site. After a long struggle the sponsors have obtained state agreement to limit the owner's future liability with respect to the environmental contamination under the site. The sponsor anticipates that the agreement with the state will be finalized and signed within a month. This sponsor has received and returned two tax credit allocations for this project prior to this current request. Champlain Valley Mutual Housing Federation (CVMHF) is working to form a tenant cooperative that would lease the property and after 15 years, purchase the project. CVMHF has a long list of tenants to move into the units once completed.

The Thelma Maple Cooperative is part of a larger project that will consist of 36 units in 5 buildings on several contiguous sites. Sixteen of the units will be conventional rentals. Construction will be put out for competitive bid.

Recommendation: Staff recommends a reservation of credits in the amount of $165,763, with a carryover allocation subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than 10/31/94 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must demonstrate that requisite financing has been committed or obtained. "Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

3) Sponsor must provide evidence that the construction prices have been obtained through a competitive bidding process.

4) Sponsor must provide a detailed operating budget.

5) Sponsor must provide a revised development budget at time of request for carryover.

Name:	Queensbury Road / Kirby Heights
Location:	South Burlington
Sponsor:	Housing Vermont
Unit Breakdown:	18 total: fifteen 2-Bedroom, 1,000 square feet; three 3-Bedroom, 1,200 square feet
Cost:	$1,689,852 total; $93,881/unit; $44/s.f. hard construction cost
Income Targeting:	45% - 50% of Area Median Income

The project consists of newly constructed townhouse units for families near Patchen Road in South Burlington. The project would be a leasing cooperative until the end of the 15 year compliance period, at which time the cooperative would purchase the project for the outstanding balance of the debt.

Although South Burlington is known as a community with a small supply of rental housing, no market data demonstrating the demand for this type of housing was provided. This project has received financing commitments from four of the six sources of funding; the two remaining sources are equity and Affordable Housing Program (AHP) funds.

This project is being done on a turnkey basis. Therefore we will require an independent cost estimate to verify the reasonableness of costs.

Recommendation: Staff recommends a reservation of credits in the amount of $137,609, with a carryover allocation subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than 10/31/94 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must demonstrate that requisite financing has been committed or obtained. "Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

3) Sponsor must demonstrate market demand for the proposed units.

4) Sponsor must provide an independent cost estimate as evidence that the proposed construction costs are reasonable for the units.

5) Sponsor must provide a detailed operating budget.

6) Sponsor must provide a revised development budget at time of request for a carryover allocation.

Name:	St. Albans PRD
Location:	St. Albans
Sponsor:	Housing Vermont/Lake Champlain Housing Development Corporation
Unit Breakdown:	15 total: six 2-Bedroom, 830 square feet; nine 3-Bedroom, 1,060 square feet
Cost:	$1,478,553 total; $98,570/unit; $45/s.f. hard construction cost
Income Targeting:	36% - 43% of Area Median Income

The project would consist of 15 newly constructed units. The units would be single family detached homes. A substantial amount of sitework is required to bring municipal water and sewer to the homes ($22,000 per unit). The construction will be competitively bid. Both the town and city are charging impact fees, which total $3,300 per unit. No data was submitted with the application to demonstrate the market demand for units of this type. The project has conditional commitments for HOME and VHCB funds, but did not receive CDBG funds under the last round and therefore will not receive funding until June at the earliest.

In order to reduce the per unit costs the sponsor is exploring the possibility of building attached, townhouse style units rather than detached units. The sponsor believes that although this would save money on the per unit costs, the Act 250 amendment process might provide an opportunity for increased local opposition to the project from abutting property owners.

Recommendation: Staff recommends a reservation of credits in the amount of $113,271, with a carryover allocation subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than 10/31/94 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must demonstrate that requisite financing has been committed or obtained. "Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

3) Sponsor must provide evidence of market demand for the proposed units.

4) Sponsor must show evidence that the price for the unit construction and sitework was obtained through competitive bidding.

5) Sponsor must provide a detailed operating budget.

6) Sponsor must provide a revised development budget at time of request for a carryover allocation.

Name:	Burlington Scattered Sites
Location:	Burlington
Sponsor:	Housing Vermont / Burlington Community Land Trust
Unit Breakdown:	20 total: one Studio; six 1-Bedroom; seven 2-Bedroom; three 3-Bedroom; two 4-Bedroom; one 5-Bedroom; 21,200 total square feet
Cost:	$1,513,296 total; $75,655/unit; $26/s.f. hard construction cost (average)
Income Targeting:	35% - 57% of Area Median Income

The project consists of 7 buildings and 20 units, 18 of which are existing and will be rehabilitated, and 2 of which are to be newly constructed. Twelve of the eighteen units are occupied. The buildings are scattered throughout the western side of the Old North End of Burlington. One of the buildings with six units may become a leasing cooperative, but this plan has not been finalized. The seller of the properties is Scott Mansfield, who would also be hired to do the rehabilitation of four units and the two units of new construction. The rehabilitation is going to be competitively bid. The new construction would have hard construction costs of $62,500 per unit. The rehabilitation would average $23,812 per unit.

For all 20 units the average acquisition cost is $32,417 per unit.

Recommendation: Staff recommends a reservation of credits in the amount of $90,896, with a carryover allocation subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than 10/31/94 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must demonstrate that requisite financing has been committed or obtained. "Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

3) Sponsor must provide evidence that the reasonableness of construction costs with either competitive bids or an independent cost estimate.

4) Sponsor must submit a detailed operating budget.

5) Sponsor must submit a revised development budget at time of a request for a carryover allocation.

6) Sponsor must provide evidence from HUD that the Rental Rehabilitation Funds are assumable and compatible with tax credit funds; or, the sponsor must repay the Rental Rehabilitation funds prior to receiving a carryover allocation.

Name:	Erastus Thayer House
Location:	Brandon
Sponsor:	Housing Vermont / Rutland County Community Land Trust
Unit Breakdown:	9 total: one 1-Bedroom, 800 square feet; eight 2-Bedroom, 1,000 square feet
Cost:	$686,501 total; $76,278/unit; $26/s.f. hard construction cost
Income Targeting:	48% - 57% of Area Median Income

This project involves the acquisition and rehabilitation of family housing in a historic district in Brandon. All nine units are currently occupied. The sponsor anticipates that eight of the nine units will qualify as tax credit units.

The sponsor's intent in selecting this project was to create affordable housing in a developed downtown area, to access historic tax credits, and to choose a property that did not need all of the major systems upgraded. The rehabilitation will be selective, with some historic, energy, and lead abatement work being done. With the exception of some accessibility modifications, the overall unit configuration and layouts will not be changed. The sponsor will temporarily relocate tenants during the rehabilitation. The project has not yet secured commitments for financing, but such financing will be considered shortly.

Recommendation: Staff recommends a reservation of credits in the amount of $30,295, with a carryover allocation subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than 10/31/94 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must demonstrate that requisite financing has been committed or obtained. "Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

3) Sponsor must provide evidence that construction prices were obtained through competitive bidding.

4) Sponsor must provide a detailed operating budget.

5) Sponsor must provide a revised development budget at time of a request for a carryover allocation.

Name:	Autumn Leaves
Location:	Poultney
Sponsor:	PDC Development Corp. / Chris Fucci, Pete Moseley, Dave Fucci
Unit Breakdown:	20 total: twenty 1-Bedroom, 667 square feet
Cost:	$1,359,609 total; $67,980/unit; $46/s.f. hard construction cost
Income Targeting:	Below 50% of Area Median Income (all units will have project based rental assistance)

This project is a new construction elderly project in Poultney to be developed under the FmHA 515 program. The contractor and management company are both wholly owned by the general partners. The project has received approval from the Farmer's Home Administration to proceed and the sponsor has closed on the acquisition of the land. Construction is anticipated to begin in April. All approvals are in place and the sponsor has a commitment for the equity.

Recommendation: Staff recommends a reservation of credits in the amount of $52,956 with a carryover allocation subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than 10/31/94 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must submit a revised development budget at time of request for a carryover allocation.

3) Sponsor must submit evidence of the terms of the construction financing.

4) Sponsor must submit to VHFA a copy of the property's appraisal.

RECOMMENDATION

Staff recommends Board approval of the above-described reservations, subject to payment by the sponsors of required reservation fees, and Board approval of carryover allocations subject to the conditions described above. In addition staff requests authority to increase or decrease LIHTC allocations by up to five percent if appropriate based upon changes in development costs.

VHFA 1994 LOW INCOME HOUSING TAX CREDITS
APPLICATIONS TO DATE AND ANALYSIS

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04/08/94

Total 1994 LIHTC Available	
1994 Per Capita Credits	720,000
1993 Carry-forward	690,131
Less 1994 Reservations	590,790
Remaining 1994 LIHTC	819,341

1994 LIHTC RESERVATIONS / ALLOCATIONS

Project Name	City	Sponsor	Total # of Units	# of LIHTC Units	Project Type	LIHTC AMOUNT: APRIL 1994 Round	LIHTC AMOUNT: Total	Credit Type	Non-Profit	Total Dev Costs	Total Cost Per Unit	Recommended Alloc Per LIHTC Unit	Equity Yield per $1.00 of Tax Credit	Total Equity	Dev Fee as % of TDC	Developer's Fee
Thelma Maple Cooperative	Burlington	HVT/LCHDC	20	20	New Construction	165,763	165,763	9%	yes	1,890,290	94,515	8,288	$0.66	1,095,000	9.41%	162,500
Queensbury Road	S. Burlington	HVT	18	16	New Construction	137,609	137,609	9%	yes	1,689,852	93,881	8,601	$0.65	897,153	8.22%	128,400
St. Albans PRD	St. Albans	HVT/LCHDC	15	15	New Construction	113,271	113,271	9%	yes	1,478,553	98,570	7,551	$0.70	792,365	8.14%	111,250
Burlington Scattered Site	Burlington	HVT/BCLT	20	20	New Construction/Rehab	90,896	90,896	9%	yes	1,513,296	75,665	4,545	$0.68	615,976	9.40%	130,000
Erastus Thayer House	Brandon	HVT/RCCLT	9	8	Rehabilitation	30,295	30,295	9%	yes	686,501	76,278	3,787	$0.91	275,628	9.20%	57,850
Autumn Leaves	Poultney	Fucci Co.	20	20	New Construction	52,956	52,956	4%	no	1,359,609	67,980	2,648	$0.51	271,576	15.00%	177,340
			102	99		590,790	590,790									

RESOLUTION REGARDING
LOW INCOME HOUSING TAX CREDIT
PROJECT RESERVATIONS

WHEREAS, on November 18, 1993 the Board agreed with a staff recommendation that the Board consider and approve staff recommendations on specific Low Income Housing Tax Credit (LIHTC) project reservations after such recommendations had been presented to and considered by the Joint Tax Credit Committee (JTCC); and

WHEREAS, the JTCC met on April 13, 1994 and considered recommendations for a total of $590,790 in reservations of tax credits for six proposed projects; and

WHEREAS, the JTCC accepted all of the Agency staff's recommendations for the six projects; and

WHEREAS, staff has prepared a memorandum dated April 15, 1994 containing descriptions of the six projects (the "Memorandum");

NOW, THEREFORE, it is hereby RESOLVED:

1. The Board has considered the six projects discussed in the Memorandum.

2. The Agency approves the reservations for the six projects discussed in the Memorandum, subject to the payment of applicable reservation fees, as well as carryover allocations subject to the conditions discussed in the Memorandum.

3. The Agency staff may increase or decrease LIHTC allocations by up to five percent, if appropriate, based upon changes in development costs.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PAC
Irene D. Jenkins, Director of Development

DATE: April 14, 1994

RE: Single Family Development Loan Program

SUMMARY OF REQUEST

At the June 1993 and July 1993 meetings, the Board discussed the creation of a designated fund balance within the General Fund for a Construction Loan Program. Attached is a program description of a Single Family Development Loan Program designed to provide financing for the development of affordable housing. Staff requests approval of the program, and approval for funding the program with $6.0 million from VHFA's General Fund. If fundable requests exceed monies available from the General Fund, VHFA may utilize short term bonds or other available sources of funding for this program.

PROGRAM OVERVIEW

The Single Family Development Loan Program was developed by VHFA to increase the supply of affordable housing in communities in Vermont where a shortage of such housing exists. The program encourages the production of units that will remain perpetually affordable through a Housing Subsidy Covenant or Ground Lease. A goal for each development is a minimum of 10% of the units.

Financing will be available for site acquisition, infrastructure development, and unit construction for single family developments. To be eligible, generally a development must have a minimum of six units; however, VHFA will consider proposals for developments of fewer than six units on a case by case basis. There is no maximum development size; however, VHFA may require that construction of larger developments be phased.

To be eligible a borrower must be a "Housing Sponsor", which means a business entity organized on a non-profit or limited profit basis. Proposals for financing will be reviewed for consistency with Vermont's Act 200 Planning Goals. The Housing Sponsor must show tangible benefits that would be derived from VHFA participation in the financing of the development, such as enhanced affordability.

In the event fundable applications exceed the amount of funding available, priority will be given to developments in which 100% of the units will be affordable to persons and families at or below 100% of the area median income (based on a family size of three persons) in the development's location. Priority will also be given to developments where more than 10% percent of the units will remain perpetually affordable.

A Housing Sponsor must provide VHFA with market information and other data that demonstrates a need and market for housing in the area to be served by the proposed development. Whenever possible, VHFA will assist the Housing Sponsor to access the information necessary to demonstrate the need and market. Pre-sale requirements will apply to most developments, but may vary depending on the scope of the development and demonstrated need and market for housing units.

The loan-to-value ratio may not exceed 90% of the total housing developments costs. Land owned by the Housing Sponsor will be included as equity at its appraised value less outstanding debt. For non-profit Housing Sponsors, grant funds and "soft" second mortgages will be considered as equity.

The term of a loan may vary depending on the build-out schedule. Funds will be committed at a fixed interest rate and will vary depending on market conditions. Initially the interest rate will be eight percent (8%). Staff will meet with interested applicants before a formal application is made to determine preliminary eligibility under the program guidelines. There will be a non-refundable application fee of $250 payable at the time an application for financing is made and a loan origination fee of one percent (1%) of the loan amount. If the loan request is approved, the application fee will be applied toward payment of the loan origination fee.

Individual applications will receive a complete underwriting analysis by staff. Applications that are determined to be eligible and feasible, will be recommended to the Board for a combined Resolution of Interest/Intent/Commitment. One review of proposals by the Board will allow staff to respond more quickly to financing requests. The attached Program Description provides additional eligibility information, guidelines, features, and requirements of the Single Family Development Loan Program

BOARD ACTION REQUESTED

Staff requests approval of the attached Single Family Development Loan Program outlined in the attached program description, and approval of a Resolution that will be available before or at the April Board meeting.

VERMONT HOUSING FINANCE AGENCY

SINGLE FAMILY DEVELOPMENT LOAN PROGRAM

Effective 4/94

OVERVIEW

Vermont Housing Finance Agency (VHFA) was created in 1974 by the Vermont Legislature. VHFA's mission is to finance and promote affordable housing opportunities for low- and moderate-income Vermonters. To date, VHFA has financed over 3,500 affordable rental units for families and the elderly and has assisted nearly 17,000 households in buying or improving a home.

The Single Family Development Program was developed by VHFA to increase the supply of affordable housing in communities in Vermont where a shortage of such housing exists. VHFA encourages the production of units that will remain perpetually affordable through a Housing Subsidy Covenant or Ground Lease. A goal for each development is a minimum of 10% of the units.

Financing is available for site acquisition, infrastructure development, and unit construction for single family developments using general funds. To be eligible a borrower must be a "Housing Sponsor", which means a business entity organized on a non-profit or limited profit basis. Proposals for financing must to be consistent with Vermont's Act 200 Planning Goals.

This program description details the features, guidelines, and requirements for the Single Family Development Loan Program. Interested applicants are encouraged to call VHFA to discuss a specific development proposal.

FEATURES AND REQUIREMENTS

Eligible Housing Sponsor/Borrower

To be eligible a borrower must be a "Housing Sponsor", which means a business entity organized on a non-profit or limited profit basis.[1] The typical non-profit sponsor is a Vermont non-profit corporation. (Federal 501(c)(3) status is not necessary.) The typical limited profit borrower is a partnership (general or limited) which incorporates into its partnership agreement an agreement with VHFA that limits its activities to the financed project and regulates the prices and/or profit margins available to it.

[1] Under VHFA regulations, "a housing sponsor is organized on a limited profit basis if its organizational document, whether directly or by reference to a controlling agreement, imposes significant limitations on rental charges or sale prices, builder's and developer's fees, the right of disposition of the sponsor's property and franchise, or other sources of profit as VHFA may determine on a case by case basis."

Eligible Developments

To be eligible, generally a development must have a minimum of six units; however, VHFA will consider proposals for developments of fewer than six units on a case by case basis. There is no maximum development size; however, VHFA may require that the construction of larger developments be phased. Eligible housing types include: single family detached units, single family attached units, and condominium developments. Units may be stick-built, modular, panelized or manufactured housing. A minimum of 51% of each of (a) the total square footage, and (b) the total development costs, must be allocated to dwelling units for persons and families of low- and moderate-income. For this program, VHFA considers low- and moderate-income those persons and families with incomes at or below VHFA's current income limits for its MOVE program. (See attachment A for information on VHFA's MOVE program.)

VHFA encourages the production of units that will remain perpetually affordable through a Housing Subsidy Covenant or Ground Lease. A goal for each development is a minimum of 10% of the units.

The Housing Sponsor must provide VHFA with information as to the tangible benefits that would be derived from VHFA's participation in the financing of the development, such as enhanced affordability of units.

Proposals for financing must to be consistent with Vermont's Act 200 Planning Goals (attachment B). The Housing Sponsor must certify that its proposed development meets these goals. VHFA will review proposals for financing for consistency with the Act 200 Planning Goals.

Loan-to-Value Ratio

The loan-to-value ratio may not exceed 90% of the total housing development costs. Housing development costs include all typical costs incurred in connection with the construction and sale of residential housing in Vermont. Land owned by the Housing Sponsor will be included as equity at its appraised value less outstanding debt. For non-profit Housing Sponsors, grant funds or "soft" second mortgages will be considered as equity.

Term of Loan/Repayment Schedule

Funds are generally available for the projected build-out period of the development (or the phase, in the case of a multi-phase development). Interest will be payable monthly (and is a mortgageable development cost). Principal will be payable at the time of sale of each unit according to a schedule to be negotiated by the borrower and VHFA. Full and final payment will be due as of the earlier to occur of (a) the end of the projected build-out period or (b) the sale of the last unit.

Loan Security

A valid first lien position on land and improvements is required as loan security along with a security interest in construction materials and personal property. A shared first lien position may be considered by VHFA if another lender participates in the loan.

Interest Rate

Funds will be committed at a fixed interest rate and will vary depending on market conditions. Call Patricia A. Crady, VHFA Development Coordinator at 1-800-339-5866 extension 242, for the current interest rate for the Single Family Development Loan Program.

Pre-Application Meeting/Loan Application Fee/Loan Origination Fee

VHFA staff will be available to schedule a pre-application meeting to discuss the proposed development and financing request. There is a non-refundable application fee of $250 payable at the time an application for financing is made and a loan origination fee of one percent (1%) of the loan amount that is payable at closing. If the loan request is approved, the application fee will be applied toward payment of the loan origination fee.

Priority for Funds

In the event that fundable applications exceed the amount of funding available, priority will be given to developments where 100% of the units are affordable to persons and families at or below 100% of the area median income where the development is to be located (based on a family size of three persons). Priority will also be given to developments where more than 10% of the units will be developed to remain perpetually affordable.

Demonstrated Need and Market

VHFA's mandate is to finance the development of housing only if there is a demonstrated need for the housing. The Housing Sponsor must provide VHFA with information that demonstrates a need for housing in the market area to be served by the proposed development, and a plan to market units. Information required may vary depending on the market area, the size of the development, whether or not phasing of the infrastructure development is possible, the number of units that are pre-sold, and other factors that may be known about the general market area. Information necessary may include current housing market conditions, general economic conditions, employment and wages, and information on units for sale within the market. From this information, the Housing Sponsor must provide VHFA with the projected length of marketing time for the development and the projected demand and absorption rate of units within the price range proposed for the development. VHFA may be able to assist a Housing Sponsor to access some of the information necessary to demonstrate a need and market for the units to be developed.

Assurance of Completion/Personal Guarantees

VHFA will generally require from the Housing Sponsor or general contractor a performance and payment surety bond in the amount of 100% of the construction contract, a letter of credit equal to 25% of the construction contract, or other forms of additional security. Bond premiums and other fees to provide additional security are eligible development costs. A determination as to whether VHFA will require additional security will be based on the size and complexity of the proposed development and whether or not phasing of the infrastructure development is possible, the amount of the Housing Sponsor's equity in the development, the number of pre-sales, the strength of the market area, and other factors.

VHFA will require a personal guarantee from the principals of the Housing Sponsor (and their spouses, if assets are held jointly). This requirement does not apply to non-profit housing sponsors.

Pre-sale Requirements

VHFA reserves the right to require a certain number of pre-sales prior to advancing funds for infrastructure development. Pre-sale requirements may vary depending on the scope of the development and the demonstrated need and market for housing units. In addition, VHFA reserves the right to advance funds for the construction of housing units only for units that are pre-sold and when the buyer has a commitment for permanent financing. VHFA will finance a model unit that is not pre-sold. For developments with attached units, VHFA may require that a percentage of the units within a building be pre-sold prior to advancing funds for construction.

Financing for Home Buyers

The Housing Sponsor must demonstrate that financing is readily available to qualified buyers. VHFA may limit the number of units in a development that are eligible for its financing programs. VHFA encourages developers of housing to seek any necessary approvals from local lenders and government entities (i.e. FmHA, HUD and VA).

Appraisal Requirements

VHFA requires an appraisal, from an appraiser acceptable to VHFA, of the site as permitted and as developed, and a typical housing unit on a typical lot.

Energy Efficiency Requirements for Units

All homes must have a minimum 4 Star Rating from Energy Rated Homes of Vermont or the equivalent of a 4 Star Rating from an energy rating organization approved by either Fannie Mae or Freddie Mac.

Environmental Assessment

VHFA requires a Phase I Environmental Assessment of the site. If information on the Phase I Environmental Assessment indicates the potential for environmental hazards, a Phase II Environmental Assessment may be required. If a portion of the development involves demolition or rehabilitation of an existing structure, additional environmental review may also be required.

Other Requirements for VHFA Financed Projects

VHFA must review and approve all construction contracts (i.e. general contractor and architect). Whenever possible, an AIA contract form appropriate for the development should be used. Each contract must include a schedule of values which becomes the basis for all disbursements, retainage and certifications.

VHFA will also review and approve plans and specifications. The collective scope of work for each set of contracts must match the Plans and Specifications cited in the document "VHFA Acknowledgement of Plans and Specifications" signed at closing.

Each contract must include an addendum (attachment C) called "VHFA Required Conditions for Construction Contract" which among other things deals with VHFA liability, retainage, assignment, and change orders.

Construction Inspections

VHFA or its agent will conduct periodic on-site inspections of the development throughout the construction period. Payment for VHFA's construction inspector will be the responsibility of the Housing Sponsor and is an eligible development cost. VHFA construction inspections are not a substitute for developer, engineering, and architectural supervision of construction.

Disbursement Process/Retainage

Disbursement requests are processed monthly by VHFA unless other terms are agreed upon. The process for disbursements during construction and retainage requirements are outlined in attachment D.

THE PROCESS

Application and Approval

All proposals for financing are reviewed first by staff and VHFA senior management. Proposals that are eligible for financing are recommended to VHFA's Board of Commissioners for approval. VHFA's Board usually meets on the third Thursday of each month. The Housing Sponsor is expected to attend the meeting to answer any questions VHFA's Board may have about the development.

VHFA requires the following information to complete an underwriting review of a proposal for financing. Items that are in *italics* are needed at the time of application. All other items are necessary to determine whether an application can be recommended to VHFA's Board. VHFA does not generally recommend a development for financing unless all local and state permits are in place.

- *A completed Single Family Development Loan Application;*
- *Preliminary Site Plans;*
- *Preliminary Building Plans and Specifications;*
- *Resume of the Development Team including experience developing affordable housing and summary of projects completed;*
- *Evidence of site control (deed, purchase and sale or option agreement);*
- *Preliminary development budget and construction cash flow, by phase if appropriate;*
- *Preliminary schedule of unit sale prices;*
- *Preliminary development schedule;*
- *Copies of local and state permits or the status of permits;*
- *Complete personal and business financial statements;*
- A current market study and demand analysis and a plan to market the units (unless all units are pre-sold);
- Estimates or bids from contractors to support the numbers on the development budget;
- Additional information requested by VHFA.

Loan Closing/VHFA Standard Conditions

At least 10 business days prior to the scheduled loan closing date, the Housing Sponsor shall provide VHFA with all information and documents necessary to satisfy standard and any special conditions. A pre-closing will be scheduled approximately one week before the scheduled closing date.

Attachment E provides standard conditions generally required by VHFA. These conditions may vary depending on the proposed development. Those that apply to a specific development would have to be satisfied prior to closing.

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SINGLE FAMILY DEVELOPMENT LOAN PROGRAM APPLICATION

HOUSING SPONSOR INFORMATION

Housing Sponsor:____

Housing Sponsor Address:__________________________________

____

Contact Person/Title:____________________________________

Phone Number:________________ Fax Number:______________

Indicate Status:

______ Nonprofit Housing Organization ______ General Partnership
______ Limited Partnership ______ Corporation

Federal ID or Social Security #____________________

DEVELOPMENT/SITE INFORMATION

Property Address:____

Development Team

Complete Areas that are applicable to your application.

Architect:________________________
Address:________________________
____
____
Telephone:______________________

General Contractor:_________________
____
Address:________________________
____
____
Telephone:______________________

Project Manager:__________________
Address:________________________
____
____
Telephone:______________________

Attorney:________________________
____
Address:________________________
____
____
Telephone:______________________

Development/Site Information (continued)

Marketing Agency and Agent

Agent:______________________________

Agency:_____________________________

____

Address:____________________________

____

____

Telephone:__________________________

Are there any direct or indirect financial or other interests which a member of the development team may have with any other member of the development team?

___ yes ___ no, *If "yes" please describe*: ______________________________

____

____

____

Are there any law suit, liens, or judgments pending against the Housing Sponsor or the general contractor?

___ yes ___ no, *If "yes" please attach separately a description of the action pending.*

Total Number of Units:__________ Square Footage of Units:____________________

Development Amenities:____

____

____

____

Ownership Type:

______Fee Simple

______Condominium

______Other______________

Unit Style:

______Single Family Attached

______Single Family Detached

Foundation:

______Slab on Grade

______Crawl Space

______Full Basement

______Other______________

Parking:

______Paved Spaces

______Garage

______Other______________

Development/Site Information (continued)

General Description of <u>site</u> (size, adjacent uses, existing buildings, etc):

____

____

____

____

____

____

____

Total Estimated Development Costs: $______________

Form of Site Control:

______ Deed (Date Acquired ____/____/____)
______ Contract of Sale (Expires ____/____/____)
______ Amount of Land (Acres):__________
______ Purchase Option (Expires ____/____/____)
______ Other ______________________________

Act 250 needed?

______ no ______ yes (Date Expected ____/____/____)

Local Zoning or Permit Approval Needed?

______ no ______ yes (Date Expected ____/____/____)

Will any off-site public improvements (such as public roads) be necessary for the property?

______ no ______ yes

If "yes", please describe these and the plans for providing them:

____

____

____

____

Please describe benefits that will be derived from VHFA financing of the development.

____

____

____

LOAN INFORMATION

Loan Amount Request: $______________ Brief Description of Request:_______________

____

____

____

____

Have you applied for financing from another lender for the development?

___ yes ___ no, *If yes, please indicate status of application*: ______________________

____

____

Other Financing/Grants: $________ Describe Terms of Other Financing/Grants:__________

____

____

____

____

____

Attachments to Loan Application:

1. *Application Fee of $250;*
2. *Preliminary Site Plans;*
3. *Preliminary Building Plans and Specifications;*
4. *Resume of Development Team;*
5. *Evidence of Site Control (Deed, Option Agreement or P&S Agreement);*
6. *Preliminary Development Budget and Construction Cash Flow;*
7. *Schedule of Unit Sale Prices;*
8. *Preliminary Development Schedule;*
9. *Copies of Local and State Permits (or status);*
10. *Complete Personal and Business Financial Statements.*

Date Submitted to VHFA:__________________

Submitted By:____________________________ Title:____________________________

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VERMONT HOUSING FINANCE AGENCY

MOVE

(MORTGAGES FOR VERMONTERS)

Eligibility Facts for Lenders and Real Estate Professionals--Effective February 15, 1994

TERMS

2 point and 0 point options available; 30 year term
For Current Rates, call VHFA at 864-5743 or toll free in Vermont at 1-800-339-5866, press 3 for our 24 Hour Rate Line

Down Payment:	**5% minimum**
Term:	30 years
PMI:	Required for LTV above 75%

ELIGIBILITY CRITERIA (STATEWIDE)

Purchase Price Limits

Existing	$ 97,000
Newly Constructed	$110,000

Income Limits

1-2 person household	$36,100
3 or more person household	$41,500

First-Time Buyer Requirement: Eligible borrowers in **Addison, Bennington, Chittenden, Grand Isle or Windsor County** who have not held Ownership Interest in their Principal Residence at any time during the three years preceding the loan closing date. **Elsewhere in the state this rule does not apply.** *Verification requirement:* For borrowers purchasing a property in Addison, Bennington, Chittenden, Grand Isle or Windsor County--complete copies of executed, as-filed federal income tax returns for the preceding three years must be presented at time of application.

Property: Single Family--new and existing, including modular homes and mobile homes on owned land or on long-term leased land.
Two Family--existing, first occupied as a residence at least five years prior to the loan closing date.
Condominium Units and PRD's--Project must be VHFA eligible.

- Must be borrower's primary residence and occupied within 60 days of closing.
- Rental income included from a two family property only.
- Energy improvements and repair costs may be included in VHFA mortgage.
- Newly constructed properties must be completed. New stick built and modular homes must be rated four stars or better by Energy Rated Homes of Vermont (ERH). New single and double wide mobile homes must meet VHFA's energy standards.

Income: Under the Federal Act, two definitions of "income" must be determined: income for Program Eligibility (Federal Act Income) and income for underwriting purposes (gross annual income).

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(Over)

ELIGIBILITY CRITERIA (CONTINUED)

To determine the Federal Act Income the borrower(s) *must* complete the Federal Act Income Worksheet for Program eligibility.

To determine the borrower's gross annual income, the Lender must verify current base earnings from primary employment, plus recognizable secondary income. All items of income must be disclosed.
"Household" means the mortgagors and all persons related to them by blood, adoption or marriage and any other dependents who will reside in the residence.

Lenders: For detailed information and instructions refer to Federal Act Income in the Procedural Guide.

HUD/VA/FmHA: Mortgages insured by the Federal Housing Administration (HUD) or guaranteed by the Veteran's Administration (VA) or Farmers Home Administration (FmHA) are acceptable for purchase through MOVE provided all VHFA criteria and requirements are met.

FEATURES

Buydown: Maximum 3-2-1. Fee may be paid by the borrower, the seller or be a gift to the borrower.

Gifts: If received from a relative, allowed for down payment and/or buydown fee and/or closing costs.

Seller-Paid Closing Costs: Sellers may contribute funds toward borrower's closing costs. However, any amount paid above the usual and reasonable settlement and financing costs will be considered a seller rebate and the acquisition cost will be reduced accordingly.

Down Payment Assistance: From time to time VHFA may be able to assist eligible borrowers who don't have the minimum down payment by financing up to 100% of the value of the home. Availability is limited and will be on a first-come, first-served basis.

Each loan is reviewed on a case-by-case basis. Flexible guidelines for employment and credit history include:

Self-employed borrowers-- a minimum one year of complete tax returns, a current profit and loss statement and balance sheet is required. A two year history is desirable.

Employment--a two year history is desirable but not always required.

Credit--credit problems with satisfactory reasons for delinquency may be acceptable on a case-by-case basis.

UNDERWRITING RATIOS

Generally, the following guidelines apply regardless of the loan to value:

30% total housing expense to income
38% total debt to income

Energy Efficient Properties: (Homes rated Four Stars or better by Energy Rated Homes of Vermont [ERH]).

33% total housing expense to income
41% total debt to income

If you need any further assistance, please call VHFA at 864-5743 or toll-free at 1-800-339-5866.

VERMONT HOUSING FINANCE AGENCY

ACT 200 PLAN

Act 200, the Growth Management Act of 1988, requires all state agencies having programs or taking actions affecting land use to adopt a plan consistent with the Act's 12 Vermont Planning Goals. In addition, compatibility must be sought with plans of other state agencies and with approved plans of regional planning commissions and municipalities. As part of VHFA's continual planning process, this Plan has been developed in accordance with Act 200 requirements.

The Planning Goals:

(1) To plan development so as to maintain the historic settlement pattern of compact village and urban centers separated by rural countryside.

(2) To provide a strong and diverse economy that provides satisfying and rewarding job opportunities and that maintains high environmental standards, and to expand economic opportunities in areas with high unemployment or low per capita incomes.

(3) To broaden access to educational and vocational training opportunities sufficient to ensure the full realization of abilities of all Vermonters.

(4) To provide for safe, convenient, economic and energy efficient transportation systems that respect the integrity of the natural environment, including public transit options and paths for pedestrians and bicyclers.

(5) To identify, protect and preserve important natural and historic features of the Vermont landscape.

(6) To maintain and improve the quality of air, water, wildlife and land resources.

(7) To encourage the efficient use of energy and the development of renewable energy resources.

(8) To maintain and enhance recreational opportunities for Vermont residents and visitors.

(9) To encourage and strengthen agricultural and forest industries.

(10) To provide for the wise and efficient use of Vermont's natural resources and to facilitate the appropriate extraction of earth resources and the proper preservation of the aesthetic qualities of the area.

(11) To ensure the affordability of safe and affordable housing for all Vermonters.

(12) To plan for, finance, and provide an efficient system of public facilities and services to meet future needs.

Attachment C

VERMONT HOUSING FINANCE AGENCY
SINGLE FAMILY DEVELOPMENT LOAN PROGRAM

VHFA REQUIRED PROVISIONS FOR CONSTRUCTION CONTRACT

The following are VHFA required provisions for a construction contract.

No VHFA Liability to Contractor

Contractor acknowledges that no agreement between Owner and Vermont Housing Finance Agency (VHFA) is intended or shall be construed to create rights in any third party. In order to induce VHFA to release loan funds to Owner in connection with the financing of the Work, Contractor covenants with the Owner, for the benefit of VHFA, that Contractor shall neither have nor claim any right or interest in any agreement between owner and VHFA, nor in any funds of Owner held by and pledged to VHFA as security for Owner's obligations to VHFA. Contractor specifically acknowledges that the agreements between the Owner as "Mortgagor" and VHFA as "Mortgagee" and pertaining to the Work include the following provision, by which provision the Contractor hereby agrees to be bound:

> "Mortgagee's Action for its Own Protection; No Third-Party Rights. The authority conferred upon the Mortgagee herein or in the Commitment Letter, and any action taken by the Mortgagee in making inspections of the Work, approving or disapproving contracts, change orders, depositories, and/or the Plans and Specifications, and approving or disapproving any Application for Transfer of Funds will be taken by the Mortgagee solely for the protection of its own security, and the Mortgagee does not assume, and shall not be deemed to have assumed, any responsibility to Mortgagor or any third part whatsoever with respect to any such action or with respect to the proper performance of the Work, payment of the Contractor, or prevention of claims for mechanic's or materialmen's liens."

Progress Payments and Retainage

Any time period provided elsewhere in the Contract Documents for payment of monthly progress payments shall not begin to run until Contractor supplies the Owner and VHFA with a copy of the relevant application for payment in the form of AIA document G702 (Application and Certificate for Payment) signed and notarized by the contractor, and certified by the architect manager, AIA form G703 (Continuation Sheet), and a lien waiver from the Contractor and all sub-contractors. All requests for payment will be reviewed by VHFA's construction inspector to determine eligibility for payment.

Owner shall be entitled to retain up to 10% of each progress payment due to Contractor; provided, however, that after the timely achievement of Substantial Completion of the Work in accordance with the Construction Schedule and the Schedule of Values, retainage not previously released shall be released to the Contractor, subject only to punch-list requirements, below.

Amounts otherwise due to Contractor upon Substantial Completion of the Work shall be reduced by an amount equal to 200% of the cost of completing non-seasonal items of Work and 200% of seasonal items of work (uncompleted work escrow), all as estimated by the Architect.

Contractor shall not be entitled to payment of that portion of the uncompleted work escrow attributable to non-seasonal items unless such items are completed within 60 days after the date of Substantial Completion, unless the Owner shall otherwise agree in writing, with the written concurrence of VHFA.

Contractor shall not be entitled to payment of that portion of the uncompleted work escrow attributable to seasonal items unless such items are completed within 60 days after the date it becomes seasonably possible to perform such uncompleted work, unless the Owner shall otherwise agree in writing, with the written concurrence of VHFA. Such agreement shall not be reasonably withheld.

Consent to Assignment and VHFA Right to Complete

Contractor agrees that Owner's rights hereunder may be assigned as security to VHFA; provided, however, that no such assignment shall imply any duty of payment by VHFA to Contractor unless VHFA, after default of Owner's obligations to VHFA, assumes a payment obligation in accordance with the following:

> In the event of a default by Owner under the terms of a loan from VHFA, subject to assurance by VHFA, given after such default, that it will perform any unfulfilled obligation of the Owner under the Contract Documents (except any new obligation undertaken by Owner after the date of the construction contract without the express written consent of VHFA), the unperformed part of the Contract Documents shall be performed by Contractor for the benefit of and at the expense of VHFA should VHFA so elect. The provisions of this paragraph supersede in their entirety any other provisions of the Contract Documents pertaining to assignment to a lender or mortgagee.

Performance and Payment Bonds

If required by VHFA, Contractor shall provide dual obligee, 100% Performance and Payment Bonds from a surety and in a form acceptable to VHFA, and which shall include on the face thereof the consent of the surety to assignment of the Owner's interest therein to VHFA or such other security as is acceptable to VHFA.

Certain Contract Documents

The following documents shall form part of the Contract Documents:

A. VHFA Acknowledgment of Specifications and Drawings and all plans, specifications, and letters (if any) referenced therein.

B. Construction Schedule showing anticipated month by month progress of the Work consistent with the Project budget as approved by VHFA and the achievement of Substantial Completion of the Work not later than ______________________________.

C. Other documents as specified by VHFA.

Change Orders

Change Orders shall be submitted in the form of AIA Document G701. No Change Order shall be valid unless approved in writing by Owner, Architect, and VHFA. Approval of a Change Order by VHFA does not imply any representation by VHFA of compliance with any building or other code, nor any obligation on the part of VHFA to advance funds to the Owner, the Contractor, or any other person whatsoever for any increase in the Contract Sum resulting from such Change Order.

These Provisions Govern

In the event of a conflict between the terms of these VHFA REQUIRED PROVISIONS FOR ______________________________ CONSTRUCTION CONTRACT and any provision of any other Contract Document, the terms of these VHFA REQUIRED PROVISIONS FOR ______________________________ CONSTRUCTION CONTRACT shall prevail and govern.

Attachment D

VERMONT HOUSING FINANCE AGENCY
SINGLE FAMILY DEVELOPMENT LOAN PROGRAM

General Contract Requirements for VHFA Financing

VHFA must review and approve all construction contracts (i.e. general contractor and architect). Whenever possible, an appropriate AIA contract form should be used. Each contract must include a schedule of values which becomes the basis for all disbursements, retainage and certifications.

VHFA must review and approve plans and specification. The collective scope of work for each set of contracts for a development must match the Plan and Specifications cited in the document "VHFA Acknowledgement of Plans and Specifications" that will be executed at closing.

Every contract must include an addendum called "VHFA Required Conditions for Construction Contract", which among other things deals with VHFA liability, retainage, assignment, and the requirement that VHFA must review and approve all change orders in order for them to be valid. NOTE: This document is designed for use with the AIA Standard Form of Agreement between Owner and Contractor and relies on the definitions in that standard form. If another form is used, the addendum will need to be revised, which may cause delays.

Disbursement Procedures

Disbursement requests are generally processed monthly by VHFA unless other procedures have been approved by VHFA. Requests received on Monday that are determined to be eligible for payment by VHFA and VHFA's construction inspector, are usually paid on Friday of the same week. The Housing Sponsor is responsible for completing the "Borrower's Application and Certificate for Disbursement Under Loan" (attached).

The architect/engineer needs to provide an original AIA form G702 (Application and Certificate for Payment) signed and notarized by the contractor, and certified by the architect and/or construction manager. A continuation sheet (AIA form G703) should be attached which corresponds to the schedule of values set forth in the construction contract. Lien waivers must be provided by each contractor with each requisition regardless of contract size. A sample lien waiver is attached.

The final disbursement request must include a signed certificate of substantial completion from the architect or engineer. Substantial completion means that units are ready for occupancy, however, a punch list remains of items for completion. In cases where Department of Labor and Industry (and/or other state or local agency) permits need to be issued, the certificate of substantial completion should await those approvals.

For work remaining after the substantial completion due to seasonal or other consideration, VHFA will hold a punchlist escrow equaling 200% of the value of that work, as certified by the architect or engineer.

Change Order and Field Changes

As indicated above, VHFA must review and approve all change orders (AIA form G701) in order for them to be valid amendments to the construction contract. The form should be amended to indicate "Not valid until signed by the Owner, Architect, Contractor and VHFA", and a VHFA signature line added. VHFA can generally respond to change order requests in one to three business days.

In certain situations where concealed conditions or other circumstances arise that necessitate rapid decisions, a written field order process can be established as part of the change order procedure. These would generally require on-site approval by the architect or engineer, not exceed $5,000 in cost, and be incorporated into a formal change order within 20 days.

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Attachment D

CONTRACTOR'S PARTIAL RELEASE AND WAIVER OF LIEN

Contractor Name: ______________________________
Address: ______________________________
____

Telephone: ______________________________

For and in consideration of the receipt of $______________ in payment of labor and/or materials furnished, the receipt and sufficiency of which is hereby acknowledged, the undersigned does hereby waive, release, and relinquish any and all claims, demands, and rights of lien for all work, labor, materials, machinery or other goods, equipment or services done, performed or furnished for the construction located at the site hereinafter described, to wit:

Project Name and Owner: ____
City/Town and State: __________________________
Date: __________________________

The undersigned further warrants and represents that all valid labor and/or materials and equipment charges incurred on behalf of the undersigned have been paid in full to the date of this waiver, or will be paid from these funds.

Amount of Contract (including all approved change orders) $____________

Total Paid to Date (including this requisition) $____________

Remaining funds in contract (after payment of this requisition) $____________

Date ____________________

____
By Authorized Agent (print name)

____
Signature

State of Vermont

_______________________, County, ss:

At ______________________ in said county on the _______ day of ______________, 19____, personally appeared before me ____, duly authorized agent of ____, and acknowledged the foregoing Contractor's Partial Release and Waiver of Lien to be _______ free act and deed and the free act and deed of ___________________________________.

Before me ______________________________________
Notary Public

Note: This lien waiver must be notarized by a Vermont notary.

ATTACHMENT TO ESCROW AND LOAN AGREEMENT

VERMONT HOUSING FINANCE AGENCY

BORROWER'S APPLICATION AND CERTIFICATE FOR DISBURSEMENT UNDER LOAN

DEVELOPMENT:____

BORROWER:____

DATE:____________________ APPLICATION NUMBER:__________

Pursuant to the current Escrow and Loan Agreement between Vermont Housing Finance Agency and Borrower pertaining to construction of the captioned Development, with all capitalized terms herein not otherwise defined having the same meaning as they have in the Escrow and Loan Agreement, Borrower hereby requests a disbursement.

I. TOTAL OF OBLIGATIONS CURRENTLY DUE: $__________
(Per itemization attached)

II. PAYABLE FROM PROCEEDS OF LOAN(S), GRANT(S) OR EQUITY FROM OTHER SOURCES: $__________
(If applicable - please provide breakdown)

III. AMOUNT OF DISBURSEMENT REQUESTED FROM VHFA $__________

In support of this request, Borrower certifies as follows:

1. Attached hereto are the following:

   A. Supporting bills for all items.

   B. Borrower's itemized calculation of obligations currently due by construction budget line items.

   C. Certificate of the Engineer or Architect, if required by the Escrow and Loan Agreement.

2. There is sufficient money available to complete the construction project.

3. Borrower has no notice or knowledge of any breach or default by it under the Contract Documents.

4. Borrower has no notice or knowledge of any lien, attachment, litigation or other proceedings now pending or threatened which would materially affect (i) the Borrower's ability to perform its obligations under the Contract Documents, or (ii) Borrower's agreements with contractors, engineers, or others pertaining to the rehabilitation of the Development.

BORROWER

By: ______________________________
Its Authorized Agent

APPROVED:

________________________________ ____________________
VHFA Development Officer Date

DISBURSEMENT ORDER:

I authorize disbursement to the Borrower in the amount of $________________.

________________________________ ____________________
VHFA Director of Development Date

DATE DISBURSED:

____
VHFA Controller

(Controller: Make copy of disbursement order for your files and return original package intact to Development Officer.)

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Attachment E

VERMONT HOUSING FINANCE AGENCY

SINGLE FAMILY DEVELOPMENT LOAN PROGRAM

Loan Closing/VHFA Standard Conditions

At least 10 business days prior to the scheduled loan closing date, the Housing Sponsor shall provide VHFA with all information and documents necessary to satisfy standard and any special conditions. A pre-closing will be scheduled approximately one week before the scheduled closing date.

The following are standard conditions for the Single Family Development Loan Program. Those that apply to a specific development would have to be satisfied prior to closing.

⌂ An appraisal of the site, as permitted and as improved, and an appraisal of a typical housing unit or units on a typical lot.

⌂ Evidence that any Pre-sale Requirements have been met.

⌂ All state and local permits necessary for development and construction.

⌂ A Phase I Environmental Assessment (if a portion of the project involves demolition or rehabilitation of existing structures or if the potential for environmental hazards exist, additional environmental review might be required).

⌂ Opinion of Counsel for Housing Sponsor that the Housing Sponsor has the authority to enter into the loan documents and to assume the obligations under the loan documents.

⌂ Articles of Incorporation and Bylaws or Partnership Agreement (if applicable).

⌂ Corporate Resolution and Certificate of Good Standing (for corporations).

⌂ Current perimeter survey of the property prepared and certified by a licensed land surveyor, showing the Property, the location of any improvements, easements, rights of way and encroachments, and clearly showing the areas to be developed.

⌂ Commitment for ALTA mortgagee's title insurance policy in a form and substance satisfactory to VHFA, from a title company approved by VHFA, naming VHFA as insured for 100% of the amount of the Loan, with deletion of standard exceptions as to boundaries, survey and mechanics' liens, insuring VHFA's mortgage as a first lien with adequate provisions for Construction Loan Endorsements. The final ALTA Loan policy must be received by VHFA within 30 days of closing.

- Opinion of Counsel for the Housing Sponsor regarding title to the property, whether the property is located in an area designated to have special flood hazards, and that all permits and licenses necessary for the construction of the development have been obtained.

- Personal guaranty of principals of Housing Sponsor (and spouse(s) if assets are held jointly).

- A copy of Sales Contracts to be used in connection with the sale of units.

- Working drawings and specifications, stamped by the Architect and/or Engineer, for the construction of improvements.

- Agreement by the Housing Sponsor's engineer and architect authorizing VHFA in the event of default of the loan, to use the approved plans and specifications and agreeing to continue any services for VHFA if so requested.

- Executed contracts with General Contractor and all "soft cost" contracts for the Development and the contemplated improvements.

- If required, dual obligee 100% payment and performance bonds in amount and with sureties acceptable to VHFA, or other forms of additional security specified in VHFA's loan commitment.

- Agreement with General Contractor or Construction Manager who have contracted to work on the project that in the event of a default by the Housing Sponsor or a foreclosure by VHFA, they will continue to perform for VHFA, if requested, the services they have contracted to perform for the Housing Sponsor. Note: This agreement should be included in the construction contract, see Attachment C.

- Schedule of values for construction.

- Projected construction and draw schedule.

- All subcontracts entered into with respect to the construction of the improvements.

- Satisfactory evidence that utilities, water, storm and sanitary sewer facilities adequate to service the project and the contemplated improvements will be available at the property and may be utilized by the sponsor.

- Builder's Risk Insurance Policy.

- Public Liability Insurance Policy.

- Contractor's Workers' Compensation, Auto and General Liability Insurance Policy.

- Itemized List of Project Expenditures Prior to and up to the closing.

- Documents necessary to review the development for eligibility for VHFA permanent mortgage financing for buyers of units.

- Other documents specific to a development proposal.

- Schedule of unit sale prices.

NOTE: All insurance policies shall be evidenced by certificates of insurance addressed to VHFA and entitling VHFA to at least ten days' prior notice of cancellation. All casualty insurance shall be written on a replacement cost basis. Liability insurance shall provide limits of coverage as required by VHFA on a case by case basis, but in no event less than the equivalent of single limit bodily injury/property damage coverage of $1,000,000 per occurrence and $1,000,000 in the aggregate. Worker's compensation coverage shall conform to statutory requirements. All casualty policies shall include a standard Vermont Mortgage Clause and shall indentify VHFA as first mortgagee.

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VERMONT HOUSING FINANCE AGENCY
RESOLUTION
AUTHORIZING IMPLEMENTATION OF
SINGLE FAMILY DEVELOPMENT LOAN PROGRAM

RESOLVED:

Pursuant to Chapter 5 of the Agency's rules entitled "Vermont Housing Finance Agency Grants, Loans, and Advances to Assist the Planning, Construction, Rehabilitation, and Operation of Residential Housing; Mortgage Loans to Housing Sponsors for Single Family Developments" (the "Rules"), the Executive Director is authorized to implement the Agency's Single Family Development Loan Program substantially in accordance with the provisions of the attached Memorandum of Patricia A. Crady and Irene D. Jenkins, directed to "VHFA Board of Commissioners," and dated April 14, 1994. The specific documentation requirements described in the forms attached to said Memorandum as Attachments C,D, and E may be modified from case to case in the discretion of the executive director or counsel provided that no such modification causes a violation of the Rules.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PAC
Irene D. Jenkins, Director of Development

DATE: April 14, 1994

RE: Swanage Court and Birchard Park Group Homes - Resolution of Intent/Commitment

Note: This report is similar to the report presented at the March 1994 Board meeting. Substantive changes are highlighted.

SUMMARY OF REQUEST

Staff requests approval of the attached Resolution of Intent/Commitment to provide two first mortgages to Counseling Service of Addison County, Inc. (CSAC) to finance two group homes for developmentally disabled adults owned by CSAC. Both homes are located in Middlebury. One home is an existing single family home located at 8 Swanage Court. CSAC requests a first mortgage in the amount of $121,646 to refinance a mortgage held by Vermont National Bank, and to improve the energy efficiency of the home. The second home is a newly constructed single family home located on lot #1, Birchard Park. CSAC requests a first mortgage in the amount of $133,100 to replace a construction mortgage also held by Vermont National Bank.

The source of funding for the two loans would be an advance from the Federal Home Loan Bank (FHLB). The term of each loan will be 20 years and the interest rate would be based on our borrowing rate from the FHLB plus 100 basis points. However, at the time a commitment letter is sent, we propose to set a maximum rate good for up to 90 days. In the event that rates rise during this period, VHFA's spread may decrease. The loan origination fee would be one percent.

The two group homes were developed by CSAC to allow for the closure of an Intermediate Care Facility (ICF) on Peterson Terrace in Middlebury. It is the policy of the Vermont Agency of Human Services (VAHS) to decrease the total number of ICF's and to replace some of the facilities with small group homes or other individualized residential options. The development of these two homes is a part of that overall policy. CSAC currently receives $436,242 in funding from VAHS for residents of the Peterson Terrace ICF. This funding will be transferred to the Swanage Court and Birchard Park group homes. CSAC also receives a rental payment from residents from SSI benefits.

CSAC initially submitted an application through the Fannie Mae Community Living Program (CLP). This request is not eligible for the Community Living Program because the appraised value of each group home is not adequate to support the requested mortgage using Fannie Mae eligibility criteria. Fannie Mae requires that a group home be appraised as a single family residence. Both homes were improved to be handicap accessible and sprinkler systems were added. The improvements completed to the homes do not contribute to the value as a single family home.

For the Community Living Program, VAHS has agreed to guarantee payment of the rental payments to the service provider in the event they are not received from the resident. VHFA will require a similar guarantee of rental payments for group homes financed with Federal Home Loan Bank advances.

THE PROJECT

The Sponsor

The sponsor is Counseling Service of Addison County, Inc. (CSAC). CSAC was established in 1959 as the community mental health center for Addison County. CSAC provides a wide range of mental health, mental retardation, and substance abuse services to about 2,000 individuals each year. CSAC receives funding through client fees, insurance and Medicaid reimbursements, the United Way of Addison County, and State and Federal grants. The annual budget for CSAC for FY 1994 is projected to be $7.2 million. Financial statements for the year ending June 30, 1993 show operating revenue of $134,590. The total fund balance as of June 30, 1993 was $672,424. In addition to the two group homes that are the subject of this request, CSAC owns one other group home and leases three others. CSAC houses and supervises a total of 95 developmentally disabled clients.

Swanage Court Group Home

Swanage Court is located at 8 Swanage Court and was acquired by CSAC in April 1993. This home provides permanent housing for three developmentally disabled adults. Services provided to residents include: meals, laundry, cleaning and maintenance, 24-hour a day supervision, and counseling. CSAC requests a first mortgage in the amount of $121,646. This request will refinance a mortgage in the amount of $99,600 with Vermont National Bank that has an interest rate of 9.75%, will provide approximately $10,100 in funds to improve the energy efficiency of the home to an energy efficiency level of 4 STARS, and will allow CSAC to recover $11,946 in eligible development costs. The total development cost including the planned energy improvements will be approximately $151,646. CSAC has received a $30,000 grant from VHCB. The appraised value of the home as a single family residence is $127,000. VHFA's loan to value would be 96% and the total loan to development cost ratio would be 80%. Attached is an annual operating budget for Fiscal Year 1994 for the Swanage Court group home.

Birchard Park

Birchard Park is a newly constructed, three bedroom single family home located on Lot #1 at Birchard Park. The home was designed specifically for use as a fully handicap accessible group home. Birchard Park will provide permanent housing for three developmentally disabled adults. Services provided to residents include: meals, laundry, cleaning and maintenance, 24-hour a day supervision, and counseling. CSAC requests a first mortgage in the amount of $133,100 to refinance a Vermont National Bank construction loan in the amount of $130,600, and allow CSAC to recover approximately $2,500 in eligible development costs. The home has received a 4 STAR PLUS energy rating from Energy Rated Homes of Vermont. The total development cost is projected to be $163,100. CSAC has received a grant of $30,000 from VHCB. The appraised value as a single family residence is $139,700. VHFA's loan to value would be 95%. The total loan to development cost ratio would be 81%. Attached is an annual operating budget for Fiscal Year 1994 the Birchard Park group home.

Affordability/Need

All six of the residents that will live at Swanage Court and Birchard Park have no independent income sources and receive SSI benefits of approximately $7,727 annually (approximately 30% of median income for Addison County); of this, $6,647 will be paid to CSAC for room and board. The Vermont Agency of Human Services will provide Medicaid Waiver funding for the balance of the operating expenses.

Both group homes were developed by CSAC to allow for the closure of an Intermediate Care Facility (ICF) on Peterson Terrace in Middlebury. It is the policy of the Vermont Agency of Human Services to decrease the total number of ICFs and to replace some of the facilities with small group homes or other individualized residential options. The development of these two homes is part of that overall policy. The VAHS has indicated that there will be a long-term need for group homes for low-income, developmentally disabled adults.

Loan Conditions

In addition to standard loan conditions, VHFA would place the following additional conditions on a commitment to finance the Swanage Court and Birchard Park group homes:

- Approval by VAHS of the operating budget for Fiscal Year 1994 and transfer of the funding from the Peterson Terrace ICF to the Swanage Court and Birchard Park group homes;
- Satisfactory guarantee from VAHS of rental payments paid by the residents of Swanage Court and Birchard Park in the event they are not received by CSAC;

VHFA has received a satisfactory Environmental Site Review Checklist for each property and will not request a Phase I Environmental Review.

BOARD ACTION REQUESTED

Staff requests approval of the attached Resolution of Intent/Commitment to provide financing to Counseling Service of Addison County, Inc. to refinance two group homes in Middlebury. One loan will be in the amount of $121,646 and will be secured by a first mortgage on 8 Swanage Court. The second loan will be in the amount of $133,100 to refinance a construction loan given by Vermont National Bank to construct a home at Birchard Park. The source of funds will be an advance from the Federal Home Loan Bank.

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RESOLUTION OF INTENT AND FOR COMMITMENT LETTER
PERTAINING TO COUNSELING SERVICE OF ADDISON COUNTY (CSAC)
REFINANCING OF LOANS FOR TWO GROUP HOMES

WHEREAS, a proposal has been presented to the Agency by Counseling Service of Addison County ("CSAC" or the "Sponsor") involving the refinancing of loans on two three bedroom group homes for developmentally disabled adults in Middlebury (the "Developments");

WHEREAS, all the residents of the Developments are developmentally disabled and have as their only income SSI benefits that approximate 30% of Addison County median income;

WHEREAS, CSAC qualifies as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act");

WHEREAS, the Sponsor is requesting a first mortgage in the amount of $121,646 on the Development located on Swanage Court in order to refinance an existing mortgage in the approximate amount of $99,600 held by Vermont National Bank, to perform energy improvements in the approximate amount of $10,100 in order to improve the energy efficiency of the Development to a 4 STAR level and to allow CSAC to recover approximately $11,946 in eligible development costs; and

WHEREAS, the Sponsor is requesting a first mortgage in the amount of $133,100 on the Development located on Birchard Park to replace a construction loan held by Vermont National Bank and to recover approximately $2,500 in eligible development costs;

NOW, THEREFORE, it is hereby DETERMINED:

1. The Developments will assist in fulfilling the purposes of the Act and qualify as residential housing.

2. The Developments are primarily for persons of low and moderate income.

3. The refinancing costs incurred by the Sponsor are for housing development costs within the meaning of the Act.

4. The loan will assist the operation of residential housing primarily for persons of low and moderate income.

5. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing for the developmentally disabled within the general housing market area of the Developments, and private enterprise and investment are unable, without assistance, to provide an adequate supply of such residential housing for occupancy by such persons.

6. The Sponsor undertaking the Developments will maintain the supply of well-planned, well-designed permanent housing for developmentally disabled persons of low and moderate income.

7. The security value of the Developments equal at least the amount of the VHFA loans.

8. The Sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a Commitment Letter (the "Commitment Letter") to provide two mortgage loans to the Sponsor. The loan for the Swanage Court group home will be utilized to refinance an existing mortgage loan, provide financing for energy improvements on the Swanage Court group home and allow the Sponsor to recover certain eligible development costs. The loan for the Birchard Park group home will be utilized to refinance a construction loan and allow the Sponsor to recover certain eligible development costs. Both Developments are located in Middlebury.

2. The commitment letter will be issued to the Counseling Service of Addison County.

3. The commitment of the Agency shall be subject to receipt, on or before the date of the closing, of a commitment fee in an amount equal to one percent (1.0%) of the principal amount of the mortgage loans.

4. The commitment of the Agency is expressly conditional upon the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency and such further requirements as the Agency may establish, including, but not limited to, the following:

   (a) verification from the Vermont Agency of Human Services ("VAHS") of approval of the Fiscal Year 1994 budgets for the Developments and transfer of funding from the Peterson Terrace Intermediate Care Facility to the Developments;

   (b) evidence of a satisfactory commitment from VAHS to continue to provide full funding to the Developments as group homes; and

   (c) satisfactory guarantee by VAHS of monthly rental payments normally paid by the residents.

5. The maximum amount of the loans will be $121,946 for the Swanage Court development and $133,100 for the Birchard Park development. The term of each loan will be 20 years, and the interest rate will be 100 basis points above the effective interest rate paid by the Agency on the advance from the Federal Home Loan Bank. The Agency may set a maximum interest rate in its commitment letter, which maximum will be in effect for a period of up to 90 days from the date of the commitment letter. The loan origination fee will be one percent.

6. The Executive Director, the Deputy Director and the Director of Finance, or any of them, are authorized to take all necessary steps and execute all documents required to effectuate these loans.

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COUNSELING SERVICE OF ADDISON COUNTY
Swanage Court Group Home Operating Budget
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REVENUE	
Resident Rental Payments (SSI)	19,941
Medicaid Waiver Revenue (VAHS)	187,013
TOTAL REVENUE	206,954

EXPENSES	
Personnel	
Salaries	117,600
Benefits	24,696
Contracted Salaries	810
Recruitment & Training	1,800
Administration	16,748
Total Personnel	161,654
Program	
Telephone/Cable/Entertainment	1,900
Food & Groceries	7,500
Miscellaneous Supplies	1,400
Total Program	10,800
Travel & Transportation	
Gas/Oil	1,000
Insurance	1,100
Repairs/Maintenance	500
Staff Mileage	300
Total Travel & Transportation	2,900
Building Expenses	
Property Taxes	3,500
Electricity	1,500
Fuel Oil	1,800
Water/Sewer	1,200
Custodial Supplies/Misc. Supplies	1,800
Equipment Replacement Reserve	1,050
Trash Removal	1,000
Repairs/Maintenance	1,500
Insurance	750
Mortgage P & I (9.25%, 20 yrs)	13,369
Total Building Expenses	27,469
TOTAL EXPENSES	202,823

COUNSELING SERVICE OF ADDISON COUNTY
Birchard Park Group Home Operating Budget
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REVENUE	
Resident Rental Payments (SSI)	19,940
Medicaid Waiver Revenue (VAHS)	219,250
TOTAL REVENUE	239,190
EXPENSES	
Personnel	
Salaries	119,625
Benefits	25,251
Contracted Salaries	19,376
Recruitment & Training	1,800
Administration	24,358
Total Personnel	190,410
Program & Operating	
Telephone/Cable/Entertainment	2,000
Food & Groceries	7,500
Medical & Misc. Supplies	650
Total Program & Operating	10,150
Travel & Transportation	
Gas/Oil	1,000
Insurance	1,100
Repairs/Maintenance	500
Staff Mileage	300
Total Travel & Transportation	2,900
Building Expenses	
Property Taxes	4,000
Electricity	1,800
Fuel Oil	2,500
Custodial Supplies	1800
Equipment Repair	500
Water/Sewer	1,200
Repairs/Maintenance	1,500
Equipment Replacement Reserve	1000
Trash Removal	1150
Insurance	750
Mortgage P & I (estimated 9.25%, 20 yrs)	14,628
Total Building Expenses	30,828
TOTAL EXPENSES	234,288

vhfa
VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PAC
Irene D. Jenkins, Director of Development IDJ

DATE: April 14, 1994

RE: Financing of Group Homes for the Developmentally Disabled

SUMMARY OF REQUEST

At the March meeting, the Board requested that staff develop an initiative to finance group homes that would delegate authority to the Executive Director for the approval of individual loan requests. Staff requests approval of the attached Resolution to authorize the Executive Director to issue commitments, up to a maximum loan amount of $200,000, to finance group homes for the developmentally disabled. Loans in excess of $200,000 would require separate Board approval. Loans that are eligible for the Fannie Mae Community Living Program would be originated for sale to Fannie Mae. Loans that are not eligible for the Fannie Mae Program would be funded using an advance from the Federal Home Loan Bank of Boston (FHLB).

The attached Resolution also authorizes the Executive Director to issue a commitment to provide construction financing for a new group home or for the acquisition and rehabilitation of an existing group home where the permanent loan will be financed by VHFA through the Community Living Program or through a FHLB advance. Construction loans or acquisition and rehabilitation loans would be funded using either general funds or a FHLB advance.

Staff will provide the Board with a quarterly report and brief summary of the loans committed, and will review and evaluate the program and report to the Board when $1.0 million in loans secured by group homes has been committed.

PROGRAM SUMMARY

Group Homes for the Developmentally Disabled

At the March 1993 meeting, the Board authorized the Executive Director to execute an agreement to participate in the Fannie Mae Community Living Program. The Community Living Program is primarily targeted to new or existing one- or two-family dwellings that are to be permanent residences for developmentally disabled adults. A commitment agreement was signed with Fannie Mae on September 22, 1993. In addition, group homes were included in the program outline submitted with VHFA's application to the Federal Home Loan Bank to become a nonmember borrower. VHFA's application to the Federal Home Loan Bank was approved by the Board at the November, 1993 meeting. Attachment A provides the features and requirements for the Fannie Mae Community Living Program and Attachment B provides a program description submitted to the FHLB.

Some group homes may be newly constructed or require moderate to substantial rehabilitation. For those cases, VHFA would provide construction or acquisition and rehabilitation financing as well as permanent financing. Construction financing or acquisition and rehabilitation financing for group homes would be funded using general funds or through an advance from the Federal Home Loan Bank.

The interest rate on a permanent loan sold to Fannie Mae would be the net yield required by Fannie Mae plus 100 basis points and the interest rate for a permanent loan or a construction or acquisition and rehabilitation loan funded through an advance from the Federal Home Loan Bank would generally be at VHFA's borrowing rate plus 100 basis points. Commitment letters issued by VHFA may include a maximum interest rate that will hold for up to 90 days. The interest rate for a construction or acquisition and rehabilitation loan funded with general funds would be 8%. There will be a one percent loan origination fee for all permanent loans secured by a group home and a one percent loan origination fee for a construction or acquisition and rehabilitation loan.

Fannie Mae Community Living Program

The Fannie Mae Community Living Program provides financing for the acquisition or refinancing of group homes for developmentally disabled adults. Eligible borrowers include service providers licensed by the State of Vermont or a nonprofit housing developer who will be leasing the property to a service provider licensed by the State of Vermont. Fannie Mae requires that the service provider have a funding contract from the State of Vermont to provide housing and services.

VHFA was successful in negotiating with Fannie Mae several underwriting variances that make the program more workable in Vermont. In Vermont, a service provider receives a portion of the housing component from the residents (usually from their SSI benefits) and the balance of funds needed to operate the group home is funded by the Vermont Agency of Human Services (VAHS). Initially, Fannie Mae indicated that they would only purchase loans secured by group homes that were entirely funded by VAHS. VAHS agreed to guarantee payment to the service provider of the rents in the event that they are not received from the residents. Fannie Mae agreed to this variance. Fannie Mae also allowed a waiver of its six month liquid asset reserve requirement for some group homes.

There are still obstacles to using the Fannie Mae Community Living Program. Fannie Mae requires that a group home be appraised as a single family residence. Many group homes developed recently have been improved to be handicap accessible and have sprinkler systems. These types of improvements do not generally contribute to the market value of a single family home. The two applications received by VHFA from Counseling Service of Addison County were not eligible for the Fannie Mae program and are being recommended by staff, in a separate memorandum, for funding with an advance from the Federal Home Loan Bank. Staff is hopeful that VHFA will receive requests for financing that do meet the requirements of Fannie Mae's program.

<u>Federal Home Loan Bank Funding for Group Homes</u>

VHFA included financing for group homes in our application to become a nonmember borrower of the Federal Home Loan Bank. Applications received for the Fannie Mae program that do not meet the eligibility criteria would be considered for financing with an advance from the Federal Home Loan Bank. Applications would first be reviewed for Fannie Mae eligibility. If VHFA determines that the application is not eligible for the Fannie Mae program, the application will be considered for funding through the Federal Home Loan Bank. VHFA will generally require all the documentation required by Fannie Mae for a FHLB funded loan, but would allow a maximum loan-to-value of 100% when the applicant is a nonprofit (service provider or housing developer) versus 75% allowed by Fannie Mae. The maximum loan-to-value when the applicant is a for-profit service provider would be 90%.

Generally, the interest rate on FHLB loans will be set at VHFA's borrowing rate plus 100 basis points. However, at the time a commitment letter is sent, we propose to set a maximum rate good for 30 days. In the event that rates rise during this period, VHFA's spread may decrease.

BOARD ACTION REQUESTED

Staff requests approval of the attached Resolution to authorize the Executive Director to issue commitments to provide permanent financing, construction financing, and acquisition and rehabilitation financing on group homes for the developmentally disabled.

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RESOLUTION REGARDING FINANCING OF GROUP HOMES FOR THE DEVELOPMENTALLY DISABLED

WHEREAS, the recent closing of the Brandon Training School has intensified the need for additional group homes in Vermont for the developmentally disabled, which constitute residential housing within the definition contained in the Agency's enabling legislation; and

WHEREAS, Agency staff has been working with staff of the Vermont Housing and Conservation Board ("VHCB") and the Vermont Agency of Human Services ("VAHS") to develop a program to finance such group homes; and

WHEREAS, the Agency has entered into an agreement with the Federal National Mortgage Association ("Fannie Mae") to finance group homes through Fannie Mae's Community Living Program; and

WHEREAS, certain group homes are not eligible for financing through the Community Living Program; and

WHEREAS, the Agency has funds available to it from the Federal Home Loan Bank of Boston ("FHLB"); and

WHEREAS, some group homes may require construction financing or interim financing for acquisition and rehabilitation prior to permanent financing and the Agency is interested in providing such construction or interim financing; and

WHEREAS, the Board wishes to delegate to the Executive Director certain authority in connection with loans for the construction, acquisition, rehabilitation or refinancing of group homes for the developmentally disabled;

NOW, THEREFORE, it is hereby RESOLVED:

1. The Agency hereby establishes a program to provide permanent mortgage financing for group homes for the developmentally disabled (the "Program"), as well as construction financing for new group homes and financing for the acquisition and rehabilitation of existing structures for use as group homes.

2. Monies for permanent mortgage loans will be obtained either by selling the loans to Fannie Mae through its Community Living Program or from FHLB advances. Financing for construction loans and loans for acquisition and rehabilitation will be provided from the Agency's general fund or from FHLB advances.

3. The annual interest rate on permanent loans sold to Fannie Mae will be equal to 100 basis points plus the net yield required by Fannie Mae. The annual interest rate on any loans funded through advances from the FHLB will be equal to 100 basis points plus

VHFA's borrowing rate from the FHLB. The interest rate for interim loans funded by the Agency's general fund will be 8% per annum. However, commitment letters issued by the Agency may include a maximum interest rate that will hold for up to 90 days.

4. Acceptable applications that meet the requirements of the Fannie Mae Community Living Program will be processed through the Community Living Program. Acceptable applications that do not qualify for the Community Living Program will be considered for funding through the FHLB.

5. The Executive Director, in his discretion, may issue commitments for loans of not more than $200,000 to finance group homes for the developmentally disabled that are consistent with the Agency's agreement with Fannie Mae and its application to the FHLB. Loans in an amount greater than $200,000 will each require approval of the Board of Commissioners.

6. Staff of the Agency is directed to provide the Board with quarterly reports, including a brief summary of loans committed. In addition, staff is directed to provide the Board with a report including a review and evaluation of the Program at such time when $1 million in loans secured by group homes has been committed.

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COMMUNITY LIVING PROGRAM
Features and Requirements

OVERVIEW

The Community Living Program offered by Vermont Housing Finance Agency (VHFA), through the cooperation of the Federal National Mortgage Association (FannieMae), addresses a critical and growing need for group housing for developmentally disabled adults and is primarily targeted to homes developed for residents of the Brandon Training School.

Long-term mortgage credit has been difficult to obtain by nonprofit owners of group homes because they are not eligible homeowners under standard owner-occupied or investor-owned single-family home underwriting criteria. In those cases where mortgage credit is provided, it is often expensive, short-term commerical financing. The Community Living Program meets the needs of owners of group homes by providing access to mortgage capital at generally the same interest rates available to home buyers purchasing a primary residence.

The following information describes some of the features and requirements of the Community Living Program.

ELIGIBLE USES

Loan proceeds may be used for the acquisition, acquisition/rehabilitation, refinance, and refinance/rehabilitation of existing housing or newly constructed housing intended to provide primary and permanent housing for developmentally disabled persons. Priority will be given to the financing of homes for the relocation of residents from the Brandon Training School.

ELIGIBLE PROPERTIES

One- and two-family residences are eligible. Properties must conform to all current zoning, dispersion, occupancy, and use requirements. Rehabilitation must be completed prior to closing on the permanent mortgage.

ELIGIBLE BORROWERS

To be eligible a borrower must be a service provider licensed by the State of Vermont or be a nonprofit housing developer who will be leasing the property to a service provider licensed by the State of Vermont. Borrowers must have a minimum of three years experience managing rental property. This experience may have been gained either as an owner or as a contract manager.

LOAN TERMS

15- and 30-year, fixed-rate, level payment, fully amortizing mortgages.

CONSTRUCTION OR REHABILITATION FINANCING

Interim financing is available from VHFA for the construction of new housing and for the acquisition/rehabilitation of existing housing.

MAXIMUM/MINIMUM LOAN AMOUNT

The maximum loan amounts are $203,150 for a one-family property and $259,850 for a two-family property. There is no minimum loan amount.

LOAN-TO-VALUE RATIOS

The maximum loan-to-value ratios are:

> 75 percent for purchase money transactions and no-cash-out refinances;
>
> 65 percent for cash-out refinances -- the proceeds from cash-out refinances must be used for repairs or rehabilitation of the property. Cash-out refinances for other purposes are not permitted.

The loan-to-value ratio is based on the lower of:

> (1) acquisition cost (not including closing costs or loan fees), or
>
> (2) appraised value.

FUNDING CONTRACT

The borrower, or the service provider if the borrower is leasing the property to a service provider, must have a contract with the State of Vermont Agency of Human Services (VAHS) to receive funds to provide support services and housing to developmentally disabled individuals. The term of the funding contract must be for at least one year.

VAHS must provide documentation specifying the total dollar amount of the contract and the amount allocated for housing costs. In addition, this documentation must state that the non-housing-related funds provided are sufficient to cover the minimum required level of services.

GUARANTEE OF PAYMENT OF RENTS

All borrowers must provide a letter of guarantee of rental payments from VAHS in the event that rental payments are not received by the service provider.

ALLOWABLE SERVICES

Support services may be provided on the property, as long as the residential nature of the property is not altered. Allowable services include limited health care, continuing education, information, recreation, homemaking, meals and nutrition, counselling and referral, and transportation.

The property may not include primarily commercial or non-residential facilities such as infirmaries, nursing stations, spaces dedicated to the delivery of medical treatment or physical therapy, padded rooms, spaces for respite care or sheltered workshops, or any unrelated office space.

RESERVE REQUIREMENTS

Borrowers must have unrestricted and unencumbered liquid reserves to make timely principal, interest, taxes, and insurance payments for at least six months for each mortgage secured by a Community Living home.

VHFA will consider a two month reserve requirement in lieu of the six month reserve requirement if the borrower's operating income statement (on FannieMae's form 216--see application) demonstrates a positive net cash flow and, with respect to the computation of net cash flow, the total operating expenses may not be less than 25% of the effective gross income.

VHFA will establish an escrow account into which all funds generated by such positive net cash flow shall be deposited until it equals four months principal, interest, taxes and insurance payments. Funds held in the escrow account may be released to the borrower no earlier than eighteen months following the accumulation of four months principal, interest, taxes and insurance payments, provided that the subject mortgage may not have been 30 days or more delinquent during the eighteen month period indicated above.

Any waiver of the six month reserve requirement must be approved by FannieMae.

BORROWER DOCUMENTATION

The borrower must submit proof of experience in managing rental housing as well as evidence of a state license as a service provider for developmentally disabled persons or evidence that the property will be leased to a state licensed service provider for developmentally disabled persons. Among other documentation, legal entity borrowers must be able to verify the good standing of the organization and the legal authorization to enter into the mortgage transaction. (See the Community Living Program application for additional documentation requirements.)

CASH FLOW/OPERATING INCOME

All borrowers must submit a completed Operating Income Statement to VHFA in the form required by FannieMae (FannieMae Form 216). This statement must use the projected actual rents or shelter cost component of the service provider's funding contract as the Effective Gross Income. No other income, including amount in the funding contract not specified for shelter or rent, can be used in calculating the effective gross income of the property. Net cash flow must be break-even or positive.

PREPAYMENT

There is no prepayment penalty.

LIEN POSITION

All loans must be first mortgage loan only; leases must be subordinated to the first mortgage.

OTHER FINANCING

No subordinate financing is allowed.

FEES

There is a loan origination fee of 1% of the loan amount payable at closing. If interim financing for new construction or acquisition/rehabilitation is required, the origination fee will be 1% of the loan amount payable at the time of closing on the interim financing and 1% of the loan amount payable at the time of closing on the permanent loan.

ENVIRONMENTAL ASSESSMENT

A completed "Environmental Site Review Checklist" is required. VHFA reserves the right to require a more comprehensive environmental assessment of the property if the checklist indicates the potential for hazardous substances or contamination on the site.

ENERGY EFFICIENCY

All newly constructed homes must have an energy efficiency rating from Energy Rated Homes of Vermont of 4 STARS or better. All existing homes that will be acquired and improved, must be improved to a minimum energy efficiency rating of 4 STARS or better unless prior approved by VHFA.

APPRAISAL

VHFA is required by FannieMae to order an appraisal of the subject property from an appraiser licensed in the State of Vermont. VHFA cannot accept appraisals completed prior to the loan application. Fannie Mae also requires that the appraiser determine the value based on the market value of the property as a one-family (or two-family) residence and not based on the income approach.

For additional requirements and documentation, please see the Community Living Program Loan Application.

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VERMONT HOUSING FINANCE AGENCY

March 26, 1993

Michael A. Jessee
President and Chief Executive Officer
Federal Home Loan Bank of Boston
One Financial Center, 20th Floor
Boston, MA 02111

Re: FHLB Advances for Nonmember Institutions

Dear Mr. Jessee:

The Vermont Housing Finance Agency (Agency) is requesting the Federal Home Loan Bank of Boston (FHLB) to approve the Agency as a nonmember borrower for advances in an amount not to exceed $2,000,000. The proceeds from the FHLB advances will be used by the Agency for several types of loans that we cannot make from tax-exempt bond proceeds and that would not ordinarily be made by FHLB member institutions, as described below.

BORROWER INFORMATION

The Agency was created in 1974 and is a self-supporting public entity and agency of the state, but does not constitute a department of the state government. The Agency has 40 full-time employees who play an active role in overseeing and monitoring the underwriting and loan servicing of its portfolio. The Agency administers the Single Family Mortgage Revenue Bond program and currently has almost $450,000,000 in MRBs outstanding. With the proceeds of tax-exempt and taxable bond issues, the Agency also makes construction and permanent loans for multifamily housing development and mobile home park acquisition and renovation and currently has over $98,000,000 in tax-exempt and taxable bonds outstanding. The Agency also makes construction loans for single family developments and bridge loans for multifamily developments from reserves and currently has commitments of over $3,000,000 for such loans outstanding. A copy of our latest bond prospectus, which provides more detail about the Agency's activities, is enclosed.

PROGRAM DESCRIPTION

VHFA has historically served and continues to serve low and moderate income people who cannot access housing as owners or renters without the assistance of public subsidy in the form of tax-exempt financing rates, tax credits, rental assistance, or a combination of these and other subsidies. With the reductions in Federal project-based rental assistance programs, providing affordable rental housing to low income people has become much more difficult.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802 864-5743 • 1-800 339-5866

In our rental housing programs, we are generally serving people at or below 60 percent of median income. Ninety-four percent of those units for which VHFA administers the Section 8 contracts are occupied by people at or below 50 percent of median income. In rental housing financed with low income housing tax credits, either 20 percent of units must be occupied by households with incomes at or below 50 percent of median income or 40 percent at or below 60 percent of median income; however, approximately 70 percent of such housing in Vermont is occupied by people at or below 60 percent of median income. Tax-exempt bond financing has income restrictions similar to those of low income housing tax credits. By statute, all VHFA programs must primarily serve low income people. In its Comprehensive Housing Assistance Strategy, the State has set a goal of serving people with incomes below 30 percent of median.

We are requesting access to FHLB advances for a number of affordable housing programs that cannot be financed with our traditional funding sources and that are not being financed by conventional lenders. All of these programs will serve primarily low and moderate income people. We anticipate drawing funds beginning within 30 days of FHLB approval of this request and drawing the entire $2,000,000 over the following six to twelve months. Requested maturities will vary by program and are indicated below.

1. Construction and permanent financing for multifamily rental developments for which borrowers have been unable to obtain the long-term fixed rate financing from conventional lenders that they need for long-term feasibility and for which tax-exempt financing is not possible.

We are currently hoping to finance a nine unit family development that requires $200,000 in first mortgage taxable financing in conjunction with equity generated by Low Income Housing Tax Credits, loans and grants from the Vermont Housing and Conservation Board, and Community Development Block Grant funds. The sponsor has applied to several lenders but has been unsuccessful in obtaining permanent long-term financing. A loan term of at least fifteen years is required by the equity investors. We believe that at this time we can offer a better rate and terms through an advance from the FHLB than through sale of a taxable bond. These units will have Section 8 assistance.

We will use FHLB advances to finance other multifamily developments that require financing unavailable from conventional lenders at suitable rates and terms.

Given the nature of the program, the anticipated maturity for these loans is 20 years.

2. Community Care Facilities.

These facilities would include small group homes for the developmentally disabled, intermediate care facilities for individuals who require a higher level of services, and other group home facilities. Owners could include both nonprofit and for-profit entities.

These types of facilities pose a range of underwriting issues, which make it difficult to obtain long term fixed rate permanent financing from conventional lenders for them. They do not qualify for tax-exempt financing.

We are planning to address part of the need for small group homes through participation in FannieMae's Community Living program. This program is designed to provide housing for the developmentally disabled. (The State of Vermont is in the process of closing the Brandon Training School, thereby displacing people who are developmentally disabled and will need group homes to meet their housing needs in their communities.) We would like to use FHLB advances for those homes that do not meet the FannieMae Community Living criteria and for those that will require supplemental financing. These homes will serve very low income people.

We anticipate maturities of 15 to 20 years on these loans.

3. Mobile Home Park acquisition, renovation, and development.

With the proceeds of bonds sold to the State Pension Fund, the Agency has provided financing in the amount of $3,599,875 for nonprofit acquisition and improvement of 6 mobile home parks with a total of 289 units and committed financing of $725,000 for a 44 unit park. Additional funds from this source will not be available for the foreseeable future. We anticipate financing additional nonprofit acquisition and improvement as well as new mobile home park development by nonprofit and for-profit entities to meet the demand for low cost alternatives to traditional single family housing.

We anticipate maturities of 15 to 20 years on these loans.

4. Construction loans.

Housing developers are experiencing difficulty in obtaining construction financing, particularly for infrastructure development. We are in the process of developing a construction lending program to fill this need and would use FHLB advances as one source of funds for this program. The source of permanent take-out financing would depend upon the nature of the development (e.g. for rent or for sale, income mix.)

We anticipate maturities of 6 months to 24 months on these loans.

5. Energy conservation loans.

We plan to use FHLB advances to finance energy conservation measures in residential rental units in conjunction with a program under development by the Vermont Energy Investment Corporation (VEIC), a nonprofit corporation.

We anticipate maturities in the range of 3 to 10 years on these loans.

COLLATERAL

VHFA will provide collateral as required for the FHLB advances.

SUMMARY

VHFA will submit all necessary documentation to establish that the Agency meets the eligibility requirements for nonmember borrowers, and that the programs described conform to the provisions of Section 10b of the Federal Home Loan Bank Act, 12 U.S.C. 1430b, as implemented by regulations at 12 C.F.R. Section 935 et seq. The Agency's primary activities consist of providing financing to low- and moderate- income borrowers to promote and sustain homeownership and to nonprofit and for-profit housing developers to promote affordable rental housing for low- and moderate- income people.

Our request is consistent with the FHLB's mission of providing housing finance for low- and moderate-income households and does not compete with programs offered by other lenders. We look forward to a positive response to our request and are prepared to respond to any questions that you may have.

Sincerely,

Allan S. Hunt
Executive Director

vhfa
VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Samuel J. Falzone, Director, Multi-Family Management

DATE: April 14, 1994

RE: WINCHESTER PLACE UPDATE

At last month's meeting we informed the Board about Winchester's ongoing operating deficits and the expected early depletion of a $750,000 sinking fund that was established in order to offset these losses. I am happy to say that there have been some positive developments in the past month.

The Merchants Bank (limited partner) has refunded the sinking fund in the amount of $297,000 with Housing Vermont contributing an additional $3,000. The partners have agreed to use their very best efforts to work with St. Michael's College to reduce their annual landlease payments which will reach $110,000 by 1995. They have also committed to an appeal of the property taxes which have escalated dramatically since the project opened. Finally, $36,000 has been earmarked to upgrade the sewage system in an attempt to reduce town sewage fees and maintenance costs attributable to the current system.

In addition to the newly restored sinking fund, VHFA still has access to a $157,000 working capital letter of credit that is available to meet unexpected operating expenses or fund deficits beyond those projected in the revised pro forma.

Allan has suggested that we look at ways in which VHFA might be able to help moderate long term operating expenses and we are looking at various possibilities.

In light of this activity, we remain guardedly optimistic about the future of Winchester Place and will continue to provide the Board with updates when appropriate.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director
JF Jeffrey D. Francis, Deputy Director
CLG Cathleen L. Gent, Interim Director of Communications

DATE: April 14, 1994

RE: STRATEGIC PLANNING UPDATE

This is to inform you about our progress in the strategic planning process. As you know, the Strategic Planning Advisory Committee met in February. At that time, members considered 50 options for VHFA. From that number, the Advisory Committee prioritized and selected options based upon goal statements they adopted for each category. These 26 options have been re-worked to form objectives, which will be prioritized to form the basis of the strategic plan. The Advisory Committee also approved the ten criteria on which each objective is to be evaluated.

The VHFA staff is currently reviewing the goals and objectives to provide to the Advisory Committee at their next (and final) meeting May 9. The committee at that time will make final recommendations regarding the overall strategic planning goals and objectives for VHFA.

The VHFA Board of Commissioners, with input from staff, will then need to take up the recommendations and proceed with prioritizing options for the Agency's direction, adopting and implementing an action plan, and devising a monitoring system for follow-up.

While the process has taken longer than originally anticipated, we would like to propose that the Board hold special meetings devoted to strategic planning during the months of May and June. The goal of these special meetings is to finalize a strategic planning document and system for monitoring progress.

<u>**RECOMMENDED BOARD ACTION**</u>: No Board action is required at this time. Allan and Jeff will be available at the Board meeting to answer any questions and discuss the status of the strategic planning process. Special Board strategic planning meeting dates for May and June will need to be selected in the near future.

vhfa
VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director Allan

DATE: April 15, 1994

RE: NEKCA REQUEST (See attached)

The Agency made a $29,000 deferred loan to North East Kingdom Community Action, Inc., (NEKCA) to fund the Coventry Homeless Shelter in 1985. No payment on the loan was required as long as they continued to operate it as a homeless shelter. As the enclosed letter indicates, they wish to discontinue its use for that purpose and convey title to the Gilman Housing Trust to create two perpetually affordable housing units. NEKCA has requested we forgive our mortgage at transfer.

I believe this new use makes sense and am in support of the conveyance. However, I am recommending we leave our mortgage on the property, be willing to subordinate it to any necessary financing, making it due and payable only if there is another use change. No normal payment of principal or interest is expected but we would continue to show this as an asset on our balance sheet.

RECOMMENDED BOARD ACTION:

Approve the transfer of our mortgage based on the terms stated above.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • FAX: 802/864-5746 • TDD: 1-800/586-5832

North East Kingdom Community Action, Inc.

April 1, 1994

Alan Hunt
Vt. Housing Finance Agency
1 Burlington Sq.
Burlington, VT 05401

Dear Alan;

I am writing in regards to the Coventry Homeless Shelter. As you may know, NEKCA has operated the Coventry Shelter as a temporary emergency shelter for homeless people in the Northeast Kingdom.

Because of steadily declining funding for emergency temporary shelters, and the need for more comprehensive transitional services for homeless families and individuals, NEKCA can no longer justify the maintenance and staffing costs associated with continued operation of the Coventry Shelter. Instead, we are moving ahead with plans to provide transitional housing and intensive case management services in both the Newport and St. Johnsbury areas. We feel compelled to maximize our dwindling resources for the homeless by providing services that go beyond the emergency, stop-gap efforts that an emergency shelter can provide. (I have included an outline of our service plans for your review).

However, the Coventry Shelter is currently encumbered by a $29,000 mortgage held by VHFA. Rather than seeking to default on this mortgage (because we will no longer be able to operate the property as a homeless shelter), NEKCA has developed a plan that I hope you will embrace. Briefly stated, NEKCA proposes to convey the Coventry Shelter real estate to the Gilman Housing Trust, a private non-profit housing developer for conversion to 2 perpetually affordable rental apartments.

GHT proposes to limit rental to families at or below 60% of county median income -- this will be stipulated in a housing subsidy covenant recorded at transfer in the land records as is typical of housing development funded by the Vermont Housing & Conservation Board.

As stated above, the property is now encumbered by a $29,000 mortgage held by VHFA. Should VHFA forgive this mortgage at transfer, Gilman will have a greatly facilitated opportunity to arrange financing, both now in the future (all financing would be subject to VHCB approval, in any case). If the property is to be conveyed with the $29,000 mortgage in first position, VHFA would have to subordinate its mortgage to another lender to enable GHT to obtain financing. The terms of the mortgage would also have to be clarified beyond the documents executed by NEKCA and VHFA.

I believe that the interests of low-income Vermonters can best be served by VHFA forgiving the mortgage at the time of transfer, and so hereby request that you authorize such a transaction to occur.

This proposal is currently under application by Gilman Housing Trust to the VHCB for project funding and will be presented to the Board at its April meeting. If a meeting with me and/or Gilman's Director, Ed Stretch, would expedite or clarify the issues involved in the property transfer, I would be happy to arrange a meeting to suit your schedule.

Thank you for your continued concern for low-income Vermonters.

Sincerely,

David Tucker
Executive Director

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Jeff Francis, Deputy Director

DATE: April 15, 1994

RE: LEAD PAINT HAZARD LEGISLATION

As you know, I have chaired the Vermont Lead Paint Hazard Commission since last August. The Commission's interim report, submitted to the Legislature in January, resulted in legislation being drafted (a strike-all amendment to H. 169) to address several recommendations made by the Commission.

Specifically, the amendment would:

1. Lift a ban on the use of cleaning products containing phosphates for use in lead hazard management applications as approved by the Commissioner of the Department of Health. (This proposal is supported by the Department of Environmental Conservation.)

2. Extend the authorization of the Commission through January 1, 1996, with a directive for the Commission to develop and recommend standards that protect children under the age of six from lead-based paint hazards, as well as methods by which owners of pre-1978 housing stock can satisfy a duty of reasonable care.

3. Direct all State agencies to develop consistent policies on lead-based paint hazard reduction in pre-1978 housing and childcare facilities and direct the Governor to designate an agency to coordinate the development and implementation of lead-based hazard reduction policies.

H.169 passed the House of Representatives with language which would address the aforementioned recommendations; however, the House did not satisfactorily address an important recommendation of the Commission which would provide better access to credit to owners of owner-occupied dwelling units by authorizing the Vermont Home Mortgage Guarantee Board to guarantee loans made for the purpose of reducing lead hazards. The Administration supports that recommendation and I have been working to resolve several issues in order satisfy requirements of VHMGB and the Vermont

Department of Finance and Management so that VHMGB authorization can be added to the bill in the Senate.

VHMGB has made it clear that due to actuarial and operating concerns, a program to guarantee "lead loans" must exist as a stand alone program and create no liability for VHMGB's other programs. That request is reasonable and can be addressed through any legislation which passes. The consequence of creating a stand alone program, however, is that for some period of time, VHMGB will not have sufficient resources in a loan loss reserve pool to cover any claims made if a borrower with a lead loan defaults. Doug Wacek, Commissioner of Finance and Management, has indicated that it would not be acceptable for VHMGB to call upon the full faith and credit pledge of the State to pay lead loan claims, no matter how small. In an effort to resolve this problem Cynthia Clancy, of the Governor's Office, Doug Wacek, Betsy Costle, Amanda Canavan, Allan Hunt and I met to discuss ways that loan loss claim reserves could be capitalized until such time as sufficient fees were generated by VHMGB under the lead loan program to fund a reserve. The result is a proposal under which the Vermont Housing & Conservation Board (using proceeds from a HUD lead abatement grant) and VHFA would each pledge $25,000 to create a $50,000 reserve pool. The specifics of the agreement will have to be worked out, but we would seek provisions that if the reserve pool was accessed, VHCB funds would be drawn down first. Additionally, we would ask that any VHFA funds accessed be repaid when or if it becomes feasible for VHMGB to do so.

I will elaborate on this matter and answer any questions at the Board meeting.

<u>RECOMMENDED BOARD ACTION</u>: Approval of a $25,000 pledge to fund a loan loss reserve pool on behalf of the Vermont Home Mortgage Guarantee Board for a lead hazard management loan guarantee program.

SERIES 5 STATISTICAL REPORT PROGRAM
LTV 0% TO 100%
Effective as of 04/08/94
Loan Status: Committed, Underwritten and Purchased

Total Number of Loans:	68
Total Loan Amount:	$4,380,183

EXISTING:	$4,007,867	91.5%	62 Loans
NEW CONSTRUCTION:	$ 372,316	8.5%	6 Loans
NEW DETACHED HOUSING:	$ 249,452	67.0%	4 Loans
NEW CONDOMINIUM:	$ 122,864	33.0%	2 Loans

Total Insured or Guaranteed Loans:	65
Loans Guaranteed by VHMGB:	57

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$75,798	$62,314	$66,638
Avg. Loan Amount	$69,911	$60,455	$65,375
Avg. Borrower Income	$27,231	$26,948	$27,068
Avg. Housing Debt-Income Ratio	26.94%	24.76%	25.61%
Avg. Total Debt-Income Ratio	30.80%	34.52%	33.06%
Total No. of Loans	28	40	68
% of Total Loan Amount	39%	61%	100%
First Time Homebuyers	100%	87%	91%
% Meeting Low Income Set Aside	86%	57%	69%

	Loans	% of Loans	$ Amount	*Households	% of Hshlds	% DIFF
Addison	5	7.4%	$ 297,682	4,064	5.5%	1.9
Bennington	2	3.0%	$ 169,200	4,668	6.3%	3.3-
Caledonia	7	10.3%	$ 325,885	4,251	5.8%	4.5
Chittenden	18	26.5%	$1,253,640	13,269	18.0%	8.5
Essex	0	0.0%	$ 0	1,018	1.4%	1.4-
Franklin	6	8.8%	$ 427,550	5,330	7.2%	1.6
Grand Isle	1	1.4%	$ 80,750	727	1.0%	.4
Lamoille	5	7.4%	$ 348,350	3,001	4.1%	3.3
Orange	4	5.9%	$ 232,688	3,735	5.1%	.8
Orleans	5	7.4%	$ 320,250	3,774	5.2%	2.2
Rutland	7	10.3%	$ 451,145	8,815	12.0%	1.7-
Washington	6	8.8%	$ 356,705	7,196	9.8%	1.0-
Windham	1	1.4%	$ 30,000	6,151	8.3%	6.9-
Windsor	1	1.4%	$ 87,000	7,780	10.5%	9.1-
TOTAL	68	100.0%	$4,380,183	73,776	100.0%	

* Estimated number of households, $15,000 to $35,000 income.
Source: CACI, 1990 Sourcebook of County Demographics

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: FEBRUARY 28, 1994

Lenders	Total Loans	30	Days	60	Days	90+	Days	Auth	FCL	Total Delinq		REO	
BancBoston Mortgage Corp.	322	4	1.24%	0	0.00%	3	0.93%	0	0.00%	7	2.17%	1	0.31%
Banknorth Mortgage Co.	743	41	5.52%	10	1.35%	9	1.21%	2	0.27%	62	8.34%	7	0.94%
Bennington Co-op S&L Assoc.	36	3	8.33%	0	0.00%	0	0.00%	0	0.00%	3	8.33%	0	0.00%
Brattleboro Savings & Loan	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Chittenden Bank	831	52	6.26%	17	2.05%	11	1.32%	3	0.36%	83	9.99%	6	0.72%
Citizens Savings Bank	53	2	3.77%	0	0.00%	1	1.89%	0	0.00%	3	5.66%	0	0.00%
Comfed Mortgage Co.	7	0	0.00%	0	0.00%	1	14.29%	0	0.00%	1	14.29%	0	0.00%
Community National Bank	195	5	2.56%	2	1.03%	2	1.03%	0	0.00%	9	4.62%	1	0.51%
Factory Point Nat. Bank	27	6	22.22%	2	7.41%	0	0.00%	0	0.00%	8	29.63%	0	0.00%
Farragut Mortgage Co.	13	2	15.38%	0	0.00%	0	0.00%	0	0.00%	2	15.38%	0	0.00%
First Brandon Nat. Bank	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
First Northern Mortgage Corp.	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Fleet Mortgage	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Green Mountain Bank	187	9	4.81%	5	2.67%	0	0.00%	1	0.53%	15	8.02%	1	0.53%
Lomas & Nettleton Company	13	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Lyndonville Savings Bank	62	3	4.84%	1	1.61%	0	0.00%	0	0.00%	4	6.45%	1	1.61%
Marble Bank	207	9	4.35%	4	1.93%	1	0.48%	0	0.00%	14	6.76%	0	0.00%
Merchants Bank	357	22	6.16%	8	2.24%	4	1.12%	1	0.28%	35	9.80%	2	0.56%
Mortgage Service Ctr. of NE	52	2	3.85%	1	1.92%	0	0.00%	1	1.92%	4	7.69%	3	5.77%
National Bank of Middlebury	61	3	4.92%	0	0.00%	0	0.00%	0	0.00%	3	4.92%	1	1.64%
New England IBM Employees FCU	50	1	2.00%	1	2.00%	0	0.00%	0	0.00%	2	4.00%	2	4.00%
Northfield Savings Bank	104	4	3.85%	1	0.96%	2	1.92%	0	0.00%	7	6.73%	1	0.96%
Passumpsic Savings Bank	163	9	5.52%	1	0.61%	1	0.61%	0	0.00%	11	6.75%	3	1.84%
Peoples Trust Company	115	9	7.83%	3	2.61%	1	0.87%	0	0.00%	13	11.30%	0	0.00%
Randolph National Bank	52	2	3.85%	1	1.92%	0	0.00%	0	0.00%	3	5.77%	0	0.00%
Statewide Funding Corp.	149	8	5.37%	1	0.67%	1	0.67%	2	1.34%	12	8.05%	2	1.34%
Union Bank	144	5	3.47%	0	0.00%	0	0.00%	0	0.00%	5	3.47%	0	0.00%
Vermont Development CU	4	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Vermont Federal Bank	788	18	2.28%	8	1.02%	13	1.65%	4	0.51%	43	5.46%	7	0.89%
Vermont National Bank	518	19	3.67%	8	1.54%	5	0.97%	1	0.19%	33	6.37%	1	0.19%
Wells River Savings Bank	34	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Totals Month/Day/Year	5295	231	4.36%	73	1.38%	60	1.13%	15	0.28%	379	7.16%	39	0.74%
Total[illegible]revious Month	5385	254	4.72%	70	1.3[illegible]	[illegible]54	1.00%	16	0.30%	394	7.32%	37	0.69%

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Roger A. Schoenbeck, Director of Finance RAS

RE: Single Family Bond Financing (Series 5)

DATE: April 15, 1994

At the January 27, 1994, Board meeting, staff received approval to continue to offer mortgages prior to obtaining a fixed rate based on the issuance of bonds commencing on February 15, 1994. The original plan assumed that bonds would be priced and sold in mid-April with a deferred closing to take place in mid-June. This schedule had the benefit of saving an estimated $200,000 of negative arbitrage (the difference between what we pay the bondholders and what we can reinvest bond proceeds.) Over the last two months, bond rates have increased by 1% and the 2 point mortgage rate that was originally offered at 6.75% is currently being priced at 7.9%. If we were to sell bonds today, our full spread mortgage rate would calculate at 7.7%.

FUNDING FEATURES

Negative arbitrage is still with us and represents a significant cost in the delivery of the mortgages. Today we purchased approximately $500,000 of mortgages, representing the first purchase under the program. Short-term liquid funds set aside from the General Fund are being used to fund the purchase and will yield approximately 6.4% compared to the 3.25% rate those funds are currently yielding. The plan would be to continue to purchase the mortgages into the General Fund until bond proceeds are available. Negative arbitrage costs of between $80,000 and $120,000 are expected based on short-term reinvestment rates of between 4%-5% under the remaining delivery of mortgage forecast. The rate sensitivity analysis that we have distributed with earlier mailings is still valid and updated calculations indicate that if we were not able to offset the cost of mortgages previously reserved, we would expect a cost of approximately $400,000 to subsidize the rate of those mortgages. Current cash flows show that $7.9 million of new mortgages would have to be originated at 35 basis points above the current full spread mortgage rate to eliminate the subsidy. Assuming $25 million of mortgage funds will be made available through a financing, we may run out of money by August. We are currently reviewing a proposal by Fannie Mae, which would eliminate negative arbitrage concerns and might make a lot of sense to pursue if we continue to be in this environment. Their program would guarantee, but restrict, earnings for as long as the mortgages are outstanding and would pass non-delivery penalties through to the lenders.

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FINANCING FEATURES
Current projections by underwriters indicate that we would be able to deliver a two point mortgage rate of 7.7% if we were in the market today. We have also provided for issuing no-point mortgages which would carry a rate of approximately 8%, but would have the drawback of having to pay about $600 per loan to the lenders for originating instead of collecting a fee of $450. We would also provide for the stepped rate mortgage for a one year period if conventional rates were to fall and we feel it is necessary, to stay competitive. A letter of credit would be obtained to cover potential loan losses in the total amount of $482,500 at an annual cost of $2,650. A separate letter of credit would be purchased to provide disaster coverage (issuance of bonds and no mortgages purchased or very rapid prepayment of mortgages) in the amount of $1,150,000 which would cost $7,500 per year for five years. Both of these costs would be paid for by draws from the bond issue.

CASH FLOW CONSIDERATIONS
In running the cash flow projections for this issue, expected earnings are calculated for a variety of potential outcomes of the financing. If mortgages are purchased as expected over a six month period and prepayments track expected lives, the Agency will earn approximately $1 million over the life of the issue. These earnings are expected to be taken out over the last five years of the issue. In addition, $187,500 of origination fees on two point mortgages would be collected during purchase. If ***no*** mortgages prepay over the life of the bond issue (highly unlikely), we would earn about $3.4 million. If mortgages were to prepay at a rate six times more than expected we would ***lose*** or have to contribute about $500,000 to the bond issue. In addition, for each $1 million of loan proceeds which are delayed in purchasing mortgages, it would cost $2,000 per month. The very worst case would be if we bonded, never purchased any additional mortgages and sat on the bond proceeds for a year, the total funding needed to cover the loss would be close to $1 million. There would be no expected contribution to the financing by VHFA.

BONDING SCHEDULE
As previously reported, PaineWebber feels that in early-May, the tax-exempt bond market should be settled to the point of being in line with other financial markets. They have also indicated that the time might be right to issue bonds. This means that a preliminary official statement would have to be mailed during the week of April 25. Bonds would be priced the week of May 2 if market conditions were right. Closing of the issue would be deferred as long as possible if there is no additional bond premium for delay. Originally, we were hoping for a 60 day deferred closing but it now appears that 30-45 days might be the best we can do. The problem with deferring action on the bond issuance is that there will continue to be a need to originate mortgages and as the amount of mortgages grows, our exposure would be if rates rose suddenly.

RECOMMENDED BOARD ACTION
Authorize staff to proceed as outlined under the bonding schedule section. We propose the following benchmarks be met to proceed: a full spread 2 point mortgage rate of under 7.75% and at least 50 basis points under conventional rates; no VHFA contribution necessary to the financing; stability in the bond markets. If you have any questions or concerns regarding the financing, please contact Allan or me.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Cathleen Gent, Interim Director of Communications CG
Carrie Höglund, Community Relations Coordinator CAH

DATE: April 15, 1994

RE: Home Buyer Fair Update

On Saturday, March 19, VHFA held its second Chittenden county Home Buyer Fair at the Ramada Inn and Conference Center on Willison Road in South Burlington. The goal of the Home Buyer Fair was to provide information about the home buying process to moderate-income buyers in a casual, enjoyable, non-sales forum. Our local housing partners were invited to participate as exhibitors, and a total of 35 banks, real estate agencies, mortgage companies, nonprofits and others paid for a booth and exhibited their programs and services.

An event of this scale takes the cooperation of several different departments and individuals and the Communications Department appreciates the effort of all the staff who worked on that day. Comments from attendees, exhibitors, and VHFA staff indicate that the fair was very successful.

Our stated goal for attendance was 600 buyers and we did fall short of that goal as our final count for the day was 567 buyers. While attendance was not as high as hoped, the relaxed atmosphere facilated many fruitful discussions between exhibitors and attendees.

The Communications Department staff have completed an evaluation of survey information gathered at the Home Buyer Fair and we would like to share some of the information we have collected with you. At the exit door, evaluation surveys were collected from 198 of those who attended, and an evaluation form was mailed to each exhibitor as well. These surveys are the source of the following data.

Home Buyer Evaluations

The majority of buyers (74%) were Chittenden county residents; 18% of the remaining buyers were from Addison, Franklin and Grand Isle counties. Most attendees were currently looking for a home (50.2%) or plan to buy one within the next six months (32.3%). Half of the attendees reported their annual household income to be between $20,000 - $40,000; an additional 25.6% earn $40,000 or more. The 60 households prequalified at VHFA's booth had an average income of $29,736 and average cash available of $5,664. (It is interesting to note that these figures are very close to our 1993 "VHFA Average Borrower" profile).

The home buyers surveyed rated the Fair overall as "good" (60%) or "excellent" (35.4%). Buyers stated they liked best the "helpful, friendly, knowledgable people" and the "amount of information available". Among the improvements suggested for next year were "larger space" and "more real estate agents and builders".

Exhibitor Feedback
Twenty-five of the 35 exhibitors present at the Fair completed and returned the exhibitor evaluation form. The exhibitors also gave the Fair high marks overall: 44% rated the Fair as "excellent" and 36% rated it as "good".

Virtually all exhibitors responded that the Fair offered a good value, and all cited both tangible and intangible benefits of their participation, such as appointments made, names added to mailing lists and informational packets distributed.

Several exhibitors felt that higher attendance would have improved the Fair and other suggestions for improvement included offering brief educational programs throughout the Fair hours, taught by exhibitors and expanding the Fair hours to attract more buyers.

Costs

Total costs amounted to $11,400, with $6,200 attributable to advertising. Other significant expenses were $1,620 and $1,285 spent on booth setup and conference room rental respectively. We collected $9,750 from exhibitors (we charged a participation fee of $300 [$225 for nonprofits] per booth). Thus, about $1,650 was needed from VHFA for the costs not covered by fees. By comparison, VHFA contributed $5,000 towards the cost of last year's Home Buyer Fair, held at the Sheraton in South Burlington.

In conclusion, although attendance fell short of our stated goal, it appears that those who attended were actively looking to purchase a home and had the income required to support a mortgage loan. Both home buyers and exhibitors alike were generally very pleased with the format and content of the Fair.

VHFA staff feel the Home Buyer Fair was well worth the effort not only as a viable method of outreach, but also as an opportunity to involve our lending partners in the process. We have scheduled two more Fairs for 1994, on April 12 in Montpelier and May 5 in White River Junction. The format for each will be essentially the same as South Burlington but offered on a weeknight and on a smaller scale.

Before planning begins for home buyer fairs for next year, we will evaluate the current format along with new options and approaches we might take. A plan for home buyer education will be presented to the Board of Commissioners at that time.

Recommended Action
No action necessary. Carrie will be available at the meeting to answer your questions and take Board comments regarding the Home Buyer Fair.

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: DOUGLAS R. LOTHROP, DIRECTOR OF OPERATIONS
ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

DATE: APRIL 13, 1994

RE: MOVE/HOUSE UPDATE

During the conference call on March 23 to discuss the continuation of the MOVE/HOUSE programs, the Board requested an update in approximately two weeks showing the mortgage activity and status of the bond market.

MOVE/HOUSE Mortgage Activity

For the last week in March and the first week of April, mortgage reservation activity has remained strong, with an average weekly reservation volume of $1.7 million. However, during the second week of April reservation activity has tumbled to just over $500,000. The attached graph compares the conventional rates and the VHFA rates for both the two point and zero point mortgages.

As of the close of business on April 1, VHFA had approximately $9 million of mortgages in the pipeline representing 141 mortgage loans. Of this amount, $5.9 million were reservations and $3.1 million committed or preliminarily underwritten. Seven mortgage loans have been purchased as of April 4 under the Series 5 program for a total of $471,000.

Below we have listed the dollar volume in reservations at the various interest rates through April 1 in the Series 5 program along with the expected purchases.

Rate	Gross	Expected Purchases
6.75%	$2,000,000	$1,700,000
7.00%	1,100,000	900,000
7.25%	3,100,000	2,300,000
7.50%	2,700,000	2,000,000
Total	$8,900,000	$6,900,000

The current mortgage rates in the MOVE program are 8.30% for zero point mortgages and 7.90% for two point mortgages. The current stepped rates for HOUSE are 7.00/7.50/8.00.8.50%.

* The small amount of mortgage loans at other interest rates are not shown for ease of presentation (HOUSE mortgage loans, etc.).

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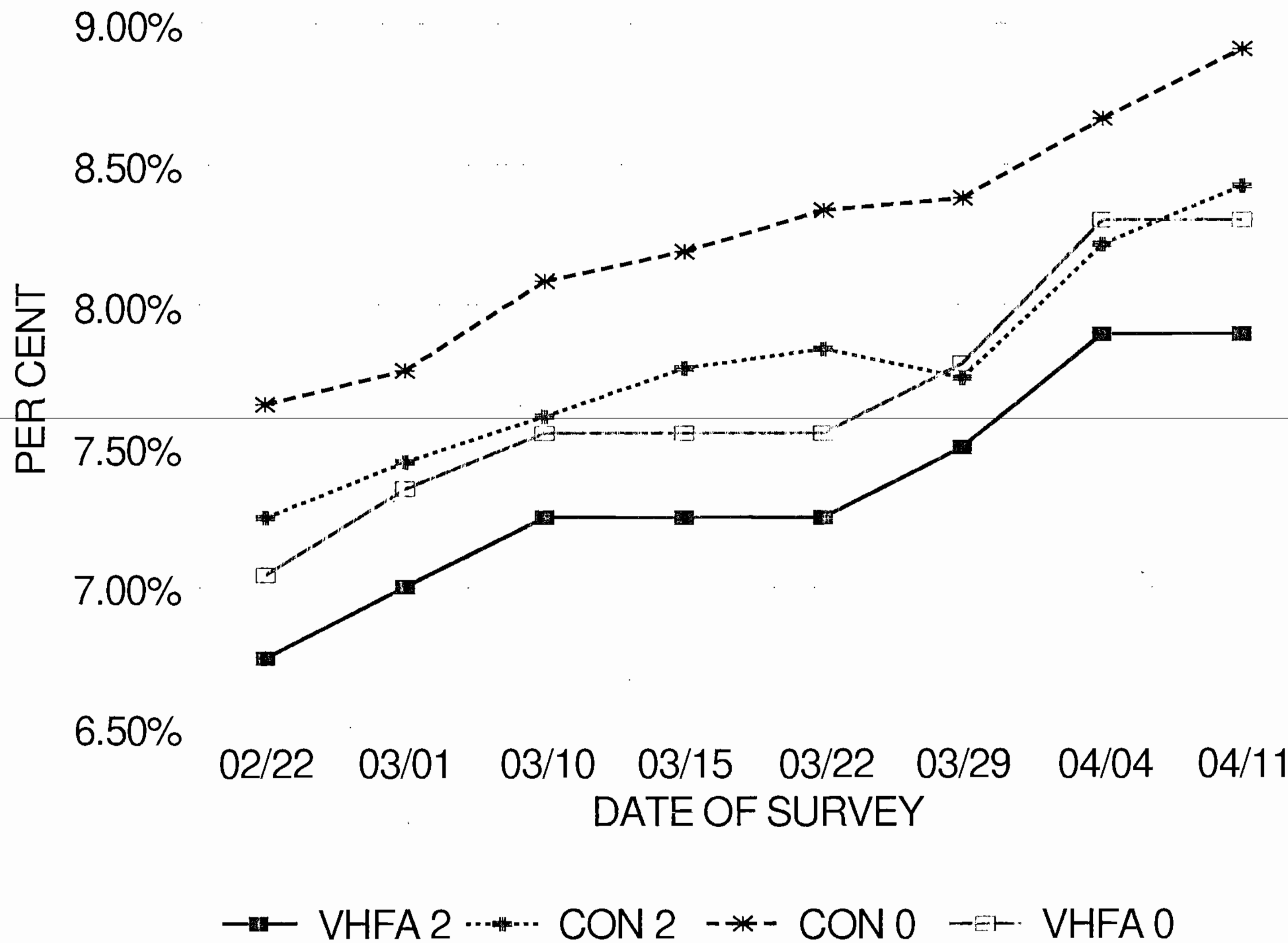
EQUAL HOUSING OPPORTUNITY

The Bond Market

Subsequent to the telephone call with the Board on March 23, the markets have continued to take a beating. Fortunately, the last few days have shown some stabilization. The long term (30 year) tax exempt bond rate is 7%, very close to our maximum rate of 7.05%. Our calculated mortgage rate is now 7.7%. We are now offering 7.9% mortgages effective Monday, April 4. Attached to this memo is a new rate sensitivity analysis which shows the impact of the rate changes. You should remember that the analysis shows the cost with no offset for mortgages above the 7.7% rate.

One way to eliminate our $447,000 cost would be to issue $6.9 million of 8.25% mortgages, which would still be below conventional rate mortgages and could be applied to no down payment mortgages, for example. If bond/mortgage rates continue to increase, we plan to terminate this program and make any new loans out of recyclable funds from an older program at 8.3%. Underwriters are still forecasting a drop in rates in early May, which is the targeted time for a bond issuance. The unusual actions of traditional economic indicators have thrown the market and our expectations out of kilter. We are still hopeful that the market will improve during the next two weeks and into next month.

INTEREST RATE COMPARISON



SERIES 5 MORTGAGE PURCHASE

RATE SENSITIVITY ANALYSIS

APRIL 8, 1994

Date	Rate	Reserved	Estimated Purchase	+/- Actual Rate	Loss over est. Life (with no offset)
02/12	6.75%	$2,000,000	$1,700,000	-0.95%	$196,000
02/25	7.00%	1,100,000	900,000	-0.70%	76,000
03/04	7.25%	3,100,000	2,300,000	-0.45%	126,000
03/23	7.50%	2,700,000	2,000,000	-0.20%	49,000
TOTAL		$8,900,000	$6,900,000		$447,000

Minutes of Meeting

April 30, 1974

VERMONT HOUSING FINANCE AGENCY

Present: Myette, Bruley, Shaw, Webster, Alexander, Dudley Davis (designee of Frank).

1. General discussion and confusion about Agency functions and relationship with VHMCA.

2. Selection of James Guest as Vice Chairman and Lynn Alexander as Secretary Pro Tem.

3. Consensus that open meeting probably necessary except for certain purposes and that notification of meeting times sent to Bob Wilson's office would probably satisfy requirements.

4. Agreement to operate under Robert's Rules insofar as any of us knows what they are.

5. Discussion of general operating procedures. Agreement that the Chairman be empowered to locate whatever secretarial help is necessary. Dudley Davis requested to find out how to borrow money from the State for start-up costs; when can money be obtained and at what price? Horace Shaw was requested to tap his sources for information on Bob Watson from New Jersey as a prospective interim consultant to the Agency, and Dick Myette to investigate other possibilities for this post. Don Webster suggested that there might be a fund in his office that could be tapped for initial expenses, and he will follow this up.

6. It was agreed that meetings would be scheduled insofar as possible on Wednesdays at 3:30 in Dick Myette's office. Continuation of today's meeting scheduled tentatively for Friday morning or whenever Jim Guest might be available.

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: Gus Seelig, Lisa Mitiguy Randall

FROM: Allan S. Hunt, Executive Director Allan

DATE: April 20, 1994

RE: VHFA/VHMGB MEMORANDUM OF UNDERSTANDING

I forgot to include this in the Board package. This agreement has been worked on by Tom Candon and Betsy Costle, as well as Amanda Canavan and myself. It has also been reviewed by Dick White. I am adding it to the Board agenda for approval by the VHFA Board. The VHMGB Board will also act on this at their meeting tomorrow (or next week, if their meeting is rescheduled).

Please let me know if you have any questions concerning this document.

RESOLUTION REGARDING
MEMORANDUM OF UNDERSTANDING
BETWEEN THE VERMONT HOUSING FINANCE AGENCY AND
THE VERMONT HOME MORTGAGE GUARANTEE BOARD

WHEREAS, the pursuant to a prior resolution of the Agency on February 18, 1994, and a resolution of the Vermont Home Mortgage Guarantee Board (the "Board") on February 15, 1994, staff and board members of the Agency and the Board have negotiated a Memorandum of Understanding (the "Agreement"); and

WHEREAS, the purpose of the Agreement is to provide for cost-efficient administration of programs of the Board in accordance with the policies, procedures and Rules and Regulations of the Board; and

WHEREAS, the Agreement provides for the Agency's administering programs of the Board for an initial period beginning May 1, 1994 and ending June 30, 1997; and

WHEREAS, the Agreement specifically deals with the following topics, among others: the offices of the Board and the Agency, the personnel of the Board and the Agency, the programs of the Board, the disposition of the Board's lease of office space; the preparation of Budgets for the Board; the compensation of the Agency by the Board for expenditures and personnel; the Agency's responsibility for processing claims for losses under Board guarantees, the unwinding of the Agreement at its termination or expiration; the construction of the Agreement; and the indemnification of the Agency by the Board from claims of third parties;

NOW, THEREFORE, it is hereby RESOLVED:

1. The Memorandum of Understanding negotiated with the Board is approved.

2. The Chairman is authorized to sign the Memorandum of Understanding in substantially the form appended hereto.

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (the "agreement") is effective the 1st day of May, 1994, between VERMONT HOUSING FINANCE AGENCY (the "Agency") and VERMONT HOME MORTGAGE GUARANTEE BOARD (the "Board").

The parties agree as follows:

1. This agreement shall take effect as of the effective date first above written and shall terminate on June 30, 1997, unless extended by further agreement of the parties. Such duties of the parties as pertain to final accounting and payment shall survive the general expiration or termination of the agreement.

2. During the term of this agreement, the Agency shall make its offices available for the administration of certain programs of the Board described below (the "Programs") in accordance with the policies and procedures of the Board as the same now exist and as they may be hereinafter revised from time to time. The Agency shall hire and retain qualified personnel for the purpose of administering the Programs. The Agency may allocate duties among existing personnel and new personnel in its sole discretion. All such personnel shall be employees of the Agency and shall not be employees of the Board. All hiring and terminations shall be the sole discretionary function of the Agency; however, by way of initial guidance to the Agency, the Board and the Agency agree that all personnel employed by the Board and the Agency as of March 31, 1994 are qualified personnel within the meaning of this paragraph.

3. In addition to administration of the Programs, from time to time, at the request of the Board and at the Board's expense, the Agency shall develop and administer additional programs and/or revisions to existing programs under guidelines and policies established by the Board, and may, subject to approval of the Board, contract with actuarial, legal, and other consultants and/or temporary employees to assist it in carrying out such assignments. If the Board and the Agency cannot agree on the need for, or the identity of, any such consultants, the Agency may decline the additional assignment. Prior to commencement of any such additional work, the Agency shall present for the Board's approval an estimate of the additional cost of such work, and the Board and the Agency shall agree on an adjustment to the Budget to cover the the agreed cost.

4. Subject only to the consent of the landlord, as of July 1, 1994, the Agency shall assume the Board's lease of the Board's current office space on the third floor of One Burlington Square, Burlington, Vermont, until the expiration of the current term thereof.

All equipment and other chattels of the Board shall remain the property of the Board and the Agency shall be the custodian thereof, having the duties of a bailee with respect thereto.

The Agency shall have custody of such monies and financial records of the Board as the Board may designate in writing from time to time. The Agency shall have the duties of a fiduciary with respect to all such monies and financial records.

5. Beginning with the fiscal year commencing July 1, 1994, the Board shall compensate the Agency for its services in accordance with the provisions hereof and an annual budget that corresponds to the fiscal year July 1 - June 30 (the "Budget"). For services rendered, the Agency shall bill the Board on a periodic basis, which may be monthly but in no event less often than quarterly. All bills shall be presented to the Board at a meeting thereof. Each bill shall be itemized in sufficient detail to track the line-item categories of the Budget. For services rendered for the period beginning as of the effective date and ending June 30, 1994, the Board shall compensate the Agency in accordance with the existing practice and the respective current budgets of the Agency and the Board. The respective current budgets are attached hereto.

The Board shall promptly pay all bills not contested in good faith. Such payment shall be made not later than 30 days after the date of submission.

Not later than May 1, 1994 and May 1 of each succeeding year during the term hereof, the Agency shall present for approval to the Board an estimate of the Budget for the fiscal year commencing on the following July 1. After consultation with the Agency, the Board shall adopt a Budget for the ensuing year. The Board shall not fail to adopt a Budget that provides at least for:

(a) compensation to the Agency for personnel time and benefits attributable to time spent to administer the Programs, commensurate with such compensation for Agency

employees generally.

(b) compensation to the Agency for a reasonable pro-ration of actual common overhead expenses; and,

(c) a reasonable allowance to the Agency to cover reimbursement of actual expenses for special projects contemplated to be undertaken on behalf of the Board during the ensuing year.

The Board shall make reasonable adjustments to the Budget in the course of the year in order to pay for reasonable and necessary expenses unforeseen or underestimated at the time of the original adoption of the Budget.

6. The Agency shall provide to each member of the Board a timely written report of its activities on behalf of the Board in anticipation of each meeting of the Board. At the request of the Board, with reasonable advance notice from any member of the Board or the Clerk of the Board, the Executive Director of the Agency and/or such personnel as the Executive Director may deem appropriate, shall attend any meeting of the Board for the purpose of further elucidating the Agency's written report.

7. The Programs are:

(a) The Board's general program of guaranteeing loans for financing of primary residences, including all existing subprograms, such as the following: guarantees for Agency loans, loans of conventional lenders, special affordable housing loan programs of conventional lenders, refinance loan programs for conventional

lenders, and the down payment assistance program;

(b) the Board's energy loan guarantee program.

8. Processing of Claims for Losses Under Board Guarantees. The Agency shall process all claims for losses made by claimants under Board guarantees, and shall forward the same with its recommendation with respect to payment in the following manner:

a. The Agency shall deliver each completed claim form, together with an unsigned claim check and the attachments required by the Board's written policies, to the State Treasurer.

b. If the claim is approved, the signed claim check shall be returned to the Agency with the claim form signed by a Board member or the designee of a Board member. The Agency may conclusively rely on a claim form signed by a board member or a Board member's designee as the act of the Board.

c. The Agency shall forward the signed claim check to the claimant.

As to any claim, upon compliance with the foregoing procedure, the Agency shall be deemed to have discharged its fiduciary responsibility to the Board. The Agency shall remain responsible to the Board for handling the claimant's questions or complaints, if any, in a manner consistent with the policies of the Board.

9. Unwinding. Upon expiration of this agreement or such earlier termination as the parties may agree:

(a) The Agency shall, within one hundred eighty days after termination or expiration, render its final accounting and bill for services to the Board.

(b) Within 30 days after receipt of the Agency's final accounting and bill for services, the Board shall pay the Agency's final charges.

(c) All files and records of the Board shall be made available to the Board for reclamation at the offices of the Agency for a reasonable period of time, not to exceed ninety days, after which period the Agency in its discretion may deposit such files and records in the offices of the State Auditor of Accounts if not physically reclaimed and removed by the Board.

(d) All equipment and other personal property of the Board except files and records shall be made available to the Board for reclamation at the offices of the Agency for a reasonable period of time, not to exceed ninety days, after which period the Board shall be deemed to have abandoned any chattels not physically reclaimed and removed.

(e) The Board and the Agency shall take all other steps reasonable and necessary for the orderly transition of day to day administration of the Programs from the Agency to the Board. The reasonable cost for the facilities of the Agency and the time of Agency personnel used in the transition shall be compensable as part of the final accounting.

10. <u>Construction</u>. The purpose of this agreement is to

provide for cost-efficient administration of programs of the Board in accordance with the Rules and Regulations, policies, forms, and procedures approved by the Board. Nothing herein shall be construed to delegate or to attempt to delegate any rule-making, policy-setting, or similar discretionary power or duty of the Board. Except in a case of gross negligence or willful misconduct, and except with respect to funds for which the Agency has the responsibility of a fiduciary hereunder, the Agency shall not be liable to the Board for the consequences of errors made in carrying out this Agreement, and the Board shall indemnify the Agency and hold it harmless from claims of third parties.

11. The Agency shall not assign or subcontract its performance of this Agreement without the prior written approval of the Board.

12. The Agency will adhere to all applicable State laws and regulations in carrying out the duties assigned to it hereunder.

IN WITNESS WHEREOF, the Board and the Agency have caused this Memorandum of Understanding to be subscribed by their respective Chairs, duly authorized, effective the date first above written.

VERMONT HOME MORTGAGE GUARANTEE BOARD

By___________________________________

Elizabeth Costle, Chair

VERMONT HOUSING FINANCE AGENCY

By___________________________________

Richard White, Chair

RESOLUTION HONORING
RICHARD A. MYETTE
ON HIS RETIREMENT FROM THE
BOARD OF COMMISSIONERS OF THE
VERMONT HOUSING FINANCE AGENCY

WHEREAS, Richard (Dick) Myette guided the Vermont Legislature to passage of the Vermont Housing Finance Agency Act in 1974; and

WHEREAS, Dick Myette, has provided consistent and faithful service to the Vermont Housing Finance Agency as Commissioner for the entire 20 years of the Agency's existence; and

WHEREAS, during his tenure as Commissioner, Dick Myette served as the first Chairman of the Agency from April 1974 until February 1977; and

WHEREAS, Dick Myette's character has been reflected in his leadership of the Vermont Housing Finance Agency throughout its existence; and

WHEREAS, the Commissioners and staff of the Vermont Housing Finance Agency have valued the guidance, sage advice, humor and wisdom of Dick Myette during his tenure as a Board member;

NOW, THEREFORE, it is hereby RESOLVED:

1. The Vermont Housing Finance Agency thanks Dick Myette for his diligent service as a member of the Board of Commissioners of the Agency from 1974 to 1994, for his leadership as Chairman from 1974 to 1977.

2. Dick Myette has been an indispensable member of the Board and has enabled the Agency to achieve its mission.

3. The Vermont Housing Finance Agency declares Dick Myette to be a "Friend of Affordable Housing."

4. The Vermont Housing Finance Agency expresses its appreciation to Dick Myette for all his good work over the last 20 years.

BUDGET PERFORMANCE REPORT
VERMONT HOUSING FINANCE AGENCY
DECEMBER 31, 1993

	CURRENT APPROVED BUDGET	ACTUAL YR TO DATE DEC 31, 1993	% BUDGET RECOGNIZED TO DATE
INCOME	----------	----------	----------
SINGLE FAMILY FEES	56,350	(9,448)	-16.77%
MULTI-FAMILY FEES	106,500	26,046	24.46%
PROJECT ADMIN FEES	122,000	60,510	49.60%
INTEREST INCOME	428,000	132,745	31.02%
MISCELLANEOUS	70,000	38,265	54.66%
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TOTAL INCOME	782,850	248,118	31.69%
FUND TRANSFERS			
SINGLE FAMILY HOUSING	40,000	20,377	50.94%
SHAWMUT MTG PURCHASE	100,000	50,000	50.00%
HOWARD MTG PURCHASE	1,250,000	0	0.00%
HOWARD HOME MTG PURCH	305,000	160,100	52.49%
HOWARD MULTI-FAMILY	430,000	220,000	51.16%
CONN NATL MULTI-FAMILY	80,000	(60,510)	-75.64%
HOUSING DEVELOP BDS-MF	10,000	10,000	100.00%
DIRECT PLACEMENT BONDS	35,000	31,750	90.71%
	---------	---------	---------
TOTAL TRANSFERS	2,250,000	431,717	19.19%
	---------	---------	---------
TOTAL INC & TFRS	3,032,850	679,835	22.42%
EXPENSES			
ADVERTISING & PROMOTION	163,100	130,417	79.96%
AUDIT	27,500	27,950	101.64%
ANNUAL REPORT	10,000	680	6.80%
COMMISSIONERS EXPENSES	4,000	5,659	141.48%
CONSTRUCTION INSPECTION	20,000	0	0.00%
CONSULTING FEES	55,000	40,266	73.21%
DUES & SUBSCRIPTIONS	33,200	8,219	24.76%
INSURANCE	188,336	90,562	48.09%
INTEREST EXPENSE	45,000	28,853	64.12%
LEGAL	55,000	20,377	37.05%
MISCELLANEOUS	6,500	5,537	85.18%
OFFICE EXPENSES	30,000	13,810	46.03%
PENSION PLAN	120,000	39,937	33.28%
POSTAGE	22,500	9,758	43.37%
RENT	116,000	61,266	52.82%
REPAIRS & MAINTENANCE	55,000	28,357	51.56%
SALARIES & WAGES	1,297,860	646,222	49.79%
STAFF TRAVEL & TRAINING	86,045	33,013	38.37%
SUBSIDY-HVT, ERH, ETC.	90,000	51,334	57.04%
TAXES-PAYROLL	97,600	52,623	53.92%
TELEPHONE	30,000	13,555	45.18%
TRUSTEE & CREDIT FEES	260,000	95,601	36.77%
DEPRECIATION	120,000	58,177	48.48%
	---------	---------	---------
TOTAL EXPENSES	2,932,641	1,462,173	49.86%
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SURPLUS (DEFICIT)	100,209	(782,338)	-780.71%
	=======	=======	=======

BALANCE SHEET AS OF 12/31/1993

	MORTGAGE PROGRAM	HOUSING PROGRAM	DIRECT PLACEMENT PROGRAM	HOUSING DEVELOPMENT PROGRAM	MULTI FAMILY TOTAL
ASSETS					
Cash and cash equivalents	2,940,914	2,988,532	349,435	326,475	6,605,356
Investments	6,248,236	3,159,268		881,911	10,289,415
Mortgage and construction loan	36,189,782	23,368,770	18,767,978	7,520,589	85,847,119
Accrued interest receivable					
-Mortgage and notes	195,278	174,617	104,957	37,603	512,455
-Investments	131,980	131,932	934	23,188	288,034
Deferred cost of bond issuance	259,691	111,192	6,992	58,629	436,504
Office furniture and fixtures					
Less: accumulated depreciation					
Land					
Other receivables:prepaids	35,028				35,028
Interfund receivables	179,797-	11,864	212,968-	1-	380,902-
Other assets					
TOTAL ASSETS	45,821,112	29,946,175	19,017,328	8,848,394	103,633,009
LIABILITIES & FUND BALANCE					
Deferred income					
Accounts payable		5,714			5,714
Escrowed cash deposits			11,670		11,670
Notes payable					
Accrued interest	1,180,264	1,284,956	199,459	27,654	2,692,333
Accreted interest					
Bonds payable	41,555,000	27,885,000	18,729,583	8,655,000	96,824,583
Unamortized premium on bonds	699,311-	696,326-	22,617-	172,492-	1,590,746-
Fund balance	3,785,159	1,466,831	99,233	338,232	5,689,455
TOTAL LIABILITIES & FUND BAL	45,821,112	29,946,175	19,017,328	8,848,394	103,633,009

STATEMENT OF REVENUES AND EXPENSES AS OF 12/31/1993

	MORTGAGE PROGRAM	HOUSING PROGRAM	DIRECT PLACEMENT PROGRAM	HOUSING DEVELOPMENT PROGRAM			MULTI FAMILY TOTAL
REVENUES:							
Interest Income:							
Mortgage & construction loans	1,522,366	1,499,957	713,579	339,510			4,075,412
Investments	343,021	251,109	4,810	42,310			641,250
Gain on sale of investments							
Fee income:							
Multi-family programs		60,510					60,510
Single family programs							
Grant income							
Miscellaneous income							
TOTAL REVENUES	1,865,387	1,811,576	718,389	381,820			4,777,172
EXPENSES:							
Financing costs: including interest and amortization of premium, discount & costs of issuance	1,592,199	1,733,568	684,349	336,994			4,347,110
Mortgage service, contract administration fees, & property disposition expense	35,028						35,028
Salaries and benefits							
Operating expenses							
Professional fees							
Trustee and assignee fees							
Loss on bond redemptions							
TOTAL EXPENSES	1,627,227	1,733,568	684,349	336,994			4,382,138
Excess (deficiency) of revenues over expenses	238,160	78,008	34,040	44,826			395,034
Fund balance, beginning	3,767,009	1,388,826	96,937	303,406			5,556,178
Transfer to program funds							
Transfer to General Fund	220,000-		31,750-	10,000-			261,750-
Fund balance, end of period	3,785,169	1,466,834	99,227	338,232			5,689,462

VERMONT HOUSING FINANCE AGENCY

BALANCE SHEET

1 GENERAL FUND

ASSETS	
Cash and cash equivalents	1,964,525.25
Investments	100,000.00
Mortgage and construction loan	2,416,954.86
Accrued interest receivable	
-Mortgage and notes	26,447.28
-Investments	6,337.61
Deferred cost of bond issuance	
Office furniture and fixtures	984,027.63
Less: accumulated depreciation	638,860.20
Land	725,000.00
Other receivables:prepaids	1,036,134.64
Interfund receivables	698,050.35
Other assets	

TOTAL ASSETS	7,318,617.42
	===============
LIABILITIES & FUND BALANCE	
Deferred income	1,602,976.34
Accounts payable	144,937.79
Escrowed cash deposits	47,710.39
Notes payable	762,486.73
Accrued interest	1,089.13
Accreted interest	
Bonds payable	
Unamortized premium on bonds	
Fund balance	4,759,417.04

TOTAL LIABILITIES & FUND BAL	7,318,617.42
	===============

VERMONT HOUSING FINANCE AGENCY

STATEMENT OF REVENUES AND EXPENSES

1 GENERAL FUND

REVENUES:	
Interest Income:	
Mortgage & construction loans	70,147.14
Investments	57,544.23
Gain on sale of investments	
Fee income:	
Multi-family programs	38,001.19
Single family programs	97,260.03
Grant income	
Miscellaneous income	38,265.38
TOTAL REVENUES	301,217.97
EXPENSES:	
Financing costs: including interest and amortization of premium, discount & costs of issuance	30,161.06
Mortgage service, contract administration fees, & property disposition expense	
Salaries and benefits	797,467.89
Operating expenses	458,740.60
Professional fees	48,326.96
Trustee and assignee fees	95,601.89
Loss on bond redemptions	
TOTAL EXPENSES	1,430,298.40
Excess (deficiency) of revenues over expenses	1,129,080.43-
Fund balance, beginning	5,396,270.03
Transfer to program funds	
Transfer to General Fund	492,227.44
Fund balance, end of period	4,759,417.04

VERMONT HOUSING FINANCE AGENCY

BALANCE SHEET

11 SINGLE FAMILY INSURED MTG

ASSETS	
Cash and cash equivalents	1,231,221.18
Investments	6,443,764.09
Mortgage and construction loan	5,878,062.50
Accrued interest receivable	
-Mortgage and notes	35,234.11
-Investments	68,048.50
Deferred cost of bond issuance	46,653.22
Office furniture and fixtures	
Less: accumulated depreciation	
Land	
Other receivables:prepaids	74.00
Interfund receivables	10,141.16
Other assets	
TOTAL ASSETS	13,713,198.76
LIABILITIES & FUND BALANCE	
Deferred income	
Accounts payable	2,310.00
Escrowed cash deposits	
Notes payable	
Accrued interest	146,572.50
Accreted interest	
Bonds payable	9,495,000.00
Unamortized premium on bonds	166,737.00-
Fund balance	4,236,053.26
TOTAL LIABILITIES & FUND BAL	13,713,198.76

VERMONT HOUSING FINANCE AGENCY

STATEMENT OF REVENUES AND EXPENSES

11 SINGLE FAMILY INSURED MTG

REVENUES:	
Interest Income:	
Mortgage & construction loans	230,712.81
Investments	141,224.09
Gain on sale of investments	
Fee income:	
Multi-family programs	
Single family programs	
Grant income	
Miscellaneous income	

TOTAL REVENUES	371,936.90
EXPENSES:	
Financing costs: including interest and amortization of premium, discount & costs of issuance	314,199.87
Mortgage service, contract administration fees, & property disposition expense	16,007.74
Salaries and benefits	
Operating expenses	
Professional fees	
Trustee and assignee fees	
Loss on bond redemptions	

TOTAL EXPENSES	330,207.61

Excess (deficiency) of revenues over expenses	41,729.29
Fund balance, beginning	4,244,323.97
Transfer to program funds	
Transfer to General Fund	50,000.00-

Fund balance, end of period	4,236,053.26
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Confirms fax of 5/12/94

vhfa
VERMONT HOUSING FINANCE AGENCY

May 12, 1994

Ms. Marie Carpenter
Department of Administration
Secretary of Administration's Office
Pavilion Office Building
109 State Street
Montpelier, VT 05602

Dear Ms. Carpenter:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Thursday, May 19, at 1:30 p.m., at the Office of the Commissioner of Banking, Insurance and Securities, 89 Main Street, Montpelier, Vermont.

If you have any questions, please do not hesitate to contact me at 864-5743, ext. 255.

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

vhfa
VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director psh

DATE: May 13, 1994

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:30 p.m. Thursday, May 19, at the Office of the Commissioner of Banking, Insurance and Securities, 89 Main Street, Montpelier, Vermont.

Attached is the agenda and Board packet. The master copy of the Board minutes kept on file here at the Agency includes any attachments that may be referenced in the minutes; copies will be made available should any Board members be interested in reviewing them.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier at 1:30 May 19!

vhfa
VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA
Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont

Thursday, May 19, 1994 at 1:30 p.m.

1. Review and approval of minutes of March 3, 1994

2. Review and approval of minutes of April 21, 1994

3. Review and approval of minutes of May 5, 1994

4. Finance
   - FY94 Budget Adjustments **[Schoenbeck//Separate]**
   - Series 5 Bond Sale **[Schoenbeck/Hunt//Encl.]**

5. Development
   - Southeast Summit Discussion **[Jenkins//Encl.]**

6. Administration
   - Executive Director's Report **[Hunt]**

7. Operations
   - MOVE/Mortgage Plus Updates/ Delinquency Report **[Lothrop//Enclosure]**

8. Communications
   - Strategic Planning Update **[Gent//Enclosure]**

9. Multi-Family Management
   - Management Report **[Falzone//Enclosure]**

10. Legal
    - Review of Agency Regulations **[Jarrett//Enclosure]**

11. Other old or new business to come before the Board

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • FAX: 802/864-5746 • TDD: 1-800/586-5832

vhfa
VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
Office of the Commissioner of Banking, Insurance and Securities
89 Main Street
Montpelier, Vermont

Thursday, March 3, 1994

PRESENT: Chairman White; Commissioners Seelig, Ruse, Candon (designee of Costle), Myette (via speakerphone)

Agency Staff: Mr. Hunt, Mr. Francis, Mr. Schoenbeck, Mr. Jarrett, Mr. Lothrop, Ms. Jenkins, Mr. Falzone, Ms. Gent, Ms. Crady, Mrs. Parker, Mr. Erdelyi

Guests: Mr. Milot (re: Southeast Summit); Ms. Wright (Lake Champlain Housing Development Corporation); Mr. Roberts (re: Twin Pines Housing Trust); Mr. Feeley (re: City Center Apartments); Ms. Torpy, (Burlington Community Land Trust)

The meeting was called to order by the Chairman at 1:45 p.m. Upon a motion made by Mr. Seelig and seconded by Mr. Ruse, it was unanimously agreed to amend the minutes of January 27, 1994, to insert the following into the first paragraph on Page 6, just before the motion on the bond issue, to indicate that *"Mr. Seelig noted that should interest rates continue to rise at the same pace, and the Agency not respond in a timely manner, the Agency would be at a greater risk of losing money in this transaction"* and to accept the minutes as amended. In a separate motion made by Mr. Seelig and seconded by Mr. Ruse, the minutes of the February 18, 1994 meeting were unanimously accepted as written.

Ms. Crady reviewed her memo of February 24, regarding the "Twin Pines Housing Trust/Starlake Village—Loan Extension Agreement and Starlake Land Mortgage" and reintroduced Mr. Roberts, who represented Twin Pines Housing Trust (TPHT). The Board was reminded by Ms. Crady that an extension of the loan was approved at the December Board meeting, with a condition that TPHT receive bids on the cost of construction of the remaining five houses to be built at Starlake Village. According to Ms. Crady, an updated budget has been received which reflects a projected deficit of $25,000; staff feels that the actual deficit would be closer to $50,000. The higher figure reflects anticipated soft costs, engineering costs and legal expenses, as well as a budget line item for contingency for materials.

{At this time, Mr. Myette expressed his regrets and stated that he would be unable to remain on the phone for the rest of the meeting. Mr. Myette also informed the Board that he has sent a letter to the Governor asking that he not be reappointed to the Board.}

Continuing the discussion of the Twin Pines project, Ms. Crady pointed out that staff recommends that not more than $30,000 of the total loan amount should be carried by the Agency, with a requirement that TPHT make up the balance by increasing the purchase price of the remaining units. Mr. Seelig noted that the State's Department of Corrections has a mill in Windsor and should be ready and able to sell lumber to nonprofits below market costs; they also have a shop in St. Albans that produces items such as kitchen cabinetry, which is also available to nonprofit organizations. While he did not propose amending the resolution to specify using these facilities, he did suggest that such alternatives be considered and pursued as an effort to lower costs. Mr. Seelig then made a motion which was seconded by Mr. Candon to adopt the "Resolution Pertaining to Extension of Term of Loan re: Starlake Village/Twin Pines Housing Trust Development" as attached to these minutes; this motion carried unanimously. Mr. Roberts left the meeting following the vote.

Next, Mr. Erdelyi reviewed his memo regarding the "City Center Apartments, Burlington," dated February 25 and included in the Board packet, and introduced Mr. Feeley, representing the owners of the property. The apartments are located on the second and third floors of the Huntington Building and the Burlington Building on St. Paul street in downtown Burlington. The requested loan would allow the building's owner, The Fairchild Square Company, to provide improvements to the building's exterior; one issue is whether a loan of this kind falls within the Agency's policy and mission statement. Ms. Jenkins further explained that staff recommends placing a restriction on the rental of the units to low- and moderate-income tenants throughout the term of the loan (eight years), with appropriate documentation required to ensure availability to and tenancy by individuals within those income brackets. Addressing the Board, Mr. Feeley noted that part of the work to be accomplished and which will be financed by the City of Burlington, includes replacement of the building's signboard; Ms. Wadhams, a consultant on the Agency's Dalton Drive project, has agreed to help with the historic preservation aspect of the City Center renovations. According to Mr. Feeley, conventional financing sources are not available at this time to allow the owners to accomplish the changes outlined in the loan request submitted to the Agency. Although there are some units that may not meet HUD's housing quality standards, Mr. Erdelyi pointed out that this is due more to a failure to have bathrooms that vent outside, rather than unsafe or unacceptable living conditions. There are currently no residents of the building that have Section 8 rental assistance. Mr. Feeley also noted that there are no outstanding City of Burlington code violations for these buildings, and also explained that a significant amount of renovation and repair work was completed approximately four years ago, following a fire at the Burlington Bagel Bakery.

The discussion then focused on the appropriateness of securing a loan of this nature with a personal guarantee. Mr. Feeley offered the possibility of either a second security on the buildings or on a nearby parking lot which is also owned by the same partnership. Mr. Seelig also suggested that the Agency be given right of first refusal, should the current owners decide to sell the property or change the use of the building in a manner which would directly affect the tenants. Mr. Feeley stated that while the partnership might be willing to consider such an option, he was unable to make such a commitment without consulting with his partners. A motion was then made by Mr. Candon and seconded by Mr. Seelig to adopt the revised "Resolution Regarding Loan for City Center Apartments (Burlington)" as distributed at the meeting. In the discussion that followed this motion, and prior to any vote on this matter, it was determined that approving the Resolution as drafted would not include obtaining a mortgage on another property as a condition, and Mr. Candon then withdrew the motion. Further discussion determined that, given the size of the loan and other factors, it would not be necessary to take a mortgage on the property. Another motion was made by Mr. Candon, and seconded by Mr. Ruse, to adopt the "Resolution Regarding Loan for City Center Apartments (Burlington)" as drafted and as attached to these minutes. The Resolution carried, with Mr. Seelig opposed. Following the vote, Mr. Feeley left the meeting.

Ms. Jenkins then reviewed the "Southeast Summit, South Burlington" proposal as described in her memo of February 25, included in the Board packet, and reintroduced Mr. Milot to the Board. Approval of this loan would allow the borrower to acquire and develop 202+ acres of land on the east and west sides of Dorset Street (between Swift and Barstow Street) in South Burlington. This area consists primarily of open land, including some wetlands and archaeologically sensitive areas, as well as a large, almost new dairy barn. According to Ms. Jenkins, the Agency has been negotiating agreements with Mr. Milot to enter into a new development entity to acquire the project site and develop the single family units, with the understanding that the Lake Champlain Housing Development Corporation (LCHDC) might acquire the proposed multi-family portion of the site. An alternative, should LCHDC not wish to purchase this portion, would be to allow the current partnership to retain ownership; the multi-family segment of the proposed development might then be either townhouse rental units or condominiums. Staff has also been meeting with representatives of Vermont National Bank, which currently holds the mortgage on the land and is interested in providing financing to the new entity for the land acquisition. Ms. Jenkins explained that construction, as currently planned, would be completed in phases, in an attempt to limit the amount of financing outstanding at any one time. Originally, Mr. Milot had proposed manufactured housing for the site; however, his further research has determined that large-scale manufactured housing would not be feasible in view of design issues such as roof lines. Some manufactured housing is still planned to be offered. The average unit sales price is projected to be $99,000, with some unit prices starting at $89,000.

An environmental review of the site has been conducted; although there are some minor areas of concern such as two farm dumps that need to be closed and some metal machinery parts still on the site, the review did not show the presence of any toxic materials. There are two underground storage tanks on an adjacent site that may need further investigation. A development agreement has not yet been fully negotiated, and a purchase and sale agreement is also in negotiation. Still to be determined is the manner of acquiring the single family site, if the Agency does not in fact acquire the multi-family segment of the development. While staff hopes to reach an agreement that would allow for acquiring both the single and multi-family areas, there is a possibility that only the single family site would be acquired by the Agency. Ms. Jenkins noted that the purchase prices of the single family units would be within a range that would provide a more affordable single family housing product than currently exists in South Burlington. Two programs for perpetual affordability are currently being developed that would result in at least 10 percent, and up to 25 percent of the units being perpetually affordable. Mr. Milot has also agreed to provide a second mortgage loan for the same term and at the same interest rate as the first mortgage loan; this would be made available only to buyers who could not otherwise purchase, because they lack the down payment; the units thus purchased would not be perpetually affordable. These second mortgages would be provided out of the developer's fees.

Ms. Crady introduced Ms. Torpy, of the Burlington Community Land Trust (BCLT), reintroduced Ms. Wright of LCHDC, and briefly explained the land trust concept. At least 20 single family units are proposed to be sold through BCLT to qualifying purchasers. BCLT would own the land and the units would be perpetually affordable.

There was then a discussion of whether the Agency would proceed with only the single family portion of the site if LCHDC did not firmly commit to acquiring the multi-family site and developing it as affordable housing. Several members of the Board indicated that they wanted and expected the multi-family portion to be developed as affordable housing and that staff of the different housing agencies should continue to work on making this happen. A revised "Resolution Pertaining to Letter of Intent for Southeast Summit" was distributed for the Board's review. A motion was then made by Mr. Candon and seconded by Mr. Ruse to amend paragraph 5(E) of the letter of intent, to read: "A satisfactory plan for ownership of the portion of the Site to be set aside for the Multi-Family Development, *such that some portion of the development is affordable, to maximize low-income occupancy in a manner consistent with Low Income Housing Tax Credit unit requirements*." The motion carried unanimously, and following the vote Ms. Wright, Ms. Torpy, and Mr. Milot left the meeting.

The Board then turned to the "Existing Project Status" report as described by Mr. Falzone in his memo of February 25, included in the Board packet. Mr. Falzone explained that the Winchester Place and St. Johnsbury "scattered site" projects were not performing in compliance with the proformas that were used during underwriting. According to Mr. Falzone, Winchester Place tax and mortgage payments due in March might not be made, due to the need to restore the sinking fund; this sinking fund was supposed to last eight years, but has actually lasted only three years. Mr. Hunt noted that while working capital could be drawn upon to make the required payments this month, letters of credit would need to be called. Rent increases are projected at 1.5 percent over the next year, with a gradual increase of two to three percent over the next few years. Mr. Hunt also advised the Board that Housing Vermont has indicated that other projects in their portfolio are having similar problems, but adjustments have been made to avoid a repeat of the severity of these problems. No Board action was required.

Ms. Crady reviewed her memo of February 24 regarding the "Swanage Court and Birchard Park Group Homes—Resolution of Interest" as included in the Board packet. Approval of the Resolution would provide two first mortgages to Counseling Services of Addison County, Inc. (CSAC) to finance two group homes for developmentally disabled adults; these homes are currently owned by CSAC and are located in Middlebury. For technical reasons, neither of these loans could be made with funds from Fannie Mae's Community Living Program. A motion was made by Mr. Ruse and seconded by Mr. Seelig, and the "Resolution of Interest Pertaining to Counseling Service of Addison County (CSAC) Refinancing of Loans for Two Group Homes" as attached to these minutes was unanimously adopted.

The "Westview Court Intermediate Care Facility, Rutland—Resolution of Intent/ Commitment" as described in her memo of February 24, included in the Board packet, was reviewed by Ms. Crady. A motion was then made by Mr. Ruse and seconded by Mr. Seelig to adopt the "Combined Resolution of Intent and for Commitment Letter re: Westview Court Intermediate Care Facility (Rutland)" as attached to these minutes. The motion carried unanimously.

Mr. Hunt then began his Executive Director's report, noting that the consolidation between the Agency and VHMGB is moving forward. A revised floor plan and proposed organization chart were distributed for the Board's review. Construction estimates should be received in early March, with costs expected to be absorbed in the existing FY94 budget. A formal contract under which the Agency would agree to perform VHMGB functions will be available in April for the Agency and VHMGB Boards to review. Legislative action regarding an increase in VHMGB fees was still pending at the time of the Board meeting. Mr. Hunt also noted that he has spoken with the Chairman and other members of the Board regarding heating problems at Dalton Drive, especially the first floor units. Apparently it is difficult to keep these units at 64° even when the outside temperature is above 0°. Problems with missing or inadequate attic insulation have been discovered, but Engelberth Construction has agreed to correct any problems they may have created. The heating problem is affecting approximately 30 of the 77 units, and the most troublesome issue is the widespread shutdown of the high-efficiency gas-fired Heatmaker boilers. Mr. Hunt indicated he is working with Engelberth Construction and Energy Rated Homes of Vermont to find solutions to the problems. According to Mr. Hunt, the Agency is likely to incur costs in remedying this situation and he will keep the Board apprised.

Mr. Schoenbeck presented a Resolution required by the Federal Home Loan Bank (FHLB) in conjunction with a contemplated borrowing from the FHLB. A motion was then made by Mr. Seelig and seconded by Mr. Ruse to allow Mr. Hunt, Mr. Schoenbeck, or Mr. Francis to be authorized to sign Federal Home Loan Bank of Boston Corporate Resolutions, as distributed at the meeting. This motion carried unanimously.

Mr. Schoenbeck reviewed the "Single Family Bond Financing (Series 5)" as described in his memo of February 25, included in the Board packet. According to Mr. Schoenbeck, $1.6 million in reservations had been received by 1:00 Friday, February 25. Any new interest rates can only take effect after allowing one business day's notice. On February 28 faxes were sent to participating lenders indicating the higher interest rates that would be in effect on Monday, February 28. By the close of business February 25, reservations had reached $2 million, and another $500,000 in reservations was made February 28. Although no formal vote was taken, the Board directed staff to track reservations closely, and to arrange a Board conference call should reservations near $7 million prior to the next scheduled Board meeting. Historically, nearly 25 percent of reservations do not result in actual mortgages; thus, reservations of $7 million should result in approximately $5 million in mortgages. Mr. Schoenbeck also noted that under this program the total bond issue would be nearly $25 million.

The status of delinquent loans was reviewed by Mr. Lothrop, who noted that overall delinquencies have not increased. However, loans in the 60 day category did take a significant jump. Lenders have indicated that this was an aberration, as most of these borrowers had made their payments after the report was run, paying closer to the end of the month. No Board action was required.

Mr. Lothrop then reviewed the "Update on Computer Conversion Process" as described in Mr. Gandini's memo of February 25, included in the Board packet. While the process is slower and more difficult than originally anticipated, some progress has been made. Mr. Francis noted that several problems have been discovered in the financial or accounting segment of the software, but a careful analysis is being performed in order to ensure that all provisions of the software contract are being met. The new computer system is being used to underwrite loans, and efforts are under way to bring the trial balances and general ledger on line.

Turning to the Strategic Planning underway, the Board was advised by Ms. Gent that the consolidation of the Agency and VHMGB has affected the schedule of events. The Advisory Committee has been considering the implications of the merger as well as the 49 options developed thus far; goal statements have been developed for major topic areas being discussed and the 49 options have been narrowed to 20 in accordance with the goal statements. After a final session to provide closure for the Advisory Committee, the Board will be asked to meet to review the Committee's actions and to provide direction.

The "1994 Marketing Campaign" was reviewed by Ms. Gent, who noted that as she has assumed the position of interim director of Communications, an analysis of the marketing campaign will help provide direction for the role of advertising in relation to other outreach activities. While the Agency's market share has dropped fairly significantly in the last year, due to several factors such as low conventional interest rates, still unresolved is how important a high market share is to the Agency, and what should be done as far as advertising to maintain a strong market share, if indeed that is determined to be important. The new method of selling bonds might affect the direction of the Agency's advertising efforts. No Board action was necessary.

Mr. Hunt reminded the Board that the spring Home Buyer Fair will take place at the Ramada in South Burlington on March 19. These Fairs are an excellent way to understand the potential borrowers that the Agency is reaching, and Board members were encouraged to attend.

The next meeting was scheduled for Thursday, April 21, in Montpelier; Mr. White reminded the Board that he would not be available for that meeting, and Mr. Candon advised that he would arrange to have an alternate representative available from Banking, Insurance and Securities. There being no further business and following a motion duly made and seconded, the meeting was adjourned at 5:00 p.m.

Respectfully submitted,

Allan S. Hunt,
Secretary

RESOLUTION REGARDING
MEMORANDUM OF UNDERSTANDING
BETWEEN THE VERMONT HOUSING FINANCE AGENCY AND
THE VERMONT HOME MORTGAGE GUARANTEE BOARD

WHEREAS, pursuant to a prior resolution of the Agency on February 18, 1994, and a resolution of the Vermont Home Mortgage Guarantee Board (the "Board") on February 15, 1994, staff and board members of the Agency and the Board have negotiated a Memorandum of Understanding (the "Agreement"); and

WHEREAS, the purpose of the Agreement is to provide for cost-efficient administration of programs of the Board in accordance with the policies, procedures and Rules and Regulations of the Board; and

WHEREAS, the Agreement provides for the Agency's administering programs of the Board for an initial period beginning May 1, 1994 and ending June 30, 1997; and

WHEREAS, the Agreement specifically deals with the following topics, among others: the offices of the Board and the Agency, the personnel of the Board and the Agency, the programs of the Board, the disposition of the Board's lease of office space; the preparation of Budgets for the Board; the compensation of the Agency by the Board for expenditures and personnel; the Agency's responsibility for processing claims for losses under Board guarantees, the unwinding of the Agreement at its termination or expiration; the construction of the Agreement; and the indemnification of the Agency by the Board from claims of third parties;

NOW, THEREFORE, it is hereby RESOLVED:

1. The Memorandum of Understanding negotiated with the Board is approved.

2. The Chairman is authorized to sign the Memorandum of Understanding in substantially the form appended hereto.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on April 21, 1994.

Allan S. Hunt
Executive Director and Secretary
Vermont Housing Finance Agency

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director ASH

DATE: May 13, 1994

RE: SALE OF SERIES 5 BONDS

I am pleased to inform you that we sold $35,000,000 in Single Family Bonds on Tuesday, May 10. Since our telephone conversation the prior Thursday, the market reacted poorly to the news that employment was up by around 300,000 jobs, far more than was predicted. On Monday, Dick White and I spoke with our underwriters and learned there were other significant events expected later in the week and that meant more market volatility. Wishing to avoid any further market declines, Dick and I told the underwriters to proceed with the sale. The sale was completed on Tuesday morning, with very strong Vermont retail interest in the shorter term bonds.

Enclosed are copies of the Purchase Contract, Series Bond Resolution and the cover page of the Official Statement. You will be asked to adopt the Series Resolution at our meeting. We expect to announce the mortgage rate after Thursday's meeting.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • FAX: 802/864-5746 • TDD: 1-800/586-5832

New Issue

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series 5 Bonds is not includable in gross income for federal income tax purposes. Interest on the Series 5 Bonds is an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. For information regarding certain requirements for and exceptions to such exclusion, see "TAX EXEMPTION." The Vermont Housing Finance Agency Act provides that the Series 5 Bonds and the interest thereon are exempt from all Vermont taxation, franchise fees or special assessments except for transfer, inheritance and estate taxes.

$37,440,000
VERMONT HOUSING FINANCE AGENCY
Single Family Housing Bonds, Series 5

Dated: June 1, 1994 Due: As shown below

The Series 5 Bonds are issuable only as fully registered bonds and are registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York, an automated clearinghouse for the processing of securities transactions, which will act as the securities depository (the "Securities Depository") for the Series 5 Bonds. Purchases and sales by the beneficial owners of the Series 5 Bonds can be made in the denomination of $5,000 or any integral multiple thereof, in book-entry form only. Beneficial owners will not receive certificates evidencing their ownership interests in the Series 5 Bonds. See "BOOK-ENTRY SYSTEM" herein.

Interest on the Series 5 Bonds will be payable on November 1, 1994 and semi-annually thereafter on May 1 and November 1 of each year. Interest on the Series 5 Bonds is payable by The Howard Bank, N.A., Burlington, Vermont, Trustee, to the Securities Depository. The Securities Depository will credit such payment to its Participants (as hereinafter described), who will remit interest payments to the beneficial owners of the Series 5 Bonds. Principal and premium, if any, will be payable by the Trustee in the same manner.

The Series 5 Bonds are subject to redemption prior to maturity, including special redemption at par under certain circumstances, as more fully described herein. Under the circumstances described herein, Series 5 Bonds, in a principal amount not to exceed the amount of unexpended proceeds of the Series 5 Bonds on deposit in the Series 5 Purchase Account, will be subject to mandatory tender and remarketing on any date (the "Adjustment Date") not earlier than six months after the delivery date of the Series 5 bonds and not later than April 1, 1997. On the Adjustment Date, if any, interest on the Series 5 Bonds subject to mandatory tender and remarketing will be adjusted to a lower rate (the "Adjusted Interest Rate"). Owners of any Series 5 Bonds subject to mandatory tender on the Adjustment Date may elect to retain such Bonds and the Series 5 Bonds so retained shall bear interest on and after the Adjustment Date at the Adjusted Interest Rate as more fully described herein.

The Series 5 Bonds will constitute special obligations of the Agency payable solely from and secured solely by a pledge of certain Revenues, Loans and funds and accounts established under the Resolution. The Agency has no taxing power. Neither the faith and credit nor the taxing power of the State of Vermont or of any political subdivision thereof is pledged for the payment of the Series 5 Bonds.

$5,635,000 Serial Bonds

Due	Principal Amount	Interest Rate	Due	Principal Amount	Interest Rate
May 1, 1996	$195,000	4.4%	November 1, 2001	$255,000	5.6%
November 1, 1996	195,000	4.4	May 1, 2002	260,000	5.7
May 1, 1997	200,000	4.7	November 1, 2002	270,000	5.7
November 1, 1997	205,000	4.7	May 1, 2003	275,000	5.8
May 1, 1998	210,000	5.0	November 1, 2003	285,000	5.8
November 1, 1998	220,000	5.0	May 1, 2004	295,000	5.9
May 1, 1999	220,000	5.2	November 1, 2004	300,000	5.9
November 1, 1999	225,000	5.2	May 1, 2005	310,000	6.0
May 1, 2000	235,000	5.4	November 1, 2005	325,000	6.0
November 1, 2000	240,000	5.4	May 1, 2006	330,000	6.1
May 1, 2001	245,000	5.6	November 1, 2006	340,000	6.1

$4,940,000 5.90% Term Bonds due November 1, 2012
$4,465,000 6.875% Term Bonds due November 1, 2016
$22,400,000 7.00% Term Bonds due November 1, 2027
Price: 100%
(Accrued Interest to be Added)

The Series 5 Bonds are offered for delivery when, as and if issued and received by the Underwriters and subject to the approval of legality by Kutak Rock, Atlanta, Georgia, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe, New York, New York. It is expected that the Series 5 Bonds will be delivered in book-entry form through the facilities of The Depository Trust Company, New York, New York on or about June 15, 1994.

PaineWebber Incorporated

Lehman Brothers

Smith Barney Shearson

Bear, Stearns & Co. Inc.

Goldman, Sachs & Co.

May 13, 1994

FORM OF VOTE APPROVING
EIGHTH SUPPLEMENTAL BOND RESOLUTION

That the following Resolution is hereby adopted in substantially the form presented with such changes or modifications as are approved by the Chairman, Executive Director, Deputy Director or Director of Finance: "Eighth Supplemental Single Family Housing Bond Resolution."

RESOLUTION REGARDING FINANCING OF GROUP HOMES FOR THE DEVELOPMENTALLY DISABLED

WHEREAS, the recent closing of the Brandon Training School has intensified the need for additional group homes in Vermont for the developmentally disabled, which constitute residential housing within the definition contained in the Agency's enabling legislation; and

WHEREAS, Agency staff has been working with staff of the Vermont Housing and Conservation Board ("VHCB") and the Vermont Agency of Human Services ("VAHS") to develop a program to finance such group homes; and

WHEREAS, the Agency has entered into an agreement with the Federal National Mortgage Association ("Fannie Mae") to finance group homes through Fannie Mae's Community Living Program; and

WHEREAS, certain group homes are not eligible for financing through the Community Living Program; and

WHEREAS, the Agency has funds available to it from the Federal Home Loan Bank of Boston ("FHLB"); and

WHEREAS, some group homes may require construction financing or interim financing for acquisition and rehabilitation prior to permanent financing and the Agency is interested in providing such construction or interim financing; and

WHEREAS, the Board wishes to delegate to the Executive Director certain authority in connection with loans for the construction, acquisition, rehabilitation or refinancing of group homes for the developmentally disabled;

NOW, THEREFORE, it is hereby RESOLVED:

1. The Agency hereby establishes a program to provide permanent mortgage financing for group homes for the developmentally disabled (the "Program"), as well as construction financing for new group homes and financing for the acquisition and rehabilitation of existing structures for use as group homes.

2. Monies for permanent mortgage loans will be obtained either by selling the loans to Fannie Mae through its Community Living Program or from FHLB advances. Financing for construction loans and loans for acquisition and rehabilitation will be provided from the Agency's general fund or from FHLB advances.

3. The annual interest rate on permanent loans sold to Fannie Mae will be equal to 100 basis points plus the net yield required by Fannie Mae. The annual interest rate on any loans funded through advances from the FHLB will be equal to 100 basis points plus VHFA's borrowing rate from the FHLB. The interest rate for interim loans funded by the Agency's general fund will be 8% per annum. However, commitment letters issued by the Agency may include a maximum interest rate that will hold for up to 90 days.

4. Acceptable applications that meet the requirements of the Fannie Mae Community Living Program will be processed through the Community Living Program. Acceptable applications that do not qualify for the Community Living Program will be considered for funding through the FHLB.

5. The Executive Director, in his discretion, may issue commitments for loans of not more than $200,000 to finance group homes for the developmentally disabled that are consistent with the Agency's agreement with Fannie Mae and its application to the FHLB. Loans in an amount greater than $200,000 will each require approval of the Board of Commissioners.

6. Staff of the Agency is directed to provide the Board with quarterly reports, including a brief summary of loans committed. In addition, staff is directed to provide the Board with a report including a review and evaluation of the Program at such time as $1 million in loans secured by group homes has been committed.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on April 21, 1994.

Allan S. Hunt
Executive Director and Secretary
Vermont Housing Finance Agency

each loan will be 20 years, and the interest rate will be 100 basis points above the effective interest rate paid by the Agency on
the advance from the Federal Home Loan Bank. The Agency may set a maximum interest rate in its commitment letter, which maximum will be in effect for a period of up to 90 days from the date of the commitment letter. The loan origination fee will be one percent.

6. The Executive Director, the Deputy Director and the Director of Finance, or any of them, are authorized to take all necessary steps and execute all documents required to effectuate these loans.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on April 21, 1994.

Allan S. Hunt

Allan S. Hunt
Executive Director and Secretary
Vermont Housing Finance Agency

RESOLUTION REGARDING
LOW INCOME HOUSING TAX CREDIT
PROJECT RESERVATIONS

WHEREAS, on November 18, 1993 the Board agreed with a staff recommendation that the Board consider and approve staff recommendations on specific Low Income Housing Tax Credit (LIHTC) project reservations after such recommendations had been presented to and considered by the Joint Tax Credit Committee (JTCC); and

WHEREAS, the JTCC met on April 13, 1994 and considered recommendations for a total of $590,790 in reservations of tax credits for six proposed projects; and

WHEREAS, the JTCC accepted all of the Agency staff's recommendations for the six projects; and

WHEREAS, staff has prepared a memorandum dated April 15, 1994 containing descriptions of the six projects (the "Memorandum");

NOW, THEREFORE, it is hereby RESOLVED:

1. The Board has considered the six projects discussed in the Memorandum.

2. The Agency approves the reservations for the six projects discussed in the Memorandum, subject to the payment of applicable reservation fees, as well as carryover allocations subject to the conditions discussed in the Memorandum.

3. The Agency staff may increase or decrease LIHTC allocations by up to five percent, if appropriate, based upon changes in development costs.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on April 21, 1994.

Allan S. Hunt

Allan S. Hunt
Executive Director and Secretary
Vermont Housing Finance Agency

RESOLUTION OF INTENT AND FOR COMMITMENT LETTER
PERTAINING TO COUNSELING SERVICE OF ADDISON COUNTY (CSAC)
REFINANCING OF LOANS FOR TWO GROUP HOMES

WHEREAS, a proposal has been presented to the Agency by Counseling Service of Addison County ("CSAC" or the "Sponsor") involving the refinancing of loans on two three bedroom group homes for developmentally disabled adults in Middlebury (the "Developments");

WHEREAS, all the residents of the Developments are developmentally disabled and have as their only income SSI benefits that approximate 30% of Addison County median income;

WHEREAS, CSAC qualifies as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act");

WHEREAS, the Sponsor is requesting a first mortgage in the amount of $121,646 on the Development located on Swanage Court in order to refinance an existing mortgage in the approximate amount of $99,600 held by Vermont National Bank, to perform energy improvements in the approximate amount of $10,100 in order to improve the energy efficiency of the Development to a 4 STAR level and to allow CSAC to recover approximately $11,946 in eligible development costs; and

WHEREAS, the Sponsor is requesting a first mortgage in the amount of $133,100 on the Development located on Birchard Park to replace a construction loan held by Vermont National Bank and to recover approximately $2,500 in eligible development costs;

NOW, THEREFORE, it is hereby DETERMINED:

1. The Developments will assist in fulfilling the purposes of the Act and qualify as residential housing.

2. The Developments are primarily for persons of low and moderate income.

3. The refinancing costs incurred by the Sponsor are for housing development costs within the meaning of the Act.

4. The loan will assist the operation of residential housing primarily for persons of low and moderate income.

5. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing for the developmentally disabled within the general housing market area of the Developments, and private enterprise and investment are unable, without assistance, to provide an adequate supply of such residential housing for occupancy by such persons.

6. The Sponsor undertaking the Developments will maintain the supply of well-planned, well-designed permanent housing for developmentally disabled persons of low and moderate income.

7. The security value of the Developments equal at least the amount of the VHFA loans.

8. The Sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a Commitment Letter (the "Commitment Letter") to provide two mortgage loans to the Sponsor. The loan for the Swanage Court group home will be utilized to refinance an existing mortgage loan, provide financing for energy improvements on the Swanage Court group home and allow the Sponsor to recover certain eligible development costs. The loan for the Birchard Park group home will be utilized to refinance a construction loan and allow the Sponsor to recover certain eligible development costs. Both Developments are located in Middlebury.

2. The commitment letter will be issued to the Counseling Service of Addison County.

3. The commitment of the Agency shall be subject to receipt, on or before the date of the closing, of a commitment fee in an amount equal to one percent (1.0%) of the principal amount of the mortgage loans.

4. The commitment of the Agency is expressly conditional upon the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency and such further requirements as the Agency may establish, including, but not limited to, the following:

    (a) verification from the Vermont Agency of Human Services ("VAHS") of approval of the Fiscal Year 1994 budgets for the Developments and transfer of funding from the Peterson Terrace Intermediate Care Facility to the Developments;

    (b) evidence of a satisfactory commitment from VAHS to continue to provide full funding to the Developments as group homes; and

    (c) satisfactory guarantee by VAHS of monthly rental payments normally paid by the residents.

5. The maximum amount of the loans will be $121,946 for the Swanage Court development and $133,100 for the Birchard Park development. The term of

VERMONT HOUSING FINANCE AGENCY
RESOLUTION AUTHORIZING IMPLEMENTATION OF
SINGLE FAMILY DEVELOPMENT LOAN PROGRAM

RESOLVED:

Pursuant to Chapter 5 of the Agency's rules entitled "Vermont Housing Finance Agency Grants, Loans, and Advances to Assist the Planning, Construction, Rehabilitation, and Operation of Residential Housing; Mortgage Loans to Housing Sponsors for Single Family Developments" (the "Rules"), the Executive Director is authorized to implement the Agency's Single Family Development Loan Program substantially in accordance with the provisions of the attached Memorandum of Patricia A. Crady and Irene D. Jenkins, directed to "VHFA Board of Commissioners," and dated April 14, 1994. The specific documentation requirements described in the forms attached to said Memorandum as Attachments C, D, and E may be modified from case to case in the discretion of the executive director or counsel provided that no such modification causes a violation of the Rules.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on April 21, 1994.

Allan S. Hunt
Executive Director and Secretary
Vermont Housing Finance Agency

vhfa
VERMONT HOUSING FINANCE AGENCY

CONFERENCE CALL BOARD MINUTES
Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont

Thursday, May 5, 1994

PRESENT: (via speakerphone) Chairman White, Commissioners Seelig, Randall, Schauer (designee of Costle), Bradley (designee of Shouldice)

Agency Staff: Mr. Hunt, Mr. Schoenbeck, Mr. Jarrett, Mrs. Parker, Ms. Gent, Mr. Baker

Guests: (via speakerphone) Mr. Gurley, Mr. Feery (PaineWebber); Mr. Clancy (Trepp & Company)

The meeting was called to order by Chairman White and participants were identified by roll call. It was agreed that all votes would be taken by roll call as well. Receipt of Mr. Schoenbeck's memo of May 4, "Single Family Bond Financing (Series 5)" and the Preliminary Official Statement (POS) was confirmed by all board members except Chairman White, who stated that although he had not as yet received the POS, he was prepared to discuss the bond issue.

Mr. Gurley noted that the bond market is volatile but has not changed much since the April 21 Board meeting. Mr. Feery reported that the calendar of upcoming issues is relatively light, with $1.5 billion in new issue bonds expected over the next few weeks. According to Mr. Feery, the market is "on hold" pending the release of the unemployment figures, which will occur May 6. If the Federal Reserve has an adjustment which would have a negative impact on the bond market, the underwriters may make a recommendation during the week of May 9 to sell bonds that week. If there is no adjustment, or if the bond market appears to stabilize or rally, the recommendation may be to wait. However, Mr. Feery noted that the opportunities to sell bonds at favorable rates are limited and of brief duration in this volatile market, and recommended that the Board appoint a small group which would be authorized to take action on a timely basis. Mr. Feery also noted that there were no bond issues pricing today, and it would be difficult to get institutions to participate today; the bond underwriters are working aggressively on the POS on a retail basis, but would not have enough orders to complete the transaction at optimal pricing. The recommendation from PaineWebber would be to go into the bond market when the broadest number of buyers are available.

In response to a query from Chairman White, each Board member participating expressed agreement that the conditions specified in Mr. Schoenbeck's memo had been met, and that the Board is ready to consider the issuance of bonds. A motion was then made by Mr. Seelig and seconded by Ms. Randall to authorize the Executive Director and the Chairman to determine the appropriate time to issue bonds, based on advice from the underwriters. This motion carried unanimously. There was general agreement that the Agency should issue as soon as is prudently possible.

There being no further business and following a motion duly made and seconded, the meeting was adjourned at 11:35 a.m.

Respectfully submitted,

Allan S. Hunt

Allan S. Hunt,
Secretary

vhfa

VERMONT HOUSING FINANCE AGENCY

ORIGINAL WILL BE DELIVERED WITH POS TOMORROW AM.

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Roger A. Schoenbeck, Director of Finance

RE: Single Family Bond Financing (Series 5)

DATE: May 4, 1994

At the April 21, 1994, Board meeting, staff was instructed to proceed with the preparation and mailing of the Preliminary Official Statement (POS). Enclosed with this memorandum is the completed POS. This document is what potential bond purchasers will receive to inform them of the intricacies of the financing. In addition to the POS preparation, Trepp and Company has updated all the numbers and attendant actuarial calculations. We had calculations performed on both $25 million and $35 million of lendable proceeds. The calculations strongly indicate that a bond size of $35 million (as suggested by the Board) makes the most economic sense. The purpose of the telephone conference call at 11:00 a.m. Thursday, May 5, is to make a decision whether to proceed with the pricing and sale of the bonds.

As discussed at the last Board meeting, we anticipated proceeding with the financing **<u>if</u>**: a full spread 2 point mortgage rate could be obtained that was under 7.75%; our mortgage rate was at least 50 basis points below conventional rates; no VHFA contribution would be required for the financing; there is stability in the bond markets. We believe these criteria have been met. Based on bond market rates obtained at the end of last week, our full spread 2 point mortgage rate would be 7.55%, conventional mortgage rates are in the 8.5% range and no VHFA contribution is necessary. The one wild card in the game as of today is the stability of the bond market. Andy Gurley and John Feery of PaineWebber will address this topic during the call. John will also be canvassing the other underwriters to get a sense of whether the bond rates that would be offered to the public are in line with the general market.

Other financial data that has been updated includes information on the letter of credit, negative arbitrage, costs of issuance and expected earnings over the life of the issue. The letter(s) of credit serve two purposes: to provide a loss coverage fund for mortgages, and to provide a fund to draw upon if the financing follows a worst-case scenario. We have been approved for a credit line totalling $2 million from Sanwa Bank. The loan loss letter of credit would be for $647,500 and the contingency letter of credit is in the area of $1.1 million. Assumed negative arbitrage based on our projected origination schedule is $95,000 for a $25 million financing and $167,000 for a $35 million

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financing. Expected earnings over the life of the financing are $2.9 million for the $35 million size and $1.7 million in the $25 million sizing. The negative arbitrage has been subtracted from the total earnings. Cost of issuance is approximately 1.7% on the larger financing versus 2% on the smaller sizing due to a high percentage of fixed costs.

Recommended Board Action:

All of the information presented in this memorandum is in sync with prior discussions with the Board, and we found no surprises so far in going through this exercise. Once we price and sell the bonds our exposure on previously reserved mortgages will end.

The main decision that needs to be reached on the conference call will be whether to proceed at this time with the pricing and sale or wait until a later date. However, we will not know, until the conference call is in process, whether approval by the Board should be given for the bond pricing. If action is postponed, staff would need authorization to price and sell bonds at a later date, after consulting with the Chairman or appropriate Board subcommittee.

If you have any questions regarding the information contained in this memorandum or in the Preliminary Official Statement, please contact Allan or me at your convenience or discuss your questions or comments during the conference call.

BOARD MINUTES
Vermont Housing Finance Agency
Office of the Commissioner of Banking, Insurance and Securities
89 Main Street
Montpelier, Vermont

Thursday, April 21, 1994

PRESENT: Commissioners Seelig, Randall, Schauer (designee of Costle), Bradley (designee of Shouldice)

Agency Staff: Mr. Hunt, Mr. Francis, Mr. Schoenbeck, Mr. Jarrett, Mr. Lothrop, Ms. Jenkins, Mrs. Parker, Mr. Erdelyi, Ms. Höglund

Guests: Ms. Canavan (VHMGB); Ms. Coombs (Counseling Services of Addison County); Mr. Cole (AG Edwards); Mr. Gurley (PaineWebber)

As there were four members of the Board present, comprising a quorum, a motion was made by Ms. Schauer and seconded by Ms. Randall that Mr. Seelig be appointed Acting Chairman for this meeting; this motion carried unanimously, and the meeting was called to order by Mr. Seelig at 1:35. Upon a motion made by Ms. Randall and seconded by Ms. Schauer, it was unanimously voted to table action on approval of the March 3 minutes until there are Board members present who had been at that meeting.

The Board turned first to a discussion of the "Single Family Bond Financing (Series 5)" as described in Mr. Schoenbeck's memo of April 15, included in the Board packet. Mr. Schoenbeck reminded the Board that currently mortgages are being made by the Agency without having sold bonds on the market; a standard bond financing would have required a significant contribution of funds to cover negative arbitrage. Reservations for mortgage funds are being made without a fixed final price bond cost, and adjustments to the mortgage rates have been made since mid-February. Expected purchases to date are in excess of $9 million. The lead underwriter, PaineWebber, expects the market to stabilize in early May, and thus recommends locking in the cost of funds at that point in time to end the Agency's exposure to rising interest rates, which could require a subsidy contribution. The schedule proposed would be to mail the Preliminary Official Statement (POS) to potential bondholders by the end of April, sell bonds during the first week of May, and close at a deferred date, perhaps as late as 60 days after the sale. Mr. Gurley explained that by mailing the POS at the end of April, the Agency would have a 30-day window during which bonds could be sold; the Agency is not expecting to make any financial contribution to the cost of the financing. Mr.

Schoenbeck noted that the Agency would need to charge slightly higher mortgage rates on the remaining outstanding funds to balance the pool of prior mortgages reserved, and the Agency's exposure could increase slightly by deferring action. Reservations could be made at 8.3 percent out of a recycled pool of funds if bond rates moved higher. However, staff would prefer to continue taking reservations of mortgages at 7.9 percent, which assumes that reservations would continue while bonds are in the process of being sold.

According to Mr. Schoenbeck, the proposal from Fannie Mae, which is mentioned in his memo, would guarantee a mortgage rate somewhat below the conventional market based on tax exempt pricing, but only two previous financings of this type have been done. Accessing such a program might affect the Agency's relationship with participating lenders, by having to pass on any Fannie Mae-imposed penalties to lenders rather than having them absorbed by the Agency; also, Fannie Mae would limit the amount of the Agency's spread in order to guarantee a rate below the conventional market. There are some positive aspects to this program, but Mr. Schoenbeck cautioned that participation would result in significant changes to the Agency's business practices. As Mr. Hunt noted, the Agency is often a lender of last resort; if rates rise between the time a loan application is received and the commitment is ready to be issued, there may be some borrowers who would no longer qualify.

Following some further discussion, a motion was made by Ms. Randall and seconded by Ms. Bradley to give authority to the Executive Director and Chairman to increase the bond sale to $35 million based on the market at the time of the issue, assuming that actual bond and mortgage rates will be available before the Board makes a final commitment; this motion also would allow staff to prepare to price the issue, finalize and distribute the POS, and continue to offer mortgages even if reservations exceed $10 million. This motion carried unanimously.

Mr. Erdelyi then reviewed his memo of April 15, included in the Board packet, regarding "April 1994 Tax Credit Reservation Round." In November 1993 staff recommended that the Board consider and approve staff recommendations on specific Low Income Housing Tax Credit (LIHTC) project reservations after presentation to and review by the Joint Tax Credit Committee. A Resolution was distributed for the Board's review, regarding LIHTC project reservations. Mr. Seelig noted that this Committee has representatives from the Agency of Development and Community Affairs, the Governor's Office of Policy Research and Coordination, as well as the Vermont State Housing Authority. Allocation of tax credits by the Agency for the past few years has been occurring based on recommendations made by staff and advice of the Tax Credit Committee; the Board's ratification of staff's recommendations was requested to formalize the allocation process. Mr. Seelig also reminded the Board that an allocation of tax credits does not ensure that a project will actually go forward. Mr. Hunt further explained that the Committee serves as an advisory board to the Agency; although the

Committee has no formal authority to allocate credits, actions are generally taken by consensus. After some discussion, a motion was made by Ms. Randall and seconded by Ms. Bradley to adopt the "Resolution Regarding Low Income Housing Tax Credit Project Reservations" as attached to these minutes, and the motion carried unanimously.

The Board then turned to a discussion of the "Single Family Development Loan Program" as described in Ms. Crady's memo of April 14, included in the Board packet. In June and July of 1993 the Board discussed the creation of a designated fund balance within the General Fund for a Construction Loan Program. As proposed, the Single Family Development Loan Program would be a $6 million program. Ms. Jenkins noted that there are three construction loans outstanding, totalling $1.5 million, for Starlake Village (Norwich), Redrocks (Burlington), and Freeborn Estates (St. Albans). A letter of intent for a loan of up to $2.5 million has already been approved by the Board for Southeast Summit (South Burlington). Each project would be brought to the Board for review on a case-by-case basis, with the program available to both nonprofit and for-profit developers. The program would require that a minimum of 10 percent of the units in each project be perpetually affordable. Ms. Randall expressed concern at guaranteeing a fixed interest rate during the construction period, as there may be a risk that the Agency's cost of funds will increase. It was pointed out that the Agency generally lends funds that would otherwise earn less, and that the Agency should continue to ask developers to keep prices as low as possible to make the housing more affordable. Ms. Schauer recommended that staff consider limiting the term of the loan or setting the rate high enough to mitigate some of the risk involved. A motion was then made by Ms. Randall and seconded by Ms. Schauer to adopt the "Resolution Authorizing Implementation of Single Family Development Loan Program" as attached to these minutes, with the phrase *"consideration will be given to providing a fixed interest rate"* in the section of the program description that describes the interest rates to be available. This motion carried unanimously.

Ms. Jenkins then reviewed the memo of April 14 regarding "Financing of Group Homes for the Developmentally Disabled," included in the Board packet. Ms. Randall noted that there appears to be a discrepancy between the action requested in the "Financing of Group Homes for the Developmentally Disabled" memo, dated April 14, and the resolution, regarding the length of time (30 vs. 90 days) for which the maximum loan rate would be guaranteed. Ms. Jenkins explained that the intent was that the rate be guaranteed for 90 days, and also noted that $2 million of the funds could come from Fannie Mae; loans that would not qualify under the Fannie Mae program would be made with funds from the Federal Home Loan Bank. A motion was made by Ms. Bradley and seconded by Ms. Schauer to adopt the "Resolution Regarding Financing of Group Homes for the Developmentally Disabled" as attached to these minutes; this motion carried unanimously. Passage of this Resolution removed the necessity to take action on the "Resolution of Intent and For Commitment Letter Pertaining to Counseling Service of Addison County (CSAC) Refinancing of Loans for Two Group

Homes" as attached to these minutes. Under the authority just granted by the Board, Staff will approve these commitments.

Next, Mr. Hunt reviewed the "Memorandum of Understanding" between the Agency and the VHMGB, noting that there are still some specific concerns that need to be addressed before the final form of this document can be signed by representatives of both organizations. Mr. Hunt also noted that Ms. Canavan, VHMGB's Executive Director, had resigned, and the Board thanked her for her efforts toward the consolidation. Cross-training of staff already underway, which should result in a smoother transition for the underwriting and accounting areas. Ms. Bradley moved that the "Resolution Regarding Memorandum of Understanding Between VHFA and VHMGB" be adopted as attached to these minutes, and authorized the Chairman to make any final changes, subject to the advice of legal counsel, VHMGB's approval. After being seconded by Ms. Randall, the motion carried unanimously.

The Board then reviewed Mr. Hunt's memo of April 15 regarding the "NEKCA Request." North East Kingdom Community Action (NEKCA) received a deferred loan to fund the Coventry Homeless Shelter in 1985. No payment on the loan was required as long as NEKCA continued to operate the premises as a homeless shelter. However, NEKCA would now like to convey title to the Gilman Housing Trust which would create two perpetually affordable housing units. A motion was made by Ms. Randall, seconded by Ms. Bradley and carried unanimously, approving the transfer of the mortgage as described.

In his Executive Director's report, Mr. Hunt noted that the consolidation is ongoing and appears to be relatively trouble-free. With a single phone call, lenders will be able to determine the status of a guarantee on a conventional loan as well as the status of an Agency loan in progress, including guarantee status. The combined underwriting responsibilities should result in more timely processing of loans. Ms. Santerre will be the interim director of the underwriting and guarantee department following Ms. Canavan's resignation, and a permanent replacement for her will be sought in the next few weeks. An anniversary celebration for the Agency's first 20 years in the business of providing and promoting affordable housing was held during a cake-cutting ceremony at the Statehouse. Mr. Hunt also indicated that the minutes from the Board's first meeting, held April 30, 1974, were distributed for the Board's enjoyment.

On a somber note, Mr. Hunt noted the passing of Horace Shaw in late March, who had been a Commissioner for 19 years and served as chairman from 1986 to 1993. Also, Mr. Myette has entered a respite home due to failing health. After a motion by Ms. Randall, which was seconded by Ms. Bradley, the "Resolution Honoring Richard A. Myette on his Retirement from the Board of Commissioners of VHFA" was unanimously adopted, as attached to these minutes.

Mr. Hunt next offered a "Strategic Planning Update" based on the memo of April 14, included in the Board packet; this process has proven beneficial, and the next and final meeting of the Advisory Committee is to be held May 9. A comprehensive list of activities is being reviewed by staff, and after the advisory committee evaluates staff's recommendations, a report will be provided for the Board to review. Turning to the heating problems at Dalton Drive, Mr. Hunt noted that the insulating contractor and the mechanical contractor have returned to complete some further work on the buildings, with most of the insulation work completed. The manufacturer of the heating systems has not yet agreed to visit the site and determine why the boilers are not working properly. There have been heating problems in 30 out of the 77 total units at Dalton Drive. The Board recommended that staff take whatever action is necessary to reach a timely solution to this problem.

The "Lead Paint Hazard Legislation" was reviewed by Mr. Francis, as further detail to his memo of April 15, included in the Board packet. Mr. Francis reminded the Board that he serves as Chairman of the Lead Paint Hazard Commission. In order to create a program with VHMGB to offer loans to help reduce the presence of lead in homes, the Agency would pledge $25,000 to create a loan loss reserve pool, while the Vermont Housing and Conservation Board (VHCB) would pledge $25,000 from funds to be received via a lead abatement grant from HUD. This $50,000 reserve pool would be used to ensure that VHMGB's existing programs would not be encumbered or jeopardized as a result of potential defaults on loans in the lead hazard program. VHMGB would have the authority to set restrictions and guidelines for this program. Funds would only be drawn upon as necessary, with VHCB funds being utilized first. Mr. Francis also noted that pending legislation would limit VHMGB's liability to the guarantee of the loan itself. A motion was made by Ms. Bradley and seconded by Ms. Schauer to approve a pledge of $25,000 to fund a loan loss reserve pool on behalf of VHMGB for a lead hazard management loan guarantee program. This motion carried unanimously.

{Expressing her regrets, Ms. Bradley stated that she would be unable to stay for the remainder of the meeting.}

Mr. Hunt reviewed the "Winchester Place Update" as described in Mr. Falzone's memo of April 14, included in the Board packet. The ongoing operating deficits and the expected early depletion of a $750,000 sinking fund that was established in order to offset these loans appear to have been addressed, and staff is guardedly optimistic about the future of this project. Mr. Hunt also noted that no legal action is expected to be necessary. Mr. Seelig suggested that staff consider approaching St. Michael's College to determine interest in reworking the lease.

The latest report on the Agency's single family programs was reviewed by Mr. Lothrop, who noted that over $1 million had been reserved during the first three days of the week. Ms. Höglund added that lenders and real estate agents report that home buyers are impatient, recognizing that while interest rates are low, buyers should take advantage of buying at a favorable rate. Although delinquencies remain high, they are not climbing in terms of the number of days a loan is delinquent. Currently, there are 35 REO properties in the Agency's portfolio, of which six are under contract to be sold; two are expected to close before month end.

The Board then welcomed back Mr. Jarrett after his convalescence, and he reported that H.290, a bill concerning mobile home parks, had passed, with amendments adding H.572 to this bill. The bill regarding VHMGB's guarantee limit, S.373, was due to be discussed in the House Commerce Committee by the end of the week. No Board action was necessary.

Ms. Höglund reviewed her memo of April 15, offering a "Home Buyer Fair Update," included in the Board packet, noting that there were 70 attendees at the fair held in Montpelier the previous week. Staff believes the Home Buyer Fairs are successful and have proven to be an important part of the Agency's outreach program. Mr. Hunt also asked the Board to recognize Ms. Höglund's contributions to the Agency over the past six years, noting that she will be moving to Sweden in July.

The financial statements for December 31, 1993, were distributed for the Board's review. Mr. Schoenbeck noted that the computer conversion is still ongoing, but staff had been successful in transferring information from the old system to the network after many hours of hard work. According to Mr. Schoenbeck, more borrowers than expected are taking advantage of the no point mortgage, with the result that fee income is substantially below the projected amount for this point in the fiscal year. This lost income will be made up by higher interest rates on the loans. It is expected that the Agency will be under budget for interest income at the end of FY94. Mr. Schoenbeck also noted that the timing for fund transfers is discretionary and should be in line by the end of the fiscal year. Necessary budget adjustments will be addressed at the next Board meeting. No Board action was necessary.

The next meeting was scheduled for Thursday, May 19, in Burlington. There being no further business and following a motion duly made and seconded, the meeting was adjourned at 3:35 p.m.

Respectfully submitted,

Allan S. Hunt,
Secretary

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Irene D. Jenkins, Director of Development

DATE: May 11, 1994

RE: Southeast Summit, South Burlington

On March 3, 1994, the Board approved a resolution authorizing issuance of a Letter of Intent to participate in the acquisition financing and to provide construction financing for the Southeast Summit development in South Burlington. That resolution also authorized the Executive Director to issue a Letter of Commitment upon satisfaction of certain conditions.

One condition of VHFA's participation is approval of an Act 250 permit for the development. On April 13, 1994, the District Environmental Commission denied the Act 250 permit for the proposed development. The principal bases for this denial were criteria 8 (aesthetics) and 10 (conformance with the regional plan). A copy of the decision is attached.

With respect to aesthetics, the Commission objected to the project's density. With respect to regional planning, the Commission found that the project does not conform to either the City or Regional Plan. These findings were made despite the conformance of the proposal with City zoning, approval by the City Planning Commission, and support by the Regional Planning Commission.

The developer intends to request reconsideration of the Act 250 permit request by the District Commission and to appeal the decision to the Environmental Board. Attached is a letter from Gerry Milot requesting VHFA's support through the appeals process.

In view of the implications of this decision for affordable housing development throughout the state and in South Burlington in particular, we request the Board's approval to support the developer's efforts to request reconsideration and if necessary appeal the decision. We think that it would be appropriate to do this in conjunction with both the City of South Burlington and the Regional Planning Commission; if the Board approves, we will discuss such a joint effort with them. VHFA participation might take the form of testimony at hearings supporting development of affordable housing in South Burlington. Other than limited staff time, we are not proposing any financial contribution to the appeals process.

RECOMMENDED ACTION

Approval of VHFA support for developer appeal of the Act 250 permit denial for the Southeast Summit project, such support to occur in conjunction with the City of South Burlington and the Chittenden County Regional Planning Commission.

MILOT

PROPERTIES INC.

May 13, 1994

Alan Hunt
Vermont Housing Finance Agency
Burlington, Vermont

Dear Alan,

The recent decision of the District Environmental Commission concerning our project on Dorset street, known as Southeast Summit, raises great concerns as to the future capability to create affordable housing in South Burlington and other communities with a mix of rural and urban character. To create affordable housing a mix of conditions must exist such as:

1. Availability of reasonably priced land. These parcels are typically not located near urban centers as the demand and price would be prohibitive. They are typically "further out" and require the extension of services a greater than normal distance.
2. Ability to cluster- Clustering provides for smaller lot subdivisions, resulting in less cost per lot in improvements. It also provides for the retention of substantial open space.
3. Allowance for a mix of housing types- A multi-family and single-family site is a desired mix for affordable housing.

The District Commission's decision would prohibit the creation of affordable housing on this site. The greater exposure is that, if we are denied upon appeal to the Environmental board, this decision would then become precedent setting and greatly impact future attempts to create any housing that did not " mirror" the development patterns of it's surroundings. It will elevate the District Commission's decision to a status of the Quechee decision with respect to Aesthetics and conformance with regional and town plans.

The reasons for denial are as follows:

Criteria 8 Aesthetics: They found that "the project is clearly out of character with it's surroundings and significantly diminishes the scenic qualities of the area and that it, therefore, offends the sensibilities of the "average person." They suggest that we reduce the mass and density of the project. This project meets all city planning and zoning requirements. The requirement to reduce density in rural areas would be exclusionary to affordable housing and, I feel, discriminatory to housing types. It would also discourage the economies provided by cluster development.

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Tel (802) 658-2000
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MILOT PROPERTIES INC.

Criteria 10: They found, after substantial close review of the regional and city plans, that this project would not comply with either. This was after testimony by the city and regional planning commission that it complied with both plans. No development could survive the scrutiny that was given this project. I feel that they were looking for a reason to "bury" this project.

We need the agency's support through the permit appeal process to discuss the need for affordable housing , the exclusionary nature of this decision, and the characteristics of a development necessary to create affordable housing. The substance the agency brings to the process will help insure that arbitrary decisions will not preclude development of affordable housing. I also need your technical support to help differentiate affordable from low income housing. Please let me know of your thoughts.

Sincerely,

Gerald C. Milot

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STATE OF VERMONT
ENVIRONMENTAL BOARD
DISTRICT ENVIRONMENTAL COMMISSION #4

RE: MBL Associates
P.O. Box 4193
South Burlington, VT 05403

Application #4C0948
Findings of Fact and Conclusions of Law and Order
10 V.S.A., Chapter 151 (Act 250)

I. INTRODUCTION

On January 18, 1994, an application for an Act 250 permit was filed by MBL Associates for a project generally described as a 221 unit planned residential development consisting of 161 single family lots and 60 multifamily units on 202 acres of land located off Dorset Street in South Burlington, Vermont. The project will be served by municipal water and sewer services.

The tract of land consists of 202.2 acres with 156.7 acres involved in the project area. The applicant's legal interest is ownership in fee simple described in a deed recorded on September 30, 1993 in the land records of the City of South Burlington, Vermont.

Under Act 250, projects are reviewed based on the 10 criteria of 10 V.S.A., Section 6086(a) 1-10. Before granting a permit, the District Commission must find that the project complies with these criteria and is not detrimental to the public health, safety or general welfare.

Decisions must be stated in the form of Findings of Fact and Conclusions of Law. The facts we have relied upon are contained in the documents on file identified as Exhibits #1 through #123, and the evidence received at a hearing held on March 7, 1994. At the end of the hearing, the proceeding was recessed pending submission of additional information. The hearing was adjourned on April 11, 1994 upon receipt of the additional information and completion of Commission deliberations.

Parties to this application who attended the hearing are:

1. The Applicant by Gerald Milot and Stephen Crampton, Esq.

2. The City of South Burlington by Joe Weith.

3. The Chittenden County Regional Planning Commission by Arthur Hogan, Jr., Executive Director.

4. The Town of Shelburne, by Kate Bortz.

The Entry of Appearance and Pre-Hearing Comments filed by Michael McCann, Legal Intern, of the Agency of Natural Resources, were entered into the record by agreement of the parties.

The following adjoining property owners were granted, or denied, party status under the Criteria indicated:

5. John and Susan Jewett, 1726 Dorset Street, South Burlington, VT 05403; Criteria 1(B), 3, 5, and 8 - Aesthetics. Criteria 9(B) and 10 denied.

6. Alex and Sandie Blair, 1725 Dorset Street, South Burlington, VT 05403; Criteria 1(B), 3, and 8 - Aesthetics. Criteria 1(A) and 9(B) denied.

7. Jeff and Elizabeth Goldberg, 1760 Dorset Street, South Burlington, VT 05403; Criterion 8 - Aesthetics.

8. Vincent Bolduc, 1780 Dorset Street, South Burlington, VT 05403; Criterion 8 - Aesthetics. Criteria 9(A) and 10 denied.

II. FINDINGS OF FACT

Prior to taking evidence with regard to the 10 criteria of 10 V.S.A. Section 6068(a), the parties agreed that the Applicant had met its burden with respect to Criteria 1(Air), 1(A), 1(C-D), 1(F), 7, 9(C-E), and 9(G-L) by introducing the application into the record. Parties, therefore, waived the taking of evidence at the hearing concerning these criteria.

In making the following findings, the Commission has summarized the statutory language of the 10 criteria of 10 V.S.A., Section 6086(a):

SECTION 6086 (a) (1) WATER AND AIR POLLUTION:

The Commission finds that this project will result in undue air or water pollution.

SECTION 6086(a)(1) AIR POLLUTION:

The Commission finds that this project will not result in undue air pollution.

SECTION 6086(a)(1)(A) HEADWATERS:

The Commission finds that this project is not located in a headwaters area as defined by this section because it is not situated in a drainage area of 20 miles or less, is not above the elevation of 1,500 feet, is not in the watershed of a public water supply, and is not in an aquifer recharge area.

SECTION 6086 (a)(1)(B) WASTE DISPOSAL:

The Commission finds that this project will not meet applicable Division of Protection Regulations and will result in the injection of waste materials or harmful or toxic substances into groundwater or wells.

1. The estimated 124,729 gallons per day of sanitary wastes will be disposed of through connection to the South Burlington Airport Parkway Treatment Plant.

2. Wastewater will be collected in a gravity sewer system and conveyed by 12,000 lineal feet (LF) of 8-inch gravity sewer to a pump station east of Dorset Street. This station will pump the sewage through 12,200 LF of new 6-inch force main to be constructed in the right-of-way of Dorset Street, connecting to an existing force main from the Village at Dorset Park. The pump station and force main will be designed and constructed to serve future development in the area. Exhibit 13 and testimony of applicant

3. A Subdivision Permit and a Water Supply and Wastewater Disposal Permit are required for the project. The applicant has applied for these permits, but they have not been issued by the Wastewater Management Division of the Agency of Natural Resources. Therefore, the Commission cannot make a positive finding with respect to this criterion.

4. The site is gently sloping and predominantly open. The soils are primarily clay and silty clay. Stormwater runoff from the roadways and impervious surfaces will be directed into catch basins designed to remove floatable and settleable solids prior to discharge to one of three stormwater detention ponds. The ponds have been designed to remove pollutants by sedimentation and provide hydraulic detention so that post-development stormwater runoff will not exceed pre-development runoff. After detention in the ponds, stormwater will flow into an existing man made agricultural ditch. Stormwater from small portions of the roadway will flow overland through vegetated terrain. Exhibit 13

5. The stormwater ponds will be owned and maintained by the Homeowners Association. The remainder of the system will be owned by the City of South Burlington. The proposed protective covenants provide for the maintenance, repair, and replacement of the stormwater ponds. Exhibit 100

6. A Stormwater Discharge Permit is required for the project. The applicant has applied to the Wastewater Management Division of the Agency of Natural Resources for this permit, but it has not been issued. Therefore, the Commission cannot conclude that the project complies with applicable Department of Environmental Conservation Regulations regarding stormwater.

7. The Commission will require that all stumps be disposed of on-site above the seasonal high water table or at a State approved landfill so as to prevent groundwater pollution.

SECTION 6086(a)(1)(C) WATER CONSERVATION:

The Commission finds that the project utilizes the best available technology for water conservation.

SECTION 6086(a)(1)(D) FLOODWAYS:

The Commission finds that this project will not be located in any floodway or floodway fringe.

SECTION 6086 (a)(1)(E) STREAMS:

8. Three agricultural drainage ditches exist on the site. Project roadways will cross the ditches in six locations. Drainage into the ditches will not increase as a result of the project. The findings under Criterion 1(B) are incorporated by reference herein.

SECTION 6086(a)(1)(F) SHORELINES:

The Commission finds that this project will not be located on any shoreline.

SECTION 6086(a)(1)(G) WETLANDS

The Commission finds that this project will violate the rules of the Water Resources Board relating to significant wetlands.

9. The site includes Class Two wetlands which are protected by the Vermont Wetland Rules. The project will disturb a portion of these wetlands. Therefore, a Conditional Use Determination issued by the Water Quality Division of the Agency of Natural Resources is required for this project. The applicant has applied for this permit but it has not been issued. Therefore, the Commission is unable to find that the project will not violate the rules of the Water Resources Board relating to significant wetlands.

SECTION 6086(a)(2 & 3) WATER AVAILABILITY AND IMPACT ON EXISTING SUPPLY:

The Commission finds that there is sufficient water available to meet the needs of this project. The Commission also finds that the project will place an unreasonable burden on an existing water supply.

10. This project will utilize 116,850 gallons per day of water. Water will be supplied by 8-inch water lines to be installed within the project. These lines will be connected to 8,600 LF of new 12-inch water line to be installed in the right-of-way of Dorset Street. This line will connect to an existing Champlain Water District water main and will be owned by the Champlain Water District. Exhibit 13 and testimony of applicant

11. The Champlain Water District and the City of South Burlington Water Department have indicated that sufficient water is available to serve the project. Exhibits 19 and 20

12. A Permit to Construct, authorizing the construction of the water main extension to serve the project, is required for the project. This permit is issued by the Water Supply Division of the Agency of Natural Resources. The applicant has applied for this permit but it has not been issued.

13. A water well is located on the Jewett property to the northeast of the project site and adjacent to the location of the sewer force main on the east side of Dorset Street. The well currently serves the Jewett barn and the Blair home on the west side of Dorset Street. Two additional land owners have deeded rights to use the well. Jewett Testimony

14. The Jewett well is an artesian well with an 8-inch casing which terminates in a pit 8 feet below the surface of the ground. A 2 1/2 inch pipe is connected to the top of the casing. The water line to the Blair home runs from the well under Dorset Street to the west. Testimony of Blair

15. The applicant's proposed sewer force main will pass within 15 feet of the well. Testimony of Blair

16. The Vermont Water Supply Rules require that water supply wells are located 50 feet from subsurface wastewater piping. This is known as the isolation distance. Exhibit 105

17. The force main will be constructed of 6-inch pvc pipe. In order to prevent contamination of the Jewett well as a result of break of the force main, the applicant proposes to install the sewer force main in a 12-inch pvc secondary containment pipe in the vicinity of the well. The ends of the secondary containment pipe would be more than 50 feet from the well. The uphill end of the secondary containment pipe will be plugged so that if the force main breaks within the containment pipe sewage would flow downhill to the open end of the containment pipe.

18. The Vermont Water Supply Rules do not specifically allow for the use of secondary containment pipes to achieve proper isolation distances from wells. The applicant has not submitted evidence to demonstrate that this method of containment is generally accepted as a way to achieve isolation distances. Therefore the Commission concludes that the construction of the sewer main is a potential source of contamination for the Jewett well and will place an unreasonable burden on this existing water supply.

SECTION 6086 (a)(4) SOIL EROSION AND THE CAPACITY OF THE LAND TO HOLD WATER:

The Commission finds that the construction of the project, if completed as approved, will not cause unreasonable soil erosion or a reduction in the capacity of the land to hold water.

19. The project site is gently sloping and predominantly open.

20. Temporary measures for soil erosion control are depicted on Exhibits 87 and 90. They consist of the placement of sediment control devices such as hay bale dams and silt fences at the downslope of all disturbed areas and at the inlet to all swales, storm drains, and ditches, as shown on

the plans. All stockpiled soil will be encircled with a sediment control device. Where the invert of new swales or ditches exceeds 5% slope, and where slope grade exceeds 2:1, matting or netting shall be installed until vegetation is permanently established. A stabilized construction entrance will be installed and maintained. After every storm event sediment control devices will be inspected for failure or clogging.

21. The stormwater detention ponds will serve as sedimentation basins during construction. After construction, sediment will be removed from the ponds. Testimony of applicant

22. The erosion control plan incorporates measures to control movement of water-borne sediments during the winter months in accordance with the recommendations outlined in the "Vermont Handbook for Soil Erosion and Sediment Control on Construction Sites." Exhibit 13

23. All trenches for water and sewer lines will be filled in the same day as the lines are installed. Testimony of applicant

24. Permanent erosion controls consist of pavement or vegetation on all disturbed areas.

SECTION (a)(5) TRANSPORTATION:

The Commission finds that this project will not cause unreasonable congestion or unsafe conditions with respect to transportation.

25. Sight distances at the access of the new road onto Dorset Street are adequate in both directions. The estimated traffic from the project at full build out in 1998 is 2010 trips per day and 205 PM peak hour trips.

26. The applicant will construct a south bound right turn deceleration lane on Dorset Street at the project access. The project access road will be constructed with left and right turn lanes exiting onto Dorset Street. With these improvements, this intersection will operate at Level of Service B or better at full build out of the project. Exhibit 36

27. The applicant will install a signal at the Dorset Street/Swift Street intersection prior to the occupancy of any units in the project. With this signal the intersection will operate at an overall Level of Service of D at full

build out of the project in 1998. Without the project the intersection would operate at a Level of Service of C.

28. The applicant also analyzed the impact of the project on the Barstow Road/Cheesefactory Road/Dorset Street intersection. This intersection is rated above the statewide average accident rate. The recent installation of a flashing red light at this intersection has improved the safety of the intersection. With the flashing light, the intersection will operate at Level of Service C. Testimony of applicant

SECTION 6086(a)(6 & 7) EDUCATIONAL AND MUNICIPAL SERVICES:

The Commission finds that this project will not place an unreasonable burden on the ability of the municipality to provide educational, municipal or governmental services.

29. The Applicant estimates that 95 school-age children will be added to the local school system as a result of this project. The South Burlington Superintendent of Schools has indicated that these additional students will unduly burden the system. He recommends the payment of an impact fee to mitigate this burden. Exhibit 23

30. The Applicant will pay applicable school impact fees in effect at the time building permits for the project are issued. Testimony of applicant

SECTION 6086(a)(8) AESTHETICS, SCENIC BEAUTY, HISTORIC SITES AND NATURAL AREAS:

Findings of Fact

31. There are no rare and irreplaceable natural areas which will be affected by this project. Exhibit 24

32. Three archeological sites have been identified on the property by the applicant's consultant. All three sites appear to meet the criteria for inclusion on the State Register of Historic Places. Exhibit 27

33. The Division for Historic Preservation has requested that the Commission include conditions in the land use permit, if issued, to ensure that the proposed project will not have an undue adverse effect on historic or archeological resources. If the Commission were to issue a permit, it would include the conditions requested by the Division. Exhibit 27

34. The project will be landscaped as outlined on Exhibit #96. More than 1200 trees will be planted on the site by the applicant, including 250 trees on the east side of the project to screen the project from Dorset Street.

35. Exterior lighting will consist of 38 high pressure sodium cutoff luminaires mounted on 20 foot poles. The street lights will be installed as depicted on Exhibit 96. All fixtures will have concealed light sources.

36. The multi-family units will have 60 watt incandescent sidewall lights mounted on the rear of the units as depicted on Exhibits 96 and 112.

37. The proposed single family and multi-family units will vary in architectural style and will include many of the same building materials used in other residential development within the Southeast Quadrant. Exhibit 13

38. The applicant has submitted a preliminary design for the multi-family units. If the Commission were to issue a permit for this project, it would require the applicant to submit final building elevations and pay the application fee prior to commencement of construction for the multi-family units.

39. The sign will be constructed as depicted on Exhibit 108.

40. The project is located in an area known as the "Southeast Quadrant" section of the City of South Burlington. The Southeast Quadrant still retains an open, rural character and affords spectacular views of the Green Mountains, Adirondack Mountains, and Lake Champlain. Exhibit 109

41. The project is located adjacent to the Shelburne Town line.

42. Dorset Street divides the 202.2 acre site into two parcels: 45.5 acres east of Dorset Street, which will remain undeveloped except for a pump station and recreation path; and 156.7 acres west of Dorset Street which will contain the residential development and its infrastructure. The site is predominantly open, with some trees on the southern and western edges of the site. The open fields on the site west of Dorset Street rise and fall gradually with the contours, and the central portion of the site is 10 to 30 feet above the road. A 17,000 square foot barn is located on the western portion of the site, approximately 650 feet from Dorset Street. Exhibit #13

43. The area surrounding the project is rural in nature, with scattered single family homes on large lots (greater than five acres). Five, one to two acre lots adjoin the project site to the east along Dorset Street. Four of these lots have single family homes located on them. A commercial business, Chittenden Cider Mill, is located on Dorset Street approximately 1/2 mile north of the project. District Commission site visit

44. The project will be located approximately 800 feet from Dorset Street at the closest point. Approximately 50 acres of open space will be located between Dorset Street and the developed portion of the site. Approximately 35 acres of open space will be located to the west of the developed portion of the site, or behind the developed portion as viewed from Dorset Street. The developed portion of the site consists of approximately 75 acres. Exhibit 51

45. Dorset Street in the vicinity of the project affords scenic views of the Adirondack Mountains to the west. District Commission site visit, testimony of Jewett and Blair

46. Driving south on Dorset Street from Swift Street, the traveller is exposed to a rural landscape where the predominant settlement pattern is agricultural fields interspersed with single family homes on large lots. Dorset Street affords scenic views to the east and west. District Commission site visit

47. Although the project site can been seen from Dorset Street as far away as a mile to the north, the predominant views of the site from Dorset Street are within approximately 1/2 mile to the north of the proposed project access. Starting at a location just to the south of the Chittenden Cider Mill, the site is visible to the southeast. Two single family homes and two barns are the most significant features of the foreground and midground of this view. Except for these features, and several distant houses and barns, the view is almost entirely composed of a large open field bordered by trees on the horizon. District Commission site visit

48. The 161 single family lots are located on the open portion of the site and are typically 7,200 square feet, or approximately 1/6 of an acre, in size. The condominium units will be located adjacent to the wooded portion of the site. Exhibit 96

49. The 38 street lights to be installed in the project will be owned and operated by the City of South Burlington. The lights will remain on all night. Testimony of applicant

50. On Dorset Street, the closest housing development comparable in size to the proposed project is the Village at Dorset Park, approximately 2 miles to the north. District Commission site visit and testimony of Jewett

Conclusions of Law

The Commission uses a two part test to determine whether a project meets the portion of Criterion 8 relating to aesthetics. First, it determines whether the project will have an adverse effect. Second, it determines whether the adverse effect, if any, is undue. Re: Quechee Lakes Corp., Applications #3W0411-EB and #3W0439-EB, Findings of Fact, Conclusions of Law and Order at 18-19 (January 13, 1986).

In judging the first part of the test, the central question is: Will the proposed project be in harmony with its surroundings -- will it "fit" the context within which it will be located? Additional questions that are helpful in examining this central question are:

a) What is the nature of the project's surroundings?

b) Is the project's design compatible with its surroundings?

c) Are the colors and materials selected for the project suitable for the context within which the project will be located?

d) Where can the project be seen from?

e) What is the project's impact on open space in the area?

With respect to these questions, we find the following:

The nature of the project's surroundings is a rural-agricultural landscape where residential development is not the predominant feature. The project can be seen most readily from Dorset Street, as well as from a number of nearby residences. Although the project's colors and materials may be suitable, the project's design, with 161 closely spaced lots and 60 multi-family units, is not compatible with the rural nature of the landscape. One sixth acre lots are more typical of urban areas than rural settings and clustering this many lots together creates an apparent density that will be jarring to the average viewer.

The applicant has noted that the project is clustered on less than 40 percent of the site and the rest of the site is left as open space. We find, however, that this statistic does not take into consideration the fact that of the approximately 100 acres of open space, almost half, or 45 acres, is located on the applicant's parcel to the east of Dorset Street. This parcel is visually disconnected from the project site to the west of Dorset Street and is physically separated from the project site by Dorset Street and the five house lots. This 45 acres of open space will contribute little visual mitigation for the density of the proposed development. Another 30 acres of open space will be located behind the project as it is viewed from Dorset Street and will, therefore, contribute little as a mitigating factor. We also must point out that 20 acres of the applicant's "open space" is already restricted from development under the terms of Land Use Permit #4C0489-6. It is questionable whether this 20 acres should be recounted in the total amount of open space to be left on the site.

The impact of a large, densely spaced housing development on open space in the area will be significant, both during the daylight hours, when the development will intrude on the predominantly rural landscape, and in the evening hours, when the street and house lights will significantly alter the landscape as well.

Based on the foregoing, we find that the housing development proposed in this application is not in harmony with its surroundings and, therefore, will have an adverse effect on the scenic or natural beauty of the area.

In evaluating whether adverse affects on aesthetics and scenic beauty are undue, the Commission analyzes three factors and concludes that a project is undue if it reaches a positive conclusion with respect to any one of these factors, which are:

a) Does the project violate a clear, written community standard intended to preserve the aesthetics or scenic beauty of the area?

b) Does the project offend the sensibilities of the average person? Is it offensive or shocking because it is out of character with its surroundings or significantly diminishes the scenic qualities of the area?

c) Has the Applicant failed to take generally available mitigating steps which a reasonable person would take to improve the harmony of the proposed project with its surroundings?

Quechee at 19-20.

With respect to factor a) above, the Commission finds that although the City of South Burlington 1991 Comprehensive Plan does discuss the need to preserve views in the Southeast Quadrant, we have not been presented with any clear written community standards intended to preserve the aesthetics or scenic beauty of the area. Therefore, the project does not violate any community standards in this area.

With respect to factor b) above, we find that the project is clearly out of character with its surroundings and significantly diminishes the scenic qualities of the area and that it, therefore, offends the sensibilities of the average person. The clear visibility of this dense housing development in an otherwise rural-agricultural landscape will be a jarring sight and will certainly change the character of the area irreversibly.

With respect to factor c), we conclude that the applicant has not taken generally available mitigating steps which a reasonable person would take to mitigate the impact of the development. The applicant has taken some mitigating steps, specifically maintaining an 800 foot buffer from Dorset Street and proposing a comprehensive landscaping plan which will soften the impact of the development somewhat. However, considering the density of the development and the rolling nature of the topography, the project will be readily apparent even with a significant amount of landscaping. We find that other mitigating steps are available to the applicant, specifically the selection of a less obtrusive building site within the project area or reduction of the mass and density of the project.

In this case the Commission reaches a positive conclusion with respect to the second and third of the above factors and, therefore, concludes that the project's adverse effects are undue.

The Commission concludes that the project will not have an undue adverse effect on historic sites or rare and irreplaceable natural areas. The Commission concludes that the project will have an undue adverse effect on aesthetics and the scenic and natural beauty of the area.

SECTION 6086(a)(8)(a) NECESSARY WILDLIFE HABITAT AND ENDANGERED SPECIES:

The Commission finds that this project will not destroy or significantly imperil necessary wildlife habitat or any endangered species.

51. There are no endangered species or areas of necessary wildlife habitat which will be affected by this project.

SECTION 6086 (a)(9) CONFORMANCE WITH THE CAPABILITY AND DEVELOPMENT PLAN:

The Commission finds that this project conforms to the capability and development plan.

SECTION 6086(a)(9)(A) IMPACT OF GROWTH:

The Commission finds that the municipality will be able to accommodate the total growth and rate of growth that will result from this project.

52. The City of South Burlington has identified no undue burdens on any facilities or services.

SECTION 6086(a)(9)(B) PRIMARY AGRICULTURAL SOILS:

The Commission finds that the project will not result in a significant reduction of the agricultural potential of the primary agricultural soils on the site.

53. The site contains 108 acres of primary agricultural soils. This does not include the 20 acres of primary agricultural soils on the site which are subject to a prior deed restriction pursuant to Land Use Permit #4C0489-6. Exhibit #31

54. The development will destroy 61 of the 108 acres of primary agricultural soils. Exhibit #13

55. The applicant has proposed an agricultural mitigation agreement whereby the applicant will pay a mitigation fee of $102,000 to the Vermont Department of Agriculture. This fee will enable the Department to permanently protect 68 acres of primary agricultural soils within Chittenden County. Exhibit #97

56. Taking the proposed mitigation agreement into account, the Commission finds that the total number of acres of primary agricultural soils involved in the project is 176. The Commission finds further that the development of 61 acres, or 34%, of the soils will not result in a significant reduction of the agricultural potential of the soils.

SECTION 6086(a)(9)(C) FOREST AND SECONDARY AGRICULTURAL SOILS:

The Commission finds that the soils on the site do not qualify as forestry or secondary agricultural soils.

SECTION 6086(a)(9)(D & E) EARTH RESOURCES & EXTRACTION OF EARTH RESOURCES:

The Commission finds that as no earth resources have been identified on this site, this project does not involve the interference with nor the extraction of earth resources.

SECTION 6086(a)(9)(F) ENERGY CONSERVATION:

The Commission finds that the planning and design of this project reflects the principles of energy conservation and incorporates the best available technology for the efficient use or recovery of energy.

57. The homes and condominium units to be constructed in this project will comply with the "Four Stars Plus" rating of Energy Rated Homes of Vermont. Testimony of applicant

58. The Commission will specifically prohibit the installation and/or use of electric resistance space heating.

SECTION 6086(a)(9)(G) PRIVATE UTILITY SERVICES:

There are no private utilities proposed for the project.

SECTION 6086(a)(9)(H) COSTS OF SCATTERED DEVELOPMENT:

The Commission finds that the project is contiguous to an existing settlement.

SECTION 6086(a)(9)(J) PUBLIC UTILITY SERVICES:

The Commission finds that utility service is available to this project, that an excessive or uneconomic demand will not be placed on such facilities or services, and that the provision of such services has been planned on the basis of a projection of reasonable population increase and economic growth.

SECTION 6086(a)(9)(K) DEVELOPMENT AFFECTING PUBLIC INVESTMENTS:

The Commission finds that this project will not unnecessarily or unreasonably endanger the public or quasi-public investment or materially jeopardize or interfere with the function, efficiency, or safety of, or the public's use or enjoyment of or access to any adjacent public investments.

SECTION 6086(a)(9)(L) RURAL GROWTH AREAS:

The Commission finds that this project is not located in a rural growth area as defined by the statute.

SECTION 6086(a)(10) CONFORMANCE WITH THE LOCAL OR REGIONAL PLAN:

Findings of Fact

59. Relevant provisions of the FUTURE LAND USE section of the City of South Burlington 1991 Comprehensive Plan (the City Plan) state the following:

    Residential Areas

    The Proposed Land Use Map designates areas of varying residential character which are defined as follow:

    o High density: 5.1 units/acre and greater
    o Moderate density: 1.1 units/acre - 5 units/acre
    o Low density: 1 unit/acre and lower
      Residential and Open Space: low moderate density residential use with an emphasis on innovative design and layout (e.g. clustering) to promote and preserve open space, natural features, scenic views and continued agricultural use.

    In light of the goals described in this section, the City recommends a general land use pattern of higher residential densities in the urban core with a transition to lower densities on the periphery. As shown on Map 8, high density residential is proposed in the City's proposed urban center (i.e., city center and Kennedy Drive areas). Moving outward from the proposed urban core, residential densities transition to moderate density in the Williston Road/White Street area and Shelburne Road corridor, and then to low moderate density on the periphery of the City, namely within the SEQ [Southeast Quadrant]. It should be noted that Map 8 presents a general land use pattern and that there will be areas of open space, recreation, and varying density neighborhoods (i.e., single family and multi-family) scattered throughout each residential use category.

Southeast Quadrant (SEQ)

The Southeast Quadrant is the area within the City lying south of I-89 and east of Spear Street. This area still retains an open, rural character and affords numerous spectacular views of the Green Mountains, Adirondack Mountains and Lake Champlain. Considering South Burlington's location in relation to the County's urban core, the SEQ has experienced intense development pressures over the last decade and will continue to experience such pressures in the coming years. While the City intends to accommodate residential growth in the majority of the SEQ, the City will stress innovative designs and layouts which work to preserve open space, natural resources and scenic views, and promote the continuance of agricultural use. A more detail discussion of the City's SEQ is contained within Chapter XV of this plan.

60. Relevant provisions of CHAPTER XV - SOUTHEAST QUADRANT of the City Plan state the following:

D. LAND USE
a. Residential

. . . The City strongly encourages a variety of housing types in the quadrant, not only in terms of development densities and design, but in terms of affordability. A variety of development patterns and layouts as well as both single and multi-family units should be promoted. All residential developments should preserve open space and the unique aesthetic and natural qualities of the Quadrant while serving a wide range of income levels.

Affordable housing should be located near schools, parks, shopping centers, employment centers, day care facilities, transportation corridors and public transportation. . . .

c. Agriculture and Open Space

Agriculture contributes to the aesthetic quality of the Quadrant. The farms in the Quadrant will likely disappear if left unaided. The City should take positive steps, exploring and implementing such means as transfer of development rights and land trusts (as opposed to subsidies), to retain agriculture as a land use in the Quadrant. In addition to agriculture, the City should encourage more variety in non-intensive uses while protecting drainageways and other open and natural areas not suited to agricultural use, but important to the overall quality of the Quadrant.

d. Development Densities

Areas designated as appropriate for development were based on the following general objectives:

. . . .

- locate development in a manner which preserves significant scenic views.
- allow development to encroach into wooded areas to hide units from view.
- encourage some prime farmland to remain open by clustering development.

Neighborhood densities were then designated for each development area based on the following objectives.

- provide higher density in development designated area[s] which are relatively small in size and well hidden from arterials.
- encourage lower densities in larger development designated areas and in open areas.
- consider lower densities in abutting areas of Shelburne and Williston and maintain compatibility.

E. VIEWS

The Quadrant affords many of the City's most scenic views. While development may obscure some of these, the Community's interest in such "resources" is stron

> enough to warrant consideration of view preservation in planning. The City should advocate development patterns, densities and land uses that preserve these unique important views for the public. Sources which have identified important views are listed in the Natural Resources Chapter. . . .

61. The Proposed Land Use Map (Map 8) of the City Plan designates the area surrounding the proposed project as "Residential and Open Space."

62. Considering the entire 202 acres owned by the applicant, the construction of 221 housing units on the parcel represents an overall density of 1.1 units per acre.

63. The applicant intends that the project will qualify as "affordable housing" for persons with moderate incomes. The project will be developed by a non-profit organization and will include the participation of the Vermont Housing Finance Agency.

64. On Page 3, under the heading "GOVERNING PRINCIPLE," the Chittenden County Regional Plan (the Regional Plan) states the following:

> The Regional Plan recognizes the necessity of protecting the Region's most valuable social, environmental, cultural and aesthetic characteristics; yet providing for the essential needs of the changing population-goods and services, employment and shelter, health and safety. The inextricable links between population demands, infrastructure capacities and resource quality is also recognized.
>
> This Plan's primary objective is to provide guidance for development and growth TO <u>RATIFY AND ASSURE THE TRADITIONAL AND EXISTING VILLAGE, TOWN, COUNTRY SETTLEMENT PATTERNS. TO HELP SECURE THE CHARACTER OF THE REGION'S NATURAL AND BUILT ENVIRONMENT, THERE SHOULD BE A CLEAR AND PRONOUNCED DELINEATION BETWEEN TOWN AND COUNTRYSIDE THROUGH APPROPRIATE AND SUPPORTIVE LAND USES AND DESIGNATED GROWTH CENTERS</u>. This primary objective can best be accomplished through a planning process that is "bottoms up", with decisions made at the lowest level commensurate with their impacts. The Regional Planning Commission is uniquely qualified to participate in this planning process since it is locally appointed yet represents regional, as well as local, viewpoints.

We recommend exceptions to the Plan's primary objective be made only when it can be demonstrated and established conclusively that the greater public good is served by the exception.

65. Relevant policy and goal statements of the Regional Plan concerning housing, public services, and preservation of agricultural and forest resources state the following:

Policy 6. Decent housing is essential for the Region's residents. The quantity, type and cost of new housing shall correspond to the Region's needs, and its location shall be in accordance with other land use policies of this plan. Affordable housing allocation to the Region's municipalities shall take into consideration each municipality's current housing stock.

Goals: To ...
(G) ensure residential development be compatible with existing architecture, community character and other land use concerns.
(H) provide accessibility between affordable housing and employment opportunities.

Policy 8. Public services and facilities shall complement and support the orderly development of growth centers.

Goals: To ...
(G) encourage public investments, including the construction or expansion of infrastructure, to support development in designated growth centers and avoid disturbing designated agricultural or conservation areas.

Policy 12. Preservation of the Region's agricultural and forest resources, for their economic and aesthetic value, is a matter of public good.

Goals: To ...

(A) preserve the long term viability for farm and forest use of agricultural and forest lands by limiting alternate uses on those lands to low gross density uses.
(E) plan the construction, expansion or provision of public facilities and services so as not to reduce the resource value of important and economically viable

adjoining agricultural or forestry lands.
(G) preserve the aesthetic qualities of the forested and agricultural landscape.

66. Relevant provisions of the RESOURCE USE section of the Regional Plan state the following:

Sewage Disposal

. . . Towns and cities should also develop allocation policies as a means of distributing remaining capacity. In this way, the growth center concept can be implemented by ensuring a variety of uses in the designated area, including housing, commerce and industry.

Sewer line extensions should be planned to accommodate the regional and the appropriate sub-regional and local growth centers. When it is necessary that sewer and water lines extend from one growth center to another a policy of "no new or limited tap-ins" should be enacted.

Water Supplies

. . . As with planning for sewer system expansion, planning for expansion of water systems should correspond to regional, sub-regional and local growth centers. Expansion should not occur outside of these areas unless the public good is clearly served.

Affordable Housing

. . . However, currently the Region has an insufficient supply of affordable housing. The need for affordable housing continues to grow and to surpass the available supply. The CCRPC shall promote safe and affordable housing for all of the residents of the Region.

67. The Future Land Use Planning Map of the Regional Plan (P. 56) designates the area of the proposed project as an "Agricultural Area."

68. Relevant sections of the FUTURE LAND USE MAP DESCRIPTION section of the Regional Plan state the following:

G. Agricultural Area

This area includes the Region's most valuable farmlands and scattered residential development. It should be designated for primarily agricultural uses as much as possible. Future residential development within this area should be relatively low density and clustered. The land's capability for development must also be determined prior to allowing development.

Conclusions of Law

Criterion 10 requires that the District Commission review an application for compliance with the local <u>and</u> regional plan, unless there is a conflict between the two plans. If a conflict exists, the Commission determines whether the project has greater than local significance. If it does, the regional plan applies. If the project does not have greater than local significance, the local plan applies.

With respect to the present application, the Commission, after careful review of the City Plan and the Regional Plan, has determined that there are no specific conflicts between the two plans. Therefore the project must conform to both plans.

For the reasons cited below, we find that the project does not conform to either the City Plan or the Regional Plan.

The City Plan recognizes the importance of protecting open space, scenic views, and agricultural land in the City of South Burlington. The section of the plan concerning the Southeast Quadrant, in particular, states that development in this area should "stress innovative designs and layouts which work to preserve open space, natural resources and scenic views, and promote the continuance of agricultural use."
The plan also states that "residential developments should preserve open space and the unique aesthetic and natural qualities of the Quadrant while serving a wide range of income levels."

For many of the same reasons cited under Criterion 8 above, the Commission must conclude that this development plan does not stress innovative design to preserve open space and scenic views nor does it preserve the unique aesthetic and natural qualities of the area. As cited above, the fact that 60% of the applicant's land is being left as open space does not consider the fact that the open space is either visually disconnected from the development, will be hidden from view by the development, or is already protected by a prior permit. The overwhelming sense of the project, as it is viewed from Dorset Street, will be a loss of open space.

The City Plan also stresses higher density development in the City Center, with lower densities toward the edge of the City, in particular the Southeast Quadrant. While we acknowledge that if the applicant's entire parcel of land is considered, the project technically meets the "low moderate density" of 1.1 to 5 acres called for by the City Plan in the Residential and Open Space area, this overall density does not reflect the apparent density of the project. The development involves 161 lots, one sixth acre in size, and 60 condominium units, all tightly spaced in a development area of approximately 75 acres on the Shelburne town line. This does not conform to the principle of having lower density development on the periphery of the City.

The City Plan also contains a statement concerning the need to locate affordable housing near services such as schools, parks, shopping centers, employment centers, day care facilities, transportation corridors and public transportation. This development, which will be affordable to those with moderate incomes in part through the efforts of the Vermont Housing Finance Agency, would be located near none of the above-mentioned services or facilities.

The Commission acknowledges that the project does conform to sections of the City Plan which have not been specifically referenced in this decision. However, we find that the sections of the City Plan with which the project does not comply are significant enough that non-conformance with these sections constitutes non-conformance with the plan as a whole.

The governing principle of the Regional Plan recognizes the need to protect the traditional village, town, and country settlement pattern within the county and to guide new growth into designated growth centers. The Regional Plan designates three types of growth centers: Regional, Sub-regional and Local. The proposed development would introduce a pattern of town or city growth into a country setting in an area that is not designated as a growth center by the Regional Plan or the City Plan. As such it violates this provision of the Regional Plan. The Plan recommends exceptions to this principle only in cases when it can be demonstrated and "established conclusively" that the greater public good is served by the exception. The applicant has not made a case for such an exception for this project.

The Regional Plan also recognizes the need for orderly growth through the allocation of public and private investment for public services and facilities in growth centers. Thus, expansion of infrastructure development should support development in designated growth centers. The Plan contains frequent policy statements to this effect, as noted in the findings of fact above. The proposed development would extend the municipal water main approximately one and a half miles along Dorset Street to the site and would extend the municipal sewer line more than two miles along Dorset Street. The sewer main and pump station would be constructed to serve additional development in the area. The significant expansion of the water and sewer lines into an area which has not been designated as a growth center in the Regional Plan or City Plan violates these provisions of the Regional Plan relating to infrastructure expansion.

In several sections the Regional Plan discusses the need to preserve the aesthetic qualities of the forested and agricultural landscape. As noted above, we find that this development would significantly diminish the aesthetic quality of the rural-agricultural landscape within which it would be located.

The Regional Plan designates the area surrounding the proposed development as an "Agricultural Area" which should be devoted to agricultural uses as much as possible. While recognizing that residential development will occur in this area, the Regional Plan indicates that this development should be relatively low density and clustered. Although the proposed project is clustered, it will have all the appearances of a high density, suburban development.

As we stated above with respect to the City Plan, the Commission acknowledges that the project conforms to other sections of the Regional Plan which have not been specifically referenced above. We find that the sections of the Regional Plan with which the project does not comply are fundamental to the spirit and the implementation of the Plan and that non-conformance with these sections constitutes non-conformance with the Plan as a whole.

<u>Conclusions of Law</u>

The Commission finds that this project does not conform to the local or regional plans.

III. CONCLUSION OF LAW

Based upon the foregoing Findings of Fact, it is the conclusion of this District Environmental Commission that the project described in the application referred to above, if completed and maintained in conformance with all of the terms and conditions of that application, and of Land Use Permit #4C0948, will cause or result in a detriment to public health, safety or general welfare under Criteria 1(B), 1(G), 3, 8, and 10 of 10 V.S.A., Section 6086(a).

IV. ORDER

Based upon the foregoing Findings of Fact and Conclusions of Law, Land Use Permit #4C0948 is hereby denied.

Dated at Essex Junction, Vermont, this 13th day of April 1994.

By________________________
John Collins
Chair
District #4 Commission

Commissioners participating in this decision:

John Drake
Thomas Visser

wp:4C0948.ff

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (the "agreement") is effective the 1st day of May, 1994, between VERMONT HOUSING FINANCE AGENCY (the "Agency") and VERMONT HOME MORTGAGE GUARANTEE BOARD (the "Board").

The parties agree as follows:

1. This agreement shall take effect as of the effective date first above written and shall terminate on June 30, 1997, unless extended by further agreement of the parties. Such duties of the parties as pertain to final accounting and payment shall survive the general expiration or termination of the agreement.

2. During the term of this agreement, the Agency shall make its offices available for the administration of certain programs of the Board described below (the "Programs") in accordance with the policies and procedures of the Board as the same now exist and as they may be hereinafter revised from time to time. The Agency shall hire and retain qualified personnel for the purpose of administering the Programs. The Agency may allocate duties among existing personnel and new personnel in its sole discretion. All such personnel shall be employees of the Agency and shall not be employees of the Board. All hiring and terminations shall be the sole discretionary function of the Agency; however, by way of initial guidance to the Agency, the Board and the Agency agree that all personnel employed by the Board and the Agency as of March 31, 1994 are qualified personnel within the meaning of this paragraph.

3. In addition to administration of the Programs, from time to time, at the request of the Board and at the Board's expense, the Agency shall develop and administer additional programs and/or revisions to existing programs under guidelines and policies established by the Board, and may, subject to approval of the Board, contract with actuarial, legal, and other consultants and/or temporary employees to assist it in carrying out such assignments. If the Board and the Agency cannot agree on the need for, or the identity of, any such consultants, the Agency may decline the additional assignment. Prior to commencement of any such additional work, the Agency shall present for the Board's approval an estimate of the additional cost of such work, and the Board and the Agency shall agree on an adjustment to the Budget to cover the the agreed cost.

4. Subject only to the consent of the landlord, as of July 1, 1994, the Agency shall assume the Board's lease of the Board's current office space on the third floor of One Burlington Square, Burlington, Vermont, until the expiration of the current term thereof.

All equipment and other chattels of the Board shall remain the property of the Board and the Agency shall be the custodian thereof, having the duties of a bailee with respect thereto.

The Agency shall have custody of such monies and financial records of the Board as the Board may designate in writing from time to time. The Agency shall have the duties of a fiduciary with respect to all such monies and financial records.

employees generally.

(b) compensation to the Agency for a reasonable pro-ration of actual common overhead expenses; and,

(c) a reasonable allowance to the Agency to cover reimbursement of actual expenses for special projects contemplated to be undertaken on behalf of the Board during the ensuing year.

The Board shall make reasonable adjustments to the Budget in the course of the year in order to pay for reasonable and necessary expenses unforeseen or underestimated at the time of the original adoption of the Budget.

6. The Agency shall provide to each member of the Board a timely written report of its activities on behalf of the Board in anticipation of each meeting of the Board. At the request of the Board, with reasonable advance notice from any member of the Board or the Clerk of the Board, the Executive Director of the Agency and/or such personnel as the Executive Director may deem appropriate, shall attend any meeting of the Board for the purpose of further elucidating the Agency's written report.

7. The Programs are:

(a) The Board's general program of guaranteeing loans for financing of primary residences, including all existing subprograms, such as the following: guarantees for Agency loans, loans of conventional lenders, special affordable housing loan programs of conventional lenders, refinance loan programs for conventional

5. Beginning with the fiscal year commencing July 1, 1994, the Board shall compensate the Agency for its services in accordance with the provisions hereof and an annual budget that corresponds to the fiscal year July 1 - June 30 (the "Budget"). For services rendered, the Agency shall bill the Board on a periodic basis, which may be monthly but in no event less often than quarterly. All bills shall be presented to the Board at a meeting thereof. Each bill shall be itemized in sufficient detail to track the line-item categories of the Budget. For services rendered for the period beginning as of the effective date and ending June 30, 1994, the Board shall compensate the Agency in accordance with the existing practice and the respective current budgets of the Agency and the Board. The respective current budgets are attached hereto.

The Board shall promptly pay all bills not contested in good faith. Such payment shall be made not later than 30 days after the date of submission.

Not later than May 1, 1994 and May 1 of each succeeding year during the term hereof, the Agency shall present for approval to the Board an estimate of the Budget for the fiscal year commencing on the following July 1. After consultation with the Agency, the Board shall adopt a Budget for the ensuing year. The Board shall not fail to adopt a Budget that provides at least for:

(a) compensation to the Agency for personnel time and benefits attributable to time spent to administer the Programs, commensurate with such compensation for Agency

(a) The Agency shall, within one hundred eighty days after termination or expiration, render its final accounting and bill for services to the Board.

(b) Within 30 days after receipt of the Agency's final accounting and bill for services, the Board shall pay the Agency's final charges.

(c) All files and records of the Board shall be made available to the Board for reclamation at the offices of the Agency for a reasonable period of time, not to exceed ninety days, after which period the Agency in its discretion may deposit such files and records in the offices of the State Auditor of Accounts if not physically reclaimed and removed by the Board.

(d) All equipment and other personal property of the Board except files and records shall be made available to the Board for reclamation at the offices of the Agency for a reasonable period of time, not to exceed ninety days, after which period the Board shall be deemed to have abandoned any chattels not physically reclaimed and removed.

(e) The Board and the Agency shall take all other steps reasonable and necessary for the orderly transition of day to day administration of the Programs from the Agency to the Board. The reasonable cost for the facilities of the Agency and the time of Agency personnel used in the transition shall be compensable as part of the final accounting.

10. Construction. The purpose of this agreement is to

lenders, and the down payment assistance program;

(b) the Board's energy loan guarantee program.

8. <u>Processing of Claims for Losses Under Board Guarantees.</u> The Agency shall process all claims for losses made by claimants under Board guarantees, and shall forward the same with its recommendation with respect to payment in the following manner:

a. The Agency shall deliver each completed claim form, together with an unsigned claim check and the attachments required by the Board's written policies, to the State Treasurer.

b. If the claim is approved, the signed claim check shall be returned to the Agency with the claim form signed by a Board member or the designee of a Board member. The Agency may conclusively rely on a claim form signed by a board member or a Board member's designee as the act of the Board.

c. The Agency shall forward the signed claim check to the claimant.

As to any claim, upon compliance with the foregoing procedure, the Agency shall be deemed to have discharged its fiduciary responsibility to the Board. The Agency shall remain responsible to the Board for handling the claimant's questions or complaints, if any, in a manner consistent with the policies of the Board.

9. <u>Unwinding.</u> Upon expiration of this agreement or such earlier termination as the parties may agree:

provide for cost-efficient administration of programs of the Board in accordance with the Rules and Regulations, policies, forms, and procedures approved by the Board. Nothing herein shall be construed to delegate or to attempt to delegate any rule-making, policy-setting, or similar discretionary power or duty of the Board.

11. The Agency shall not assign or subcontract its performance of this Agreement without the prior written approval of the Board.

12. The Agency will adhere to all applicable State laws and regulations in carrying out the duties assigned to it hereunder.

IN WITNESS WHEREOF, the Board and the Agency have caused this Memorandum of Understanding to be subscribed by their respective Chairs, duly authorized, effective the date first above written.

VERMONT HOME MORTGAGE GUARANTEE BOARD

By Elizabeth R. Costle

Elizabeth Costle, Chair

VERMONT HOUSING FINANCE AGENCY

By Richard W. White

Richard White, Chair

SERIES 5 STATISTICAL REPORT PROGRAM
LTV 0% TO 100%
Effective as of 05/12/94
Loan Status: Committed, Underwritten and Purchased

Total Number of Loans:	140
Total Loan Amount:	$8,881,136

EXISTING:	$7,930,854	89.3%	125 Loans
NEW CONSTRUCTION:	$ 950,282	10.7%	15 Loans
NEW DETACHED HOUSING:	$ 823,894	86.7%	13 Loans
NEW CONDOMINIUM:	$ 126,388	13.3%	2 Loans

Total Insured or Guaranteed Loans:	138
Loans Guaranteed by VHMGB:	119

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$62,964	$73,943	$66,807
Avg. Loan Amount	$60,935	$68,082	$63,437
Avg. Borrower Income	$27,791	$27,203	$27,585
Avg. Housing Debt-Income Ratio	25.24%	27.93%	26.18%
Avg. Total Debt-Income Ratio	33.64%	33.10%	33.45%
Total No. of Loans	91	49	140
% of Total Loan Amount	62.44%	37.56%	100%
First Time Homebuyers	100%	81%	93%
% Meeting Low Income Set Aside	54%	80%	63%

	Loans	% of Loans	$ Amount	*Households	% of Hshlds	% DIFF
Addison	9	6.4%	$ 473,440	4,064	5.5%	.9
Bennington	4	2.9%	$ 335,483	4,668	6.3%	3.4-
Caledonia	13	9.3%	$ 708,572	4,251	5.8%	3.5
Chittenden	31	22.1%	$2,184,483	13,269	18.0%	4.1
Essex	1	0.7%	$ 18,000	1,018	1.4%	.7-
Franklin	21	15.0%	$1,349,630	5,330	7.2%	9.2
Grand Isle	2	1.4%	$ 141,550	727	1.0%	.4
Lamoille	12	8.6%	$ 725,025	3,001	4.1%	4.5
Orange	5	3.6%	$ 283,421	3,735	5.1%	1.5-
Orleans	11	7.9%	$ 672,250	3,774	5.2%	2.7
Rutland	13	9.3%	$ 881,095	8,815	12.0%	2.7-
Washington	11	7.9%	$ 743,109	7,196	9.8%	1.9-
Windham	4	2.9%	$ 164,011	6,151	8.3%	6.9-
Windsor	3	2.1%	$ 201,065	7,780	10.5%	8.4-
TOTAL	140	100.0%	$8,881,136	73,776	100.0%	

* Estimated number of households, $15,000 to $35,000 income.
Source: CACI, 1990 Sourcebook of County Demographics

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: March 31, 1994

Lenders	Total Loans	30	Days	60	Days	90+	Days	Auth	FCL	Total Delinq		REO	
BancBoston Mortgage Corp.	316	15	4.75%	1	0.32%	3	0.95%	0	0.00%	19	6.01%	1	0.32%
Banknorth Mortgage Co.	749	29	3.87%	8	1.07%	10	1.34%	2	0.27%	49	6.54%	6	0.80%
Bennington Co-op S&L Assoc.	36	2	5.56%	0	0.00%	0	0.00%	0	0.00%	2	5.56%	0	0.00%
Brattleboro Savings & Loan	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Chittenden Bank	839	54	6.44%	8	0.95%	9	1.07%	3	0.36%	74	8.82%	6	0.72%
Citizens Savings Bank	57	2	3.51%	0	0.00%	1	1.75%	0	0.00%	3	5.26%	0	0.00%
Comfed Mortgage Co.	7	0	0.00%	0	0.00%	1	14.29%	0	0.00%	1	14.29%	0	0.00%
Community National Bank	198	4	2.02%	1	0.51%	5	2.53%	0	0.00%	10	5.05%	1	0.51%
Factory Point Nat. Bank	27	5	18.52%	5	18.52%	2	7.41%	0	0.00%	12	44.44%	0	0.00%
Farragut Mortgage Co.	13	2	15.38%	0	0.00%	0	0.00%	0	0.00%	2	15.38%	0	0.00%
First Brandon Nat. Bank	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
First Northern Mortgage Corp.	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Fleet Mortgage	11	1	9.09%	0	0.00%	0	0.00%	0	0.00%	1	9.09%	0	0.00%
Green Mountain Bank	186	10	5.38%	2	1.08%	2	1.08%	1	0.54%	15	8.06%	1	0.54%
Lomas & Nettleton Company	12	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Lyndonville Savings Bank	62	2	3.23%	0	0.00%	0	0.00%	0	0.00%	2	3.23%	1	1.61%
Marble Bank	209	9	4.31%	3	1.44%	1	0.48%	0	0.00%	13	6.22%	0	0.00%
Merchants Bank	341	16	4.69%	3	0.88%	5	1.47%	1	0.29%	25	7.33%	3	0.88%
Mortgage Service Ctr. of NE	52	2	3.85%	1	1.92%	0	0.00%	1	1.92%	4	7.69%	3	5.77%
National Bank of Middlebury	60	3	5.00%	0	0.00%	0	0.00%	0	0.00%	3	5.00%	1	1.67%
New England IBM Employees FCU	50	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	2	4.00%
Northfield Savings Bank	107	5	4.67%	1	0.93%	2	1.87%	0	0.00%	8	7.48%	1	0.93%
Passumpsic Savings Bank	166	6	3.61%	2	1.20%	0	0.00%	0	0.00%	8	4.82%	3	1.81%
Peoples Trust Co.	114	7	6.14%	2	1.75%	1	0.88%	0	0.00%	10	8.77%	0	0.00%
Randolph National Bank	53	2	3.77%	1	1.89%	0	0.00%	0	0.00%	3	5.66%	0	0.00%
Statewide Funding Corp.	162	10	6.17%	1	0.62%	1	0.62%	1	0.62%	13	8.02%	3	1.85%
Union Bank	145	4	2.76%	0	0.00%	0	0.00%	0	0.00%	4	2.76%	0	0.00%
Vermont Development CU	5	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Vermont Federal Bank	782	25	3.20%	2	0.26%	10	1.28%	3	0.38%	40	5.12%	8	1.02%
Vermont National Bank	526	17	3.23%	7	1.33%	5	0.95%	1	0.19%	30	5.70%	1	0.19%
Wells River Savings Bank	35	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Totals March 31, 1994	5327	232	4.36%	48	0.90%	58	1.09%	13	0.24%	351	6.59%	41	0.77%
Totals Previous Month	5296	231	4.36%	73	1.38%	60	1.13%	15	0.28%	379	7.16%	39	0.74%

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Cathleen Gent, Interim Director of Communications

DATE: May 13, 1994

RE: Strategic Planning Update

VHFA's Strategic Planning work is continuing, following a brief interruption due to the consolidation with VHMGB. Phase I, involving an examination of VHFA today both internally and externally, is completed. A Board discussion of screening and evaluation of options is needed in order to complete Phase II of the planning work. Much of the work for the Board lies ahead under Phase III, which will result in the creation of a strategic plan.

In actions to date, the VHFA Strategic Planning Advisory Committee has essentially completed its work. The committee ratified VHFA's general mission and goals as currently articulated, with an emphasis on the "safe and decent" aspect of affordable housing, as in the goal "to encourage and stimulate additional **safe and decent** affordable rental housing for low- and moderate-income Vermonters." The committee also created goal statements for each of six content areas (see attached). In the course of its work, the committee "brainstormed" over 50 ideas for consideration in the strategic plan, then pared that number to 27, utilizing the staff reviews of those ideas. In its final meeting, the group prioritized 11 of those options for the Board's consideration (see attached). While they do not represent strategic goal statements, the 11 priorities should assist the Board in the final phase of the strategic planning efforts.

A general outline of the work needing to be completed includes:

A. Review the Advisory Committee work with respect to: 1) goal statements by content area; 2) prioritization of objectives (most attractive options)
B. Ratify/modify prioritization of objectives (most attractive options)
   - The Board will need to decide the desired level of involvement for VHFA staff with this process and what additional data are required to make final priority decisions.
C. Develop Strategy
D. Develop Action Plan (with staff)
E. Develop Monitoring Follow-Up Mechanism (with staff)

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • FAX: 802/864-5746 • TDD: 1-800/586-5832

Recommended Board Action

The VHFA Board of Commissioners must make a number of decisions in preparation for the final phase of the strategic planning work. A general time frame for completing the work needs to be established, bearing in mind that the original schedule called for a completion date for implementation with the July 1 fiscal year cycle. The Board must also determine how many special meetings are necessary to carry out the remaining work, and schedule those meetings.

VHFA STRATEGIC PLANNING ADVISORY COMMITTEE
LISTING OF GOALS BY CONTENT AREA

Adopted - February 4, 1994

I. Role as Single Family Lender

GOAL **To enhance affordability and habitability**

II. Role as Multi Family Lender

GOAL **To improve flexibility of financing tools**
To enhance affordability and services which promote continuity of tenure

III. Environmental Area

GOAL **To reinforce the safe and decent part of VHFA's statutory mandate**

IV. Information and Public Education

GOAL **To build upon VHFA's successful information and public education efforts**

V. Financing Structure

GOAL **To explore new financial service opportunities to use the existing resource capacity of VHFA**

VI. Organizational Structure

GOAL **To make VHFA more efficient and reduce costs**

VHFA STRATEGIC PLANNING ADVISORY COMMITTEE
LISTING OF PRIORITIES

Adopted - May 9, 1994

PRIORITY	OBJECTIVE
1	Expand Down Payment Assistance Program(s)
2	Reduce Operating Costs to Agency & Reduce Costs of Programs to Users/ Collaborate with Other Agencies in Achieving Efficiencies to Deliver Affordable Housing/ Better Utilize VHMGB To Enhance Services or Products of VHFA
3	Develop Home Improvement/Energy/Environmental Hazard Abatement Lending Programs for Single Family Loans in VHFA Portfolio
4	Financing for Failing or Inadequate Housing Infrastructure
5	Expand Data Collection, Analysis, and Dissemination of Housing Data/ Become Clearinghouse for Housing Data
6	Address Homelessness in VHFA Programs/ Collaborate with Other Agencies and Organizations to Develop Programs For Support and Special Needs
7	Explore Feasibility of Expanding to Finance Non-Housing Related Activities
8	Expand Use of FHLB Program in Conjunction with LIHTC (Consortium Approach)
9	Create Self-Help Program
10	Continue to Participate in Public/Private Partnerships to Create Affordable Housing
11	Expand Financing Options for Individual Mobile Home Purchases

vhfa
VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Samuel J. Falzone, Director, Multi-Family Management

DATE: May 11, 1994

RE: MULTI-FAMILY MANAGEMENT REPORT

The attached report for the quarter ending March 31, 1994, is provided for the Board's information and includes the status of various financial aspects of the multi-family portfolio. The report also contains narratives on department activity as well as detailed project reports for properties that have outstanding maintenance or other unusual issues or problems.

I will be available at the Board meeting to answer any questions or provide additional information if it is desired. You may also reach me at ext. 235 should you like clarification on any point prior to the meeting.

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MULTI-FAMILY MANAGEMENT QUARTERLY REPORT

For the Period Ending March 31, 1994

1. DELINQUENT MORTGAGE LOAN PAYMENTS

PROJECT NAME	12 MONTH HISTORY	MONTH	NO. OF DAYS	PENALTY/INTEREST
None				

2. ACC AND HAP CONTRACT AMENDMENTS REQUIRED IN FY '94/95

PROJECT NAME	ORIGINAL HAP COMMITMENT	CURRENT AMENDMENT	PROJECT ACCOUNT BALANCE
Alburg Dubie	70,164	101,160	10,189
Alburg Lamphere	114,285	0	2,375
Bradford Elderly	60,360	80,800	8,100
Bridgewater	102,127	0	9,343
Burlington Baker	72,876	0	53,237
Burlington Bobbin	397,273	0	207,316
Burlington Duggan	95,904	0	65,637
Colchester	44,196	0	287
Danville St. John	99,096	122,796	17,113
[illegible]pot II	52,416	71,280	20,657
Derby Line	46,200	70,480	8,024
Fairfax	150,785	0	48,841
Fairfield	56,737	0	10,096
Hardwick Freeman	65,688	98,628	15,194
Island Pond Elderly	141,960	0	42,012
Island Pond Family	75,216	89,369	23,566
Jericho	182,326	192,726	26,359
Lyndonville	136,704	145,604	22,679
Middlebury Brush	101,647	0	4,765
Milton	88,452	147,760	22,155
Montpelier Babcock	53,448	0	4,797
Montpelier DuBrul	215,040	330,000	60,357
Morrisville	101,976	152,936	19,159
North Bennington	180,403	189,303	38,911
North Troy	101,496	0	29,290
Plainfield	68,028	100,048	10,338
[illegible]ultney Swenor	76,449	102,000	2,071
Randolph Caron	127,080	158,780	23,359

PROJECT NAME	ORIGINAL HAP COMMITMENT	CURRENT AMENDMENT	PROJECT ACCOUNT BALANCE
Randolph Wishcamper	210,744	235,162	3,804
Rochester	33,198	0	515
Rutland Bardwell	558,504	0	227,439
Rutland Kohlhepp	78,504	113,954	21,016
St. Albans Holy Angels	227,988	272,558	37,161
Saxtons River	103,776	0	4,009
St. Johnsbury NCIC	217,324	0	65,475
Swanton Abenaki	103,909	133,200	8,167
Waterbury Parisi	54,744	0	13,263
Waterbury Steele	53,928	64,828	8,878
West Burke	115,664	0	41,281
West Rutland	68,784	93,360	18,412
Windsor	313,596	455,676	-50
Winooski	102,492	0	80,640
Woodstock I	40,920	72,000	3,884
Woodstock II	63,612	102,742	14,417

3. SALES, PRESERVATION AGREEMENTS, AND OPTIONS EITHER CLOSED OR UNDER NEGOTIATION

CLOSED			IN NEGOTIATION	
PROJECT NAME	# YEARS LOCK-IN	OPTION (Y/N)	PROJECT NAME	STATUS
Bethel Depot II**	40	NP*	Barton	Preservation Agreement closing in May
Burlington Ashline	20	Y	Burlington Kassel	Preservation Agreement closing in May
Burlington Baker	20	Y	Burlington Randall	Preservation Agreement under discussion
Burlington Duggan	20	Y	Danville/St. Johnsbury	Closed, pending ltd. partners signoff
Burlington Eno Apts.	19	Y	Derby Line	Preservation Agreement under discussion
Burlington Harrington	19	Y	Fairfax	Preservation/Energy loan closing in May
Cummings Street**	28	NP*	Fairfield	Preservation Agreement link to Energy Loan
Enosburg	20	Y	Hancock	Preservation negotiations at final stage
Hardwick Freeman	18	Y	Island Pond Family	Preservation Agreement link to Energy Loan
Highgate**	Perpetuity	NP*	Montpelier Babcock	VPHT still interested in acquisition
Milton**	15	N	Montpelier Dubrul	Considering Refinance/Preservation options
Montpelier Dubrul**	15	Y	Vergennes	New Partnership to submit proposal
Northfield	20	NP*	Waitsfield	New Partnership to submit proposal
Northgate**	Perpetuity	NP*	Westminster	Preservation linked to Energy Loan
Plainfield	20	NP*	Woodstock I & II	Limited Partners rejected proposed deal
Randolph Faith	22	NP*		

cont.

3. SALES, PRESERVATION AGREEMENTS, AND OPTIONS EITHER CLOSED OR UNDER NEGOTIATION

CLOSED			IN NEGOTIATION	
PROJECT NAME	# YEARS LOCK-IN	OPTION (Y/N)	PROJECT NAME	STATUS
Randolph Wishcamper**	48	NP*		
Richford	30	Y		
Rockingham	71	Y		
Rutland Linden Terrace	50	NP*		
St. Albans Cioffi	17	Y		
St. Albans Carr	29	Y		
Swanton Elderly**	19	NP*		
Swanton Abenaki	60	NP*		
White River Junction**	Perpertuity	NP*		

** LIHTC * Non-Profit

4. CASH FLOW PROBLEMS

PROJECT NAME	OPERATING CASH BALANCE BALANCE	OPERATING PROFIT/(LOSS) QUARTER ENDED 12/31/93 BUDGET	ACTUAL
Montpelier Babcock	$75	$5,051	$471
Pine Meadow	$3,500	$(12,652)	$(39,113)
Plainfield	$2,954	$1,385	$(163)
Salmon Run	$3,418	$5,050	$1,671
St. Johnsbury HP I	$9,793	$2,008	$(26,394)
Swanton Abenaki	$5,678	$7,637	$(16,079)
Winchester	$673	$(212,316)	$(244,224)

5. HAVE OUTSTANDING MAINTENANCE OR OTHER UNUSUAL ISSUES OR PROBLEMS: see attached Monthly Narratives

PROJECT NAME

Chelsea & Williamstown	Northgate & Highgate
Coburn & Fernwood MHP's	Pine Meadow
Depot Square	Plainfield
Depot II	St. Johnsbury Housing Partnership I
Georgia	Swanton Abenaki
Island Pond Family	Templeton Court
Jericho	Upper Welden
Linden Terrace	Waitsfield & Vergennes
Milton	White River Junction
Montpelier Babcock	Winchester

MULTI-FAMILY MANAGEMENT
MONTHLY ACTIVITY REPORT

For the Month ending April 1994

A. Multi-Family Management Activity - Narrative

1. Energy Loans and Preservation Agreements
2. 1993 Audit Review Process
3. Tenant Rental Assistance Certification System (TRACS)

B. Project Reports (see attached narratives)

1. Chelsea & Williamstown
2. Templeton Court
3. Upper Welden
4. Linden Terrace
5. Pine Meadow
6. Georgia
7. St. Johnsbury Housing Partnership I
8. Swanton Abenaki
9. White River Junction
10. Depot Square
11. Island Pond Family
12. Waitsfield & Vergennes
13. Montpelier Babcock
14. Milton
15. Winchester
16. Coburn & Fernwood MHP's
17. Northgate & Highgate
18. Plainfield
19. Depot II
20. Jericho

A. Multi-Family Department Activity

1. Energy Loans and Preservation Agreements

Significant efforts have continued in both of these areas. Three of four properties that have entered into Preservation Agreements recently have included heating system conversions and other major energy improvements. A fifth Preservation Agreement has closed although will not be effective until we receive the limited partners' statement authorizing the general partner to enter into the agreement. Another six Preservation Agreements are expected to close in the next two months.

Since the Board's approval of a $500,000 Energy Loan Program linked to Preservation Agreements, we have directed our attention toward those properties where this new resource may provide the necessary incentive for owners to move forward on both fronts. Unlimited opportunities will also result if and when we can successfully complete a refunding of bonds and capture the debt service savings that are represented by a group of 34 properties whose mortgage rates are between 10.75% and 14%. We await HUD's policy decision following NCSHA's comments in response to a draft position paper on refunding.

2. 1993 Audit Review Process

Following the 1994 budget review and approval process, Multi-Family staff turned their attention to the 1993 Financial Statements which began arriving in mid February. Sixty audit reviews have been completed thus far with letters having been sent to owners authorizing distributions, requiring deposits to restricted accounts, and detailing other actions necessary in response to findings.

Kim Fitzgerald's arrival and work in the area of audit tracking and controls has made this year's audit confirmation and review process more efficient and responsive than at any time in the past. In the absence of our expected RCI computer conversion, she and Kim Roy have designed very effective financial controls that allow us to maintain current restricted account and letter of credit balances and monitor activity on an ongoing basis. This activity has been coordinated closely with Finance and both Tim and Helen have been involved in the development of these procedures which should help us when we migrate to an integrated computer system.

3. Tenant Rental Assistance Certification System (TRACS)

This major automation effort was initiated by HUD in an attempt to improve the financial integrity and management for all of its assisted housing programs. Last year's $1.4 billion shortfall in HUD budget projections, related to Section 8 contract renewals and amendments, brought into focus the need for an automated system that could accurately project subsidy dollar appropriations required. As Contract Administrator, VHFA has had this capacity for more than six years and we shared our ideas with Jim Logue in 1990 while he was HUD Secretary of Multi-Family Housing programs.

Over the past year, we have helped HUD Manchester build a comprehensive database for all units where we are the Contract Administrator. This information is now part of a national HUD computer network. The second phase of this process is now upon us and it is expected that by August 21, 1994, we will be required to electronically submit monthly tenant (re)certifications, subsidy requisitions, and other tenant/unit changes in information. Owners and managers are also required to automate and will be required to submit all information electronically to VHFA as well as on paper for the first year. Working with VSHA, we have notified owners and managers of their responsibility in response to TRACS and participated in two meetings in which they were introduced to the concept and had an opportunity to meet with software vendors and ask questions.

We have begun discussions with two vendors who have designed HFA Contract Administration software that will allow us to receive, audit, edit, send corrections back to managers, and transmit data to HUD's Central Processing Facility. We will also convert this information to electronic format for small project owners who are not capable or interested in setting up and maintaining an automated system. We have included Jim (DP) and Tim (Finance) in developing our plans for installation of a new element within our computer system. Kim Roy will also attend TRACS related sessions at NCHSA's Spring Workshops in May and we expect that she will be able to gain valuable information from other HFA's on products we may want to consider.

B. Project Reports

1. **Chelsea and Williamstown:** These defaults are still unresolved. We officially notified the owners of our "intent to declare default" on April 26, 1991. Dick Dybvig continues to say he is "working on a refinancing plan" and we have recently heard from Freddie Mac who is now involved. Dick continues to utilize project operating funds to pay refinancing related expenses. Both properties have sizable operating account and reserve balances and the properties continue to be well managed and maintained. Dick's company continues to provide management and maintenance services to both properties under contract.

2. **Templeton Court:** VHEI has not presented us with a plan for paying for the phase of rehab work recently completed and have yet to present a comprehensive plan for completing and financing all of the additional rehab that is necessary at this property. There is more work that needs to be done, and they have exceeded the original rehab budget. Tom Peterson is "working" with Joe Erdelyi to address this issue. Susi has informed VSHA that there will be no increase in the management fee until we have an acceptable plan for the rehab work, and some assurance that the cash flow will be adequate to support their proposed fee increase.

3. **Upper Welden:** The owners (VHEI) have discovered they need to do structural work on the basement foundation, and roof overhang identified by their engineer in April of 1993. VSHA claims the work will be done this spring once we get decent weather. The money needed to complete this work ($40,000) is available in restricted development accounts. The proposed increase in management fee here is also pending resolution of the structural repairs.

   VSHA continues to lack the ability or desire to present a comprehensive plan for managing the rehab work at the above two properties. It continues to be unclear who at VSHA is responsible for these properties. Although Susan Kuegel and Tom Peterson may respond to our phone calls or letters, their response is usually inadequate to effectively resolve many long outstanding issues.

4. **Linden Terrace - Rutland:** A Housing Vermont partnership purchased this property on September 30, 1993 and rehab work will soon be complete. They experienced some cost overruns which may impact the extent of the rehab although we have considered using reserve funds in order to complete all required work at this time. Jonathan Ziner, E.P. Management has been hired to manage this property along with their other Rutland project the Bardwell House.

5. **Pine Meadow - Middlebury:** This property is operating on an extremely tight budget and cash flow is negative except for offsetting sinking fund deposits and grants. Management (Cathedral Sq.) has recently decided to disband the practice of maintaining an on-site manager in order to save money. The property continues to be well managed and maintained but is suffering from a high rate of turnover. The cash flow was significantly below budget due primarily to high maintenance costs associated with turnover. Rental income was also under budget projections for the year.

6. **Georgia - Hidden Pines:** Although this property is doing ok financially, there have been heating system problems this winter.

The rehab work anticipated at closing has not begun because the owners are reevaluating the scope and extent of the overall rehab effort. We are still retaining $20,000 in connection with this uncompleted work. Joe and Susi are working with Liz Curry of LCHDC to bring closure to this process.

7. **St. Johnsbury Housing Partnership I:** This property is again operating at a budgeted deficit for 1994. In order to keep the budget balanced, NCMC has agreed to defer a portion of their maintenance expenses for the year and NCHC has committed to use a sinking fund from VHCB that was established at project acquisition. Owners have revised their application to VHCB for more money, and plan to apply for more LIHTC's in June to effect substantial rehab not funded at initial acquisition. They recently conducted lead paint tests that confirmed unacceptable lead levels are present in the units. This will undoubtedly compound the problems they are seeking to resolve. We don't expect to hear from VHCB until June at the earliest.

8. **Swanton Abenaki:** This property continues to operate on a tight budget, and cash flow for the year was significantly under the initial budget projections due primarily to the exterior paint job they completed for $15,000. ASHAI management continues to require close oversight from VHFA. We are still involved in discussions with VSHA to restore the higher rents, and allow the savings resulting from the energy conversion to flow to the development for appliance upgrades and ADA/504 improvements.

9. **White River Junction:** This property was purchased by a Housing Vermont partnership on December 30, 1993 and the existing property manager (Stewart Properties) has been retained. A portion of the new $472,000 VHFA loan will be used for heating conversion and window replacements which will occur when the weather permits. Until rehab is complete, the operating budget is tight and they may need to rely on the Replacement Reserve account to pay for some major ticket purchases (lawn mower, carpet replacements). VHFA currently holds the Replacement Reserve account which we plan to switch over to owner/management control with VHFA signature required for withdrawals. (Note: VHFA no longer has any properties with Joe Wishcamper).

10. **Depot Square - St. Johnsbury:** The building opened for occupancy in January, and is currently fully occupied. For the most part, rehab on the residential portion is complete and commercial space face lift will happen now that the weather has broken. The biggest challenge is managing a diverse and challenging tenant population which is primarily <u>non elderly!</u>

11. **Island Pond Family:** The owners, Anita & Marcel Gervais have exhausted most of the money available in the development accounts to do a heating conversion a few years ago. Now they need to address exterior peeling paint on a 2 unit building that assuredly has a lead based paint problem. They need to conduct a full scale physical needs assessment of the property, and will be requesting a VHFA energy loan for some of the required work.

12. **Waitsfield & Vergennes:** After the change in general partners that lead to settlement of the Babcock litigation, both properties have completed vinyl siding installation, much to the satisfaction of residents, neighbors, VSHA and VHFA! Kevin Sargis, attorney for Mr. Gourley who is the new managing general partner, is planning on submitting two proposals for preservation or possibly even non-profit acquisition in the near future.

13. **Montpelier Babcock:** The situation at Hebert Farms is unchanged: A Letter of Interest was sent from VHFA regarding the possible purchase of the property by Vermont Housing Preservation Trust (VHPT) although no purchase and sales agreement has been signed due to the unacceptably high price set by the Owner. Although successful in stabilizing the structure, the cost of the foundation work has strained the project finances which will only be moderated at the time of acquisition. The day-to-day operations of this property are precarious. The 1993 audit is still outstanding and was requested with a deadline by April 17th. A Notice of Intent to Declare Default is expected to go out by the end of April.

14. **Milton:** Lloyd Gilbert and George Stokes submitted their notice of prepayment and request for refinancing approval on December 3, 1993 and await with increasing frustration HUD's decision regarding their intention to refinance through the Bank of Vermont by May 16, 1994.

15. **Winchester:** The Merchants Bank has restored the Sinking Fund with a deposit of $297,000. Housing Vermont contributed another $3,000. Additional components of the understanding between the partners includes negotiations to reduce land lease payments, an appeal of the property taxes and an investment in correcting the sewage pump station problems in an effort to reduce maintenance by $1,000 a month. A revised 1994 Budget is expected by the end of April.

16. **Coburn & Fernwood MHP's:** HFI is attempting to prepay their mortgages for these mobile home parks. With their success in receiving the requested 50% reduction in the prepayment penalty, the prospects for refinancing are good. The initial refinancing proforma for **Coburn MHP** doesn't indicate any insurmountable

problems since it was based upon our approved 1994 budget. Affordability appears to be assured. **Fernwood** has not performed as anticipated in the budget projections due to $10,000 overages in Maintenance, $8,000 in Taxes and $8,000 spent on Consultants.

17. **Northgate & Highgate:** Kathy Tyrrell Luce has been very successful since replacing Ann Marie Poulin as Maloney's property management representative at both sites. With our encouragement, both 'Gates have recently applied for HUD Drug Elimination Grants. A Working Group of interested parties (VHFA, HVT, Maloney, NGRA, NNP) has begun meeting to discuss issues of importance to Northgate such as the future use of remaining Deficit Escrow funds. Next meeting is 5/4 here at VHFA. The Highgate request to HUD for a waiver of the 120% of FMR restriction is almost completed, pending submission of final numbers by HVT.

18. **Plainfield:** The energy conversion at School Street Apartments was completed in February. HFI is awaiting a draft permanent note so we can retire the construction loan and proceed to a final closing. The replacement reserve account at School Street Apartments has been subtantially depleted due to sizable withdrawals related to energy work ($6,500) and recent upgrades to many of the family units. Unfortunately, the budget is too tight in 1994 to increase the monthly deposit. In 1995's budget an increased replacement reserve deposit will be required in order to achieve an acceptable reserve account balance. The project should be in a better cash position due to the anticipated savings related to the energy conversion.

19. **Depot II - Bethel:** The energy conversion and site work are complete and the small amount of money remaining is available to do addition rehab work (ie. siding replacement and ventilation work). Now that the site work is finished, we are monitoring the drainage situation to see if the improvements have solved the water problems. Contract Administration has **finally** been transfered to VHFA for this property and Depot I is expected to be effective as of May 1st.

20. **Jericho:** Jeri-hill is presently undergoing an energy conversion. The source of funding for the conversion is project cost escrow, residual receipts and operating cash. The project should realize savings almost immediately because the project didn't have to take on additional debt to complete the conversion. HUD still has not responded to the owner's refinancing proposal which was submitted almost 16 months ago.

vhfa
VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Glenn A. Jarrett, General Counsel

DATE: May 13, 1994 GAJ

RE: Review of Agency Regulations

BACKGROUND:

Over the years, staff has become concerned that many of the rules and regulations that the Agency has adopted are outdated because of their specificity. For example, the rules governing loans for multi-family developments were written when the only multi-family loans the Agency made were for Section 8 projects. In those days, documents were standardized and the Agency's loans were in great demand. Today, every deal is different, documents must be customized, and borrowers have alternatives to Agency loans. This lack of flexibility has prevented the Agency from making loans in some cases, leading to a loss in income.

Since the regulations were adopted pursuant to the Vermont Administrative Procedure Act ("APA"), we must go through the same process to amend or repeal the regulations as to enact them in the first place. The process includes approval of the proposed amendments or repeal by the Board, newspaper publication of summaries of the regulations, further Board action to approve the adopted rule, and an appearance before the Joint Legislative Committee on Rules. The process takes at least 90 days for each amendment. This obviously deters the Agency from amending its regulations unless the changes are major.

An alternative that staff would like to recommend would be to examine all the rules the Agency has in effect and come back to the Board with recommendations as to which rules might be amended, which ones could be repealed, and which ones could be repealed and replaced with "procedures," which can be amended by simple Board action. I recommend that we have procedures ready to show the Legislative Rules Committee when we appear there to discuss the repeal of the rules. The procedures must be kept in a book and made available to the public if requested.

The one potential drawback to the use of procedures instead of adopted rules is that a rule adopted through the APA has the force of law if challenged. A procedure does not have that imprimatur. In my six and a half years at the Agency, no one has questioned, much less challenged, one of our rules, but it is a risk, however remote.

SUGGESTED ACTION:

The Board approve a staff project to study the Agency's rules and regulations and report back to the Board with a recommendation as to which rules should be amended, which ones repealed, and which ones repealed and replaced with procedures.

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Glenn A. Jarrett, General Counsel GAJ

DATE: May 19, 1994

RE: Participation Agreement with Vermont Housing and Conservation Board

BACKGROUND:

In December, 1993, the Board passed a resolution to purchase a participation of up to $2.5 million in loans from the Vermont Housing and Conservation Board. Over the last several months, we have been negotiating the terms of a participation agreement with the VHCB. We have a final, or almost final, version of the agreement. However, the amounts and the specific loans in which the Agency is going to buy participations have not been finalized. The loans will be on some or all of the following developments. The amounts listed are the original principal balances of the Loans. The current balances are approximately $3.7 million.

Highgate	$950,000
Heineberg	$625,000
Pine Meadow	$270,635
Otter Creek MHP	$266,000
Fernwood MHP	$255,000
Whitney Hill	$250,000
Upper Weldon	$175,000
	$2,791,635

Staff requests approval of the attached Participation Agreement, together with a delegation of authority to the Executive Director and Director of Finance to designate the loans, and the amounts of those loans.

REQUESTED ACTION:

Approval of the Participation Agreement presented to the Board at this meeting in substantially the form presented, together with a delegation of authority to the Executive Director and Director of Finance to designate the loans, and the amounts of those loans, in which the Agency will purchase a participation, up to a maximum of $2.5 million.

PARTICIPATION AGREEMENT

This Agreement is entered into as of the _____ day of __________, 1994 by and between the Vermont Housing Finance Agency (the "Agency") and the Vermont Housing and Conservation Board (the "Board"). The Agency and the Board have agreed that the Agency will purchase a __% participation interest up to a maximum aggregate amount of Two Million Five Hundred Thousand ($2,500,000.00) Dollars in certain loans identified in Exhibit A, attached hereto (individually, a "Loan" and collectively, the "Loans"). The parties are entering into this Agreement to set out the terms of their agreements. As used herein, the term "Borrower" means a borrower under any of the Loans and the term "Loan Papers" means any of the documentation evidencing or securing any of the Loans.

1. Within five (5) working days after the signing of this Agreement by both parties, Agency will transmit the amount of the participation, which is determined to be $__________, to Board.

2. Board shall, to the extent not already available to Agency, provide Agency promptly after Board's receipt of Agency's written request therefor: (a) such information as is then in Board's possession in respect of the current status of principal and interest payments under the Loan Papers and in respect of the current status of accrual of interest under the Loan Papers, (b) copies of all current financial statements then in Board's possession in respect of any of the Borrowers of the Loans, (c) current information then in Board's possession as to collateral values and lien status, and (d) other current factual information then in Board's possession bearing on the continuing creditworthiness of any Borrower of any Loan, provided that nothing contained in this paragraph shall impose any liability upon Board for its failure to provide Agency any of such information or financial statements except for Board's own bad faith, willful misconduct, or gross negligence.

3. Except as expressly provided herein to the contrary, all rights of the Board pursuant to the Loan Papers or otherwise in connection with the Loans, and all collateral (if any) held by Board to secure payment of the obligations of Borrowers under the Loan Papers shall be held (and such rights shall be exercised) for the ratable benefit of Board and Agency (collectively, the "Parties").

4. Except as expressly provided herein to the contrary, if either party ever receives (pursuant to the Loan Papers or by voluntary payment, realization on or with respect to collateral, if any, or otherwise) any sum applied or to be applied to the obligations of any Borrower under the Loan Papers, each such sum shall be shared in a manner so that Agency receives (or retains) up to, but not in excess of, its pro rata part thereof.

5. Agency hereby appoints Board as its agent to act on its behalf, subject to the limitations contained herein and in Paragraph 6 hereof: (a) to negotiate, administrate, control, manage and service the Loans, (b) to give consents, approvals or waivers in connection with any Loan Papers, (c) to agree, after prior notice to Agency, to any nonmaterial amendments or modifications of any Loan Papers, (d) to enforce or refrain

from enforcing the Loan Papers, (e) to acquire additional security for any Loan, (f) to make all decisions under the Loan Papers in connection with the day to day administration of the Loans, inspections, and other routine servicing matters, (g) to collect and receive from Borrowers or any third persons all loan recoveries, (h) to exercise all such powers as are incidental to any of the foregoing matters, and (i) to exercise all powers, rights and remedies and to take all actions with respect to the Loans. In such capacity, Board shall promptly pay over, without deduction or offset, Agency's pro rata share of each payment of principal or interest received by Board under the Loan Papers.

6. Without the consent, approval or concurrent action of Agency, Board shall not (a) reduce the interest rate of any promissory note, (b) forgive any principal of or interest on a Loan, (c) increase the maximum amount of a Loan, (d) extend the maturity date of a Loan or the date of any interest payment thereunder, (f) declare a default or the occurrence of an event of default under the Loan Papers, (f) acclerate any Loan, (g) subordinate the priority of a Loan, or (h) exercise a right of redemption in a foreclosure action brought by any superior lienholder.

Unless Board receives written or telecopier approval from Agency, Board shall not enter into or permit any material amendment of, or permit the assignment or transfer by any Borrower of its obligations under, or waive compliance with any of the material terms of, any Loan Paper.

7. Agency acknowledges that Board is an enforcing entity under a Housing Subsidy Covenant, within the meaning of 27 V.S.A. § 610, that was executed in connection with each Loan. Agency and Board agree that these Housing Subsidy Covenants area nd shall be superior to the Loan Papers and that actions taken with respect to the Loan Papers shall not affect the ongoing enforceability of the Housing Subsidy Covenants. Agency and Board further agree that in making decisions relating to the Loans, every reasonable effort shall be made to avoid displacement of tenants and to maintain the physical integrity and affordability of the projects in accordance with the Housing Subsidy Covenants.

8. In the event the parties determine there is a need to employ attorneys in connection with enforcement of the obligations of any Borrower under the Loan Papers, each party shall pay its pro rata part of any attorneys' fees and expenses actually expended by that party.

9. Agency will repay to Board any sums paid to Board by any Borrower and distributed by Board to Agency, which Board shall be required to return to Borrower or to any receiver, trustee, or custodian for Borrower.

10. Without limiting any rights to which Agency otherwise is or may become entitled, Agency shall have no interest or rights by virtue of this Agreement, in: (a) excepting the Loans, any present or future loans from, or other financing transactions by, Board to, on behalf of, or with any Borrower (collectively, the "Other Financings"), (b) any present or future property taken as security for any such Other Financings, or (c) any property now or hereafter in the possession or control of Board that may be or become

security for the obligations of Borrower arising under any Loan Paper by reason of the general description of indebtedness secured or of property contained in any other agreements, documents, or instruments related to any such Other Financings; provided that, if payments in respect of such property or the proceeds thereof shall be applied to the obligations of Borrower arising under the Loan Papers, then Agency shall be entitled to share in such application according to its pro rata part.

11. Agency has independently reviewed the Loan Papers and all other documents related thereto in the possession of Board, requested by Agency, and delivered by the Board to the Agency, and there shall be no recourse on, or any liability incurred by, Board for any misstatement or omission of any person (meaning any individual, firm, corporation, partnership, association or other entity) contained in any such documents or otherwise.

12. Neither Board nor any of its agents or employees shall be liable for any action taken or omitted to be taken by it or them under this Agreement or any Loan Papers in good faith and believed by it or them to be within the discretion or power conferred upon it or them by this Agreement or any Loan Paper, or be responsible for the consequences of any error of judgment, unless the same constitutes gross negligence or an intentional tort. Board will exercise the same care in administering the Loan Papers as it exercises with respect to similar transactions entered into solely for its own account and shall otherwise have no liability or responsibility to Agency, except for actions taken or omitted to be taken by Board in bad faith or that are grossly negligent. Board shall not be responsible in any manner to Agency for (a) the effectiveness, enforceability, genuineness, validity, or due execution of the Loan Papers or any other documents, (b) any representation, warranty, document, certificate, report, or statement herein made or furnished under or in connection with any of such documents, (c) the adequacy of collateral, if any, for the obligations of Borrower under the Loan Papers, (d) the existence, priority, or perfection of any lien or security interests granted or purported to be granted in connection with the Loan Papers, or (e) observation of or compliance with any of the terms, covenants, or conditions of any such documents on the part of Borrower.

13. Agency represents and warrants to Board that (a) Agency does not consider the acquisition of its participation hereunder to constitute the "purchase" or "sale" of a "security" within the meaning of the Securities Act of 1933, the Securities Exchange Act of 1934 or Rule 10b-5 promulgated thereunder, any securities law of the State of Vermont, any other applicable securities statute or law, or any rule or regulation under any of the foregoing, (b) Agency has no expectation that it will derive profits from the efforts of Board or any third party in respect of the acquisition of Agency's participation hereunder, (c) such participation merely constitutes a commercial transaction by Agency with Board regarding Agency's pro rata part of the obligations of Borrowers under the Loan Papers and does not represent an "investment" (as that term is commonly understood) in Board or any Borrower, and (d) Agency is purchasing its participation hereunder for its own account in respect of a commercial transaction made in the ordinary course of its business and not with a view to or in connection with any subdivision, resale, or distribution thereof.

14. No amount paid by Agency to purchase any participation in the Loans shall be considered a loan by Agency to Board. Board shall have no obligation to repurchase the participations sold under this Agreement upon the occurrence of any event of default by any Borrower under any of its obligations to Board or otherwise.

15. At its option, from time to time and at any time, Board shall be entitled to pay to Agency all principal, interest, and fees then owing to Agency hereunder in respect of its pro rata part, thereby terminating this Agreement.

16. None of the provisions of this Agreement shall inure to the benefit of any Borrower or any person than Board and Agency; consequently, no Borrower or any other person other than Board or Agency shall be entitled to rely upon or raise as a defense, in any manner whatsoever, the failure of either Board or Agency to comply with the provisions of this Agreement. Neither Board nor Agency shall incur any liability to any Borrower or any other person for any act or omission of the other party.

17. Whenever in this Agreement the singular number is used, the same shall include the plural where appropriate, and vice versa; and words of any gender in this Agreement shall include the other gender where appropriate.

18. This Agreement embodies the entire agreement between the parties, supersedes all prior agreements and understandings, if any, relating to the subject matter hereof, and may be amended only by an instrument in writing executed jointly by an authorized agent of each party.

IN THE PRESENCE OF:

______________________ VERMONT HOUSING AND CONSERVATION BOARD

______________________ By ______________________
Its duly authorized agent

______________________ VERMONT HOUSING FINANCE AGENCY

______________________ By ______________________
Witnesses Its duly authorized agent

STATE OF VERMONT
COUNTY OF ______________________, SS. At ________________ in said County this ____ day of _____________, 1994, personally appeared ______________________________, the ______________ and duly authorized agent of VERMONT HOUSING AND

CONSERVATION BOARD, and acknowledged the foregoing instrument, by ____ subscribed, as and for ____ free act and deed and the free act and deed of the said VERMONT HOUSING AND CONSERVATION BOARD.

Before me,

____
Notary Public
My commission expires 2/10/95

STATE OF VERMONT
COUNTY OF ____________________, SS. At _______________ in said County this ____ day of ____________, 1994, personally appeared _________________________, the __________ and duly authorized agent of VERMONT HOUSING FINANCE AGENCY, and acknowledged the foregoing instrument, by ____ subscribed, as and for ____ free act and deed and the free act and deed of the said VERMONT HOUSING FINANCE AGENCY.

Before me,

____
Notary Public
My commission expires 2/10/95

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: **VHFA BOARD OF COMMISSIONERS**

FROM: **ROGER A. SCHOENBECK, DIRECTOR OF FINANCE** RAS

DATE: **MAY 18, 1994**

RE: **GENERAL FUND BUDGET PERFORMANCE**

Attached to this memo is the budget performance report for the period ending April 30, 1994 representing the first ten months of the fiscal year ending June 30, 1994. All things being equal, budget categories should be at 83.3% of the annual budget.

We are still on track in most budget categories for the year. Those budget areas which are not in line will be detailed below with appropriate explanations. The budget adjustment requests are also listed.

INCOME. Single Family fee income collected is quite volatile due to increased activity in the no point mortgage area, where we make payments to the lenders instead of collecting income. Multi-Family fee income is less than expected due to delays in financing developments and lower activity than predicted. Interest income is lower than budgeted due to the lack of substantial activity in the construction loan area.

FUND TRANSFERS. The transfers of funds from the Programs to the General Fund have been collected as expected. We have some options available to increase the transfers from the Mortgage Purchase Program which was collapsed with the refunding in July of 1992. We may decide to transfer in the total remaining funds based on the Evensen Dodge study. We will discuss the fund balance transfer issues at the June Board meeting.

EXPENSES. Total expenses are 78.94% of budget and we believe that we will stay within total expense constraints for the fiscal year. However, there are several categories that need transfers to adjust for changing circumstances during the fiscal year.

Advertising. We are expecting to expend an additional $62,000 in advertising through the end of the fiscal year, but have allocated $65,000 from the bond proceeds of Series 5 which should cover the balance.

Commissioners Expenses. We recognized approximately $3,000 in expense for the National Board member conference held at Woodstock last fall, which had not been budgeted. There were also additional expenditures incurred with the work of the consolidation with VHMGB and many meetings with the Governor's office. An increase of $4,000 is needed for this account.

Consulting Expense. Strategic planning costs are expected to exceed $20,000 and housing surveys are in the $18,000 range against an original budget of $5,000. We also miscalculated the net cost of monitoring tax credit compliance and understated the cost by $10,000. Due to savings in other areas, we expect that an increase of $20,000 in this category is needed.

Interest Expense. An investment with the Vermont Development Credit Union was not budgeted for and will require an adjustment increase of $12,000 for the year.

Miscellaneous Expense. A property loss on real estate financed by the General Fund occurred in the amount of $1,300 which was not budgeted. This amount needs to be added to the budget.

Salaries and Wages. Although this line item has been kept under budget by not replacing some departing staff, it has been increased by temporary help hired to assist with the computer conversion in the accounting area. This cost is estimated at $15,000. No budget adjustment is required.

Offset categories. Pension expense is lower than budgeted due to employees that have left and their share of forfeited contributions which are being used to offset current payments. We will be able to save $20,000 in this category. Reduced staff travel and training is expected to reduce this budget category by $17,300. These two reductions should offset the increases required in the above categories.

VHMGB Consolidation. Since the agreement with the Vermont Home Mortgage Guarantee Board has just been signed, it is a little too early to determine the impact on VHFA's overall budget. We should be able to make a better assessment by the June Board meeting.

RECOMMENDED ACTION

Approval of the transfers between budget categories as detailed in this memo.

BUDGET PERFORMANCE REPORT
VERMONT HOUSING FINANCE AGENCY
APRIL 30, 1994

	CURRENT APPROVED BUDGET	ACTUAL YR TO DATE APR 30, 1994	% BUDGET RECOGNIZED TO DATE
INCOME	----------	----------	----------
SINGLE FAMILY FEES	56,350	38,258	67.89%
MULTI-FAMILY FEES	106,500	41,354	38.83%
PROJECT ADMIN FEES	122,000	120,529	98.79%
INTEREST INCOME	428,000	241,900	56.52%
MISCELLANEOUS	70,000	52,598	75.14%
	-------	-------	-------
TOTAL INCOME	782,850	494,639	63.18%
FUND TRANSFERS			
SINGLE FAMILY HOUSING	40,000	20,377	50.94%
SHAWMUT MTG PURCHASE	100,000	100,000	100.00%
HOWARD MTG PURCHASE	1,250,000	1,250,000	100.00%
HOWARD HOME MTG PURCH	305,000	160,100	52.49%
HOWARD MULTI-FAMILY	430,000	440,000	102.33%
CONN NATL MULTI-FAMILY	80,000	91,836	114.80%
HOUSING DEVELOP BDS-MF	10,000	10,000	100.00%
DIRECT PLACEMENT BONDS	35,000	31,750	90.71%
	---------	---------	---------
TOTAL TRANSFERS	2,250,000	2,104,063	93.51%
	---------	---------	---------
TOTAL INC & TFRS	3,032,850	2,598,702	85.69%
EXPENSES			
ADVERTISING & PROMOTION	163,100	145,409	89.15%
AUDIT	27,500	27,950	101.64%
ANNUAL REPORT	10,000	5,690	56.90%
COMMISSIONERS EXPENSES	4,000	6,009	150.23%
CONSTRUCTION INSPECTION	20,000	10,134	50.67%
CONSULTING FEES	55,000	58,561	106.47%
DUES & SUBSCRIPTIONS	33,200	16,171	48.71%
INSURANCE	188,336	141,756	75.27%
INTEREST EXPENSE	45,000	46,273	102.83%
LEGAL	55,000	33,632	61.15%
MISCELLANEOUS	6,500	6,814	104.83%
OFFICE EXPENSES	30,000	22,455	74.85%
PENSION PLAN	120,000	88,742	73.95%
POSTAGE	22,500	16,647	73.99%
RENT	116,000	101,102	87.16%
REPAIRS & MAINTENANCE	55,000	49,519	90.03%
SALARIES & WAGES	1,297,860	1,051,120	80.99%
STAFF TRAVEL & TRAINING	86,045	48,682	56.58%
SUBSIDY-HVT, ERH, ETC.	90,000	78,679	87.42%
TAXES-PAYROLL	97,600	83,734	85.79%
TELEPHONE	30,000	23,148	77.16%
TRUSTEE & CREDIT FEES	260,000	155,371	59.76%
DEPRECIATION	120,000	97,389	81.16%
	---------	---------	---------
TOTAL EXPENSES	2,932,641	2,314,987	78.94%
	---------	---------	---------
SURPLUS (DEFICIT)	100,209	283,715	283.12%
	=======	=======	=======

vhfa
VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director ASH

DATE: May 24, 1994

RE: CONFIRMING UPCOMING (JUNE) BOARD MEETING AND STRATEGIC PLAN REVIEW

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held on Thursday, June 23 in Burlington; the exact location has not yet been determined.

I would like to propose that the regular monthly Board meeting begin at 10:00 a.m. and be kept as brief as possible. After the Board meeting has adjourned, we will begin a review of the Strategic Planning process. We will invite appropriate staff members to join the Board for this discussion, and will provide a light lunch.

The agenda and Board packet will be mailed to you by June 17, as well as relevant information regarding the Strategic Planning process.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to meeting with you in Burlington at 10:00 June 23.

EQUAL HOUSING OPPORTUNITY

vhfa
VERMONT HOUSING FINANCE AGENCY

June 16, 1994

Post-It™ brand fax transmittal memo 7671	# of pages ▸ 1
To Marie Carpenter	From Barbara Parker
Co.	Co.
Dept.	Phone # 864 5743, 255
Fax # 828-2428	Fax #

Ms. Marie Carpenter
Department of Administration
Secretary of Administration's Office
Pavilion Office Building
109 State Street
Montpelier, VT 05602

Dear Ms. Carpenter:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Thursday, June 23, at 10:00 a.m., at the Burlington Community Boat House, bottom of College Street (on the lakefront), in Burlington, Montpelier, Vermont.

If you have any questions, please do not hesitate to contact me at 864-5743, ext. 255.

Sincerely,

Barbara M Parker

Barbara M. Parker
Executive Assistant

vhfa
VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

Allan

FROM: Allan S. Hunt, Executive Director

DATE: June 17, 1994

RE: CONFIRMATION OF UPCOMING BOARD MEETING AND STRATEGIC PLANNING SESSION

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 10:00 a.m. Thursday, June 23, at the Burlington Community Boat House, which is at the bottom of College Street (on the lake front) in Burlington, Vermont. *{Use the parking lot on your left as you approach the Boat House; reimbursement will be made for any parking expenses that may be incurred.}*

As soon as we have dispensed with the items on the agenda, we will begin a Strategic Planning review, which should take us through the remainder of the day. We will be serving a light lunch at 12:00 noon, and plan to wrap up all discussions by 4:00.

Attached is the agenda and Board packet. The master copy of the Board minutes kept on file here at the Agency includes any attachments that may be referenced in the minutes; copies will be made available should any Board members be interested in reviewing them.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Burlington at 10:00 June 23!

REMINDER: *The Board meeting will start at 10:00 a.m. The Strategic Planning session will follow immediately. This will be an all-day meeting (10:00-4:00)*

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • FAX: 802/864-5746 • TDD: 1-800/586-5832

VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA
Vermont Housing Finance Agency
Burlington Community Boat House
Burlington, Vermont

Thursday, June 23, 1994 at 10:00 a.m.

1. Review and approval of minutes of May 19, 1994

2. Development
   - June 1994 LIHTC Reservations **[Jenkins/Erdelyi//Encl.]**
   - Resolution of Interest for Burlington Scattered Site Project **[Jenkins/Erdelyi//Encl.]**
   - HUD Preservation Technical Assistance Grant Program **[Jenkins/Cummings//Encl.]**

3. Administration
   - Executive Director's Report **[Hunt]**

4. Finance
   - Proposed FY95 Budget **[Schoenbeck//Enclosure]**
   - Fund Balance Retention **[Schoenbeck]**

5. Operations
   - MOVE/Mortgage Plus Updates/ Delinquency Report **[Lothrop//Enclosure]**
   - Discussion of Property Taxes and REOs **[Lothrop//Enclosure]**

6. Multi-Family Management
   - Tax Credit Compliance Monitoring **[Falzone//Enclosure]**

7. Legal
   - Conflict of Interest Policy **[Jarrett//Enclosure]**
   - Recommendation on Condominium Policy **[Jarrett//Enclosure]**

8. Other old or new business to come before the Board

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VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES

Vermont Housing Finance Agency
Office of the Commissioner of Banking, Insurance and Securities
89 Main Street
Montpelier, Vermont

Thursday, May 19, 1994

PRESENT: Commissioners White, Seelig, Candon (designee of Costle), Bradley (designee of Shouldice)

Agency Staff: Mr. Hunt, Mr. Schoenbeck, Mr. Jarrett, Mr. Lothrop, Ms. Jenkins, Mrs. Parker, Mr. Falzone, Ms. Gent

Guests: Mr. Cole (AG Edwards); Mr. Gurley (PaineWebber); Mr. Amsden (Kutak Rock)

Although a quorum was not yet present at 2:10, but having been advised that Ms. Bradley would be joining the meeting shortly, Chairman White suggested that staff report on activities which would not require Board action.

Mr. Hunt began his Executive Director's report by noting that the bill to increase the VHMGB fee limit has made it out of the Senate with a change in the requested fee of 1.5% reduced to 1.1%. The increased fee would help to cover the risks involved with providing coverage on loans with a higher loan-to-value (LTV) ratio, which comprise nearly 70% of the loans guaranteed by VHMGB. The most important aspects of the bill are VHMGB's immediate need to gain increased guarantee authority and the ability to offer deeper loan coverage. However, two House Committees had inserted a $750,000 appropriation into the bill to restore money that VHMGB had transferred to the State's General Fund. The Governor has threatened to veto the bill if it is passed with the appropriation. The Appropriations Committee now has the bill.

Turning to the problems with heating systems at Dalton Drive, Mr. Hunt reported that most of the insulation work has been completed on units where residents had expressed some level of discomfort. However, other owners now are claiming to have had problems with their units. Of the 19 buildings that comprise this project, adjustments have been made on 15 of the buildings thus far; it would appear to be prudent to continue the work and complete adjustments on all of the buildings at this time. Expenditures on this portion of the project are nearly $18,000, with an additional cost of $6,500 expected. The homeowners have also expressed concern about the number of service calls made as a result of problems with the Heatmaker boilers. Staff

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has established contacts with the manufacturer, who acknowledges that there have been problems with the switches installed on a certain series of boilers. The manufacturer has expressed willingness to replace the switches at no cost, but will not cover the installation costs as well. Mr. Hunt advised that the cost to replace the switches as well as reimburse the owners for service calls related to the problem is approximately $5,000, and recommended that the Agency should bear this cost and attempt to recover the full amount directly from Heatmaker. Those members of the Board present at this time supported this suggestion. Mr. Seelig also suggested that staff inform or remind Heatmaker that this is a nationally-recognized project, which may help to influence their decision regarding the installation costs.

Mr. Hunt then reported that the consolidation of the Agency and VHMGB is nearly complete; the last piece to be accomplished is the computer system consolidation for underwriting and loan guarantees, which is in process. According to Mr. Lothrop, the software specialists should be at the Agency in mid-June, with the conversion scheduled to take place shortly thereafter. Mr. Hunt also noted that Ms. Canavan's position has been advertised, and resumes are being reviewed; interviews should be scheduled within the next week, and the position should be filled soon. Chairman White reminded the Board that the Memorandum of Understanding between the Agency and VHMGB had been signed, and a copy included in the Board packet. An application for an "Enterprise Community" grant will be submitted by the City of Burlington and the State of Vermont as a concerted effort to bring various federal program funds to the area in and around Burlington's Old North End. This process is being used to identify resources on the local, state and federal levels that can be used to address the needs of the community. During the application process, staff cited the need for a commitment of financing for rental rehabilitation to upgrade the existing housing stock in that area (which could include a $2 million commitment from the Agency), as well as the set-aside or commitment of 30 no down payment loans over the next few years to encourage homeownership. The application deadline is in June; a formal Board resolution may be required at a later date.

Reviewing the Agency's Single Family loan activity, Mr. Lothrop noted that staff expects to end the month with just under $7 million in reservations, which compares favorably with $5.1 million in activity at this time last year. Mr. Lothrop informed the Board that there are 33 properties currently in REO status, of which four are under contract. Staff is now attempting to contact borrowers in default to encourage them to get their homes on the market before being foreclosed. Mr. Lothrop pointed out that there has been some success in getting homes sold after the foreclosure process is initiated but before the homes become part of the REO portfolio. The overall trend for delinquencies appears to be slightly decreasing, although many borrowers are still having problems keeping their mortgage payments current. Total delinquencies are lower than they were six months ago.

With the arrival of Ms. Bradley, Chairman White recognized that a quorum was now present, and the meeting was called to order at 2:35.

Beginning a "Strategic Planning Update," Ms. Gent reviewed her memo of May 13, included in the Board packet. The Advisory Committee has been working together since the fall and has essentially completed its work on the preparation of goals and prioritization of objectives determined by the group over the past few months. The next steps for the Board include: reviewing the Committee's work to date, modifying any procedures that have been developed; deciding what level of staff involvement may be necessary; request any additional information required; and then developing a strategy, action plan and monitoring system to calculate the effectiveness of the finalized strategic plan. It was originally thought that the preliminary strategic planning would be completed by July 1, allowing staff to utilize the Committee's outline to incorporate the goals or priorities into the FY95 Business Plan cycle. However, the Board recognized that the amount of work that remains to be done would seem to preclude meeting such a deadline, and suggested that it would be more practical to set October 1 as a target date for completion of the Strategic Plan.

Chairman White reminded the Board that the priorities were established without any consideration as to their potential income or expense to the Agency. Mr. Seelig requested that staff prepare a written description of the various steps remaining until the Strategic Planning process is complete, including some fiscal analysis of the impact of each priority or goal set by the Advisory Committee. A full-day meeting of the Board will be held June 23 in Burlington, to begin at 10:00 with the regular monthly Board meeting, followed by a review of the Strategic Plan with appropriate members of the staff present; lunch will be provided for this all-day session. The agenda for the Strategic Planning session will include an update of the process for the entire Board, a review of the priorities and goals, as well as a review of the outline of related activities between the June 23 meeting and the October 1 deadline. Prior to that meeting, the entire Board will be provided with a list of the final priorities as determined by the Advisory Committee, as well as a listing of all of the priorities initially suggested.

After a motion by Mr. Seelig, which was seconded by Ms. Bradley and unanimously carried, the Board opened the tabled discussion of the minutes of March 3. Mr. Seelig further moved that: (a) the minutes of March 3 be amended to reflect Mr. Candon's concerns about doing a bond issue in this manner, and Chairman White's view that the Agency would lose money if it continued to do business the same way; (b) the minutes of April 21 be amended on Page 4 to indicate that the request for conveyance of title requested by the North East Kingdom Community Action (NEKCA) to Gilman Housing Trust is a result of the appropriate use of available rental housing to shelter those who had been homeless in that area, thus eliminating the need for a shelter; and (c) the minutes of May 5 be amended to indicate that the Board authorized the sale of up to $35 million of mortgage funding in bonds. This motion was seconded by Ms. Bradley and the Board unanimously voted to amend the minutes as suggested.

Mr. Schoenbeck then began a discussion of the sale of Series 5 bonds, introducing Mr. Amsden of Kutak Rock, the Agency's bond counsel, and Mr. Gurley of PaineWebber, the Agency's lead bond underwriter. Because of the improvement in the investment market, the Agency's contingency letter of credit (required to cover potential losses) was reduced from $1.25 million to $1 million, which means substantial savings. This contingency letter of credit would cover losses which may result if the bond program could not purchase mortgages, or if all of the mortgages are made but they pay off within three years; in any of these instances, the surpluses earned from the bond issue would not be sufficient to cover the costs of issuance. A second letter of credit for $687,500 was obtained from Sanwa Bank to cover potential loan losses. The final pricing book for this bond issue was distributed by Mr. Gurley, who also reviewed market activity, noting the extreme volatility of the market during the time this bond issue was in progress. According to Mr. Gurley, most of the serial bonds were sold retail within Vermont. Mr. Schoenbeck pointed out that the pricing book is slightly more detailed than in the past and can be used as an excellent source of reference material.

Remarking that this was his first bond transaction with the Agency, Mr. Amsden expressed his pleasure at being part of such a qualified and professional team. Further explaining the implications inherent in the adoption of the supplemental resolution and remarketing plan, Mr. Amsden noted that although this would be the fifth transaction to take place under the general resolution which was adopted in 1990, it is the Agency's first new money transaction in a number of years. Following Mr. Amsden's thorough explanation, a motion was made by Ms. Bradley and seconded by Mr. Candon to adopt the "Eighth Supplemental Single Family Housing Bond Resolution" in substantially the form attached to these minutes with such changes or modifications as are approved by the Chairman, Executive Director, Deputy Director or Director of Finance. This motion carried unanimously and approves the distribution of the official statement, the sale of bonds pursuant to the purchase contract, the reimbursement agreement relating to the letter of credit, and the remarketing agreement.

The "General Fund Budget Performance" was reviewed by Mr. Schoenbeck, who referred the Board to his memo of May 18, included in the Board packet. Satisfied with Mr. Schoenbeck's explanations of the variances within each category, a motion was made by Mr. Candon, seconded by Mr. Seelig and unanimously carried adjusting the FY94 budget as requested by shifting funds between expense categories. There was no overall increase in the budget.

Ms. Jenkins reviewed her memo of May 11, included in the Board packet, regarding "Southeast Summit, South Burlington." The District Environmental Commission denied an Act 250 permit for this proposed development; one condition of the Agency's participation in this loan is approval of such a permit. Staff is concerned with the implications of the decision for affordable housing within Vermont, and especially in South Burlington. Mr. White observed that the District Commission's decision to deny the permit was based on findings besides aesthetics and conformance with the regional plan. Although there may be some basis for concern regarding the availability of affordable housing in South Burlington, Mr. White cautioned that staff should not spend too much time on this issue if the project does not gain approval on the other issues cited in the District Commission's report. Ms. Bradley asked for background on the Agency's prior involvement on behalf of a developer in matters of this type. Mr. Hunt noted that although the Agency has previously only offered testimony on the need for affordable housing, it would seem reasonable to act as an expert on the appropriateness of creating affordable housing in this area, as the Agency would be a participant in this project. Finalization of the agreement between the Agency and the developer was proceeding until this issue arose; this activity is now on hold in order to avoid incurring additional legal costs.

Mr. Seelig cautioned that careful consideration should be given before the Agency participates in any hearings on this matter, given the Agency's potential financial involvement. Mr. Seelig also suggested that it would be helpful to get advice on this matter from someone who is thoroughly familiar with Act 250; this would help to determine if, in fact, this denial would have a precedent-setting impact. Ms. Jenkins reported that she has reviewed portions of the regional plan; while there is room for interpretation on both sides, it does not appear that this project clearly is not consistent with the regional plan. Mr. Candon observed that there appears to be a contradiction, as in previous discussions with the Board it appeared that the developer had already addressed most of the issues which are now being raised in the District Commission's report. Mr. Candon also suggested that efforts be made to determine if reducing the number of housing units to be built would prove acceptable to the District Commission. However, Ms. Jenkins noted that if the number of homes to be built is reduced, their purchase prices would rise proportionately and thus they would no longer be considered affordable; this would preclude the Agency's further involvement in this project. Following a lengthy discussion, a motion was made by Mr. Seelig and seconded by Mr. Candon directing staff to get advice from a qualified individual on the appropriateness of the District Environmental Commission #4's decision regarding local and regional plans, in light of the Act 200 mandate that each community provide for affordable housing, and report back to the Board with further recommendations. This motion carried unanimously. After the vote was taken, Mr. Seelig noted that staff should also define the Agency's role in this process and consider including other state agencies (including Development and Community Affairs) if it is determined that this is a precedent-setting decision.

Next, Mr. Falzone reviewed his memo of May 11 regarding the "Multi-Family Management Report," which was included in the Board packet. This report indicated the status of various financial aspects of the multi-family portfolio, as well as narratives on department activity and detailed project reports for properties that have outstanding maintenance or other unusual issues or problems. Mr. Falzone explained that the original Housing Assistance Payments (HAP) contract amounts were for a maximum annual subsidy; in the early years of each project, the actual subsidy drawn was much lower than was contracted, and these funds created a project account. After each project draws down the last of their HAP subsidy amount, and no additional project account funds will be available. As a result, the HAP account must be increased in order to cover future payments. Mr. Hunt also explained that HUD is supposed to fund these HAP contracts for five year periods; however, the federal government is currently funding only one year at a time, or less. No Board action was necessary.

A "Review of Agency Regulations" was offered by Mr. Jarrett, as further explanation to his memo of May 13, included in the Board packet. As Mr. Jarrett noted, the Agency's regulations are very specific and have the force of law, thus limiting the Agency's participation in some types of financing for affordable housing. Although no formal Board action was taken, there was general agreement that staff should review these regulations and report back to the Board.

Mr. Jarrett then distributed his memo of May 19 on the "Participation Agreement with Vermont Housing and Conservation Board." In December 1993 the Board passed a resolution to purchase a participation of up to $2.5 million in loans from VHCB. These loans are all second mortgages; the Agency holds the first mortgage on all of the properties, with the exception of Highgate. The loans would be bought at par with no servicing fee, although VHCB will continue to service the loans, and no material change in loan documents would be made without the Agency's prior consent. After a motion by Mr. Candon, which was seconded by Ms. Bradley, the Board voted to approve the Participation Agreement in substantially the form attached to these minutes, together with a delegation of authority to the Executive Director and the Director of Finance to designate the loans, and the amounts of the loans, in which the Agency will purchase a participation, up to a maximum of $2.5 million. Mr. Seelig abstained.

In other business, Mr. Jarrett explained that the Agency of Development and Community Affairs (DCA) has requested that the Agency enter into a contract with Market Decisions Inc. to perform a housing study for the State. Although participation in the housing study has been planned for several months, DCA is unable to enter into this contract due to state regulations. While other organizations will be contributing to cover the costs of this study, the Agency would be expected to pay $10,000 of the $49,000 contract, which would be included in the FY95 budget. Mr. Hunt noted that this study is an update of one performed in 1987 and is meant to determine the need for affordable housing in the state. The cost of the study includes acquiring the methodology used to compile the results. A motion was made by Mr. Candon and seconded by Mr. Seelig authorizing the Executive Director or Deputy Director to enter into the contract as described; this motion carried unanimously.

Mr. Jarrett then asked the Board to consider the Agency's condominium procedures as they relate to conversions of property from rental to purchase. A request has been received from a developer who created condominiums but rented them on a short term basis for the past eight years; now the principals have deeded the condominiums back to the corporation and would like to sell the units, with Agency financing and guarantees from VHMGB. As Mr. Jarrett explained, the Agency would normally only make or guarantee loans for current residents being offered an opportunity to buy these units. In this instance, no dislocation of current residents is anticipated as a result of converting from rental to homeownership, but if the Agency's procedures are strictly applied, financing or guaranteeing of these units would not be available to non-residents who purchase these units. Mr. Hunt pointed out that the developer would be able to obtain conventional financing for these units, but has asked the Agency to make financing available on these units as the purchase prices would fit within the Agency's purchase price guidelines. After a motion by Ms. Bradley, which was seconded by Mr. Candon, it was unanimously agreed to allow exceptions to the condominium procedure after review by the Board, specifically allowing an exception for Sunwood III in Jericho; staff was also asked to draft an amendment to the condominium procedure for the Board to review at the next meeting.

The next meeting was scheduled for Thursday, June 23, in Burlington, to be held on the same day as a Strategic Planning review for the entire Board. There being no further business and following a motion duly made and seconded, the meeting was adjourned at 4:45 p.m.

Respectfully submitted,

Allan S. Hunt,
Secretary

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Glenn A. Jarrett, General Counsel GAJ

DATE: May 19, 1994

RE: Participation Agreement with Vermont Housing and Conservation Board

BACKGROUND:

In December, 1993, the Board passed a resolution to purchase a participation of up to $2.5 million in loans from the Vermont Housing and Conservation Board. Over the last several months, we have been negotiating the terms of a participation agreement with the VHCB. We have a final, or almost final, version of the agreement. However, the amounts and the specific loans in which the Agency is going to buy participations have not been finalized. The loans will be on some or all of the following developments. The amounts listed are the original principal balances of the Loans. The current balances are approximately $3.7 million.

Highgate	$950,000
Heineberg	$625,000
Pine Meadow	$270,635
Otter Creek MHP	$266,000
Fernwood MHP	$255,000
Whitney Hill	$250,000
Upper Weldon	$175,000
	$2,791,635

Staff requests approval of the attached Participation Agreement, together with a delegation of authority to the Executive Director and Director of Finance to designate the loans, and the amounts of those loans.

REQUESTED ACTION:

Approval of the Participation Agreement presented to the Board at this meeting in substantially the form presented, together with a delegation of authority to the Executive Director and Director of Finance to designate the loans, and the amounts of those loans, in which the Agency will purchase a participation, up to a maximum of $2.5 million.

PARTICIPATION AGREEMENT

This Agreement is entered into as of the _____ day of __________, 1994 by and between the Vermont Housing Finance Agency (the "Agency") and the Vermont Housing and Conservation Board (the "Board"). The Agency and the Board have agreed that the Agency will purchase a __% participation interest up to a maximum aggregate amount of Two Million Five Hundred Thousand ($2,500,000.00) Dollars in certain loans identified in Exhibit A, attached hereto (individually, a "Loan" and collectively, the "Loans"). The parties are entering into this Agreement to set out the terms of their agreements. As used herein, the term "Borrower" means a borrower under any of the Loans and the term "Loan Papers" means any of the documentation evidencing or securing any of the Loans.

1. Within five (5) working days after the signing of this Agreement by both parties, Agency will transmit the amount of the participation, which is determined to be $__________, to Board.

2. Board shall, to the extent not already available to Agency, provide Agency promptly after Board's receipt of Agency's written request therefor: (a) such information as is then in Board's possession in respect of the current status of principal and interest payments under the Loan Papers and in respect of the current status of accrual of interest under the Loan Papers, (b) copies of all current financial statements then in Board's possession in respect of any of the Borrowers of the Loans, (c) current information then in Board's possession as to collateral values and lien status, and (d) other current factual information then in Board's possession bearing on the continuing creditworthiness of any Borrower of any Loan, provided that nothing contained in this paragraph shall impose any liability upon Board for its failure to provide Agency any of such information or financial statements except for Board's own bad faith, willful misconduct, or gross negligence.

3. Except as expressly provided herein to the contrary, all rights of the Board pursuant to the Loan Papers or otherwise in connection with the Loans, and all collateral (if any) held by Board to secure payment of the obligations of Borrowers under the Loan Papers shall be held (and such rights shall be exercised) for the ratable benefit of Board and Agency (collectively, the "Parties").

4. Except as expressly provided herein to the contrary, if either party ever receives (pursuant to the Loan Papers or by voluntary payment, realization on or with respect to collateral, if any, or otherwise) any sum applied or to be applied to the obligations of any Borrower under the Loan Papers, each such sum shall be shared in a manner so that Agency receives (or retains) up to, but not in excess of, its pro rata part thereof.

5. Agency hereby appoints Board as its agent to act on its behalf, subject to the limitations contained herein and in Paragraph 6 hereof: (a) to negotiate, administrate, control, manage and service the Loans, (b) to give consents, approvals or waivers in connection with any Loan Papers, (c) to agree, after prior notice to Agency, to any nonmaterial amendments or modifications of any Loan Papers, (d) to enforce or refrain

from enforcing the Loan Papers, (e) to acquire additional security for any Loan, (f) to make all decisions under the Loan Papers in connection with the day to day administration of the Loans, inspections, and other routine servicing matters, (g) to collect and receive from Borrowers or any third persons all loan recoveries, (h) to exercise all such powers as are incidental to any of the foregoing matters, and (i) to exercise all powers, rights and remedies and to take all actions with respect to the Loans. In such capacity, Board shall promptly pay over, without deduction or offset, Agency's pro rata share of each payment of principal or interest received by Board under the Loan Papers.

6. Without the consent, approval or concurrent action of Agency, Board shall not (a) reduce the interest rate of any promissory note, (b) forgive any principal of or interest on a Loan, (c) increase the maximum amount of a Loan, (d) extend the maturity date of a Loan or the date of any interest payment thereunder, (f) declare a default or the occurrence of an event of default under the Loan Papers, (f) acclerate any Loan, (g) subordinate the priority of a Loan, or (h) exercise a right of redemption in a foreclosure action brought by any superior lienholder.

Unless Board receives written or telecopier approval from Agency, Board shall not enter into or permit any material amendment of, or permit the assignment or transfer by any Borrower of its obligations under, or waive compliance with any of the material terms of, any Loan Paper.

7. Agency acknowledges that Board is an enforcing entity under a Housing Subsidy Covenant, within the meaning of 27 V.S.A. § 610, that was executed in connection with each Loan. Agency and Board agree that these Housing Subsidy Covenants area nd shall be superior to the Loan Papers and that actions taken with respect to the Loan Papers shall not affect the ongoing enforceability of the Housing Subsidy Covenants. Agency and Board further agree that in making decisions relating to the Loans, every reasonable effort shall be made to avoid displacement of tenants and to maintain the physical integrity and affordability of the projects in accordance with the Housing Subsidy Covenants.

8. In the event the parties determine there is a need to employ attorneys in connection with enforcement of the obligations of any Borrower under the Loan Papers, each party shall pay its pro rata part of any attorneys' fees and expenses actually expended by that party.

9. Agency will repay to Board any sums paid to Board by any Borrower and distributed by Board to Agency, which Board shall be required to return to Borrower or to any receiver, trustee, or custodian for Borrower.

10. Without limiting any rights to which Agency otherwise is or may become entitled, Agency shall have no interest or rights by virtue of this Agreement, in: (a) excepting the Loans, any present or future loans from, or other financing transactions by, Board to, on behalf of, or with any Borrower (collectively, the "Other Financings"), (b) any present or future property taken as security for any such Other Financings, or (c) any property now or hereafter in the possession or control of Board that may be or become

security for the obligations of Borrower arising under any Loan Paper by reason of the general description of indebtedness secured or of property contained in any other agreements, documents, or instruments related to any such Other Financings; provided that, if payments in respect of such property or the proceeds thereof shall be applied to the obligations of Borrower arising under the Loan Papers, then Agency shall be entitled to share in such application according to its pro rata part.

11. Agency has independently reviewed the Loan Papers and all other documents related thereto in the possession of Board, requested by Agency, and delivered by the Board to the Agency, and there shall be no recourse on, or any liability incurred by, Board for any misstatement or omission of any person (meaning any individual, firm, corporation, partnership, association or other entity) contained in any such documents or otherwise.

12. Neither Board nor any of its agents or employees shall be liable for any action taken or omitted to be taken by it or them under this Agreement or any Loan Papers in good faith and believed by it or them to be within the discretion or power conferred upon it or them by this Agreement or any Loan Paper, or be responsible for the consequences of any error of judgment, unless the same constitutes gross negligence or an intentional tort. Board will exercise the same care in administering the Loan Papers as it exercises with respect to similar transactions entered into solely for its own account and shall otherwise have no liability or responsibility to Agency, except for actions taken or omitted to be taken by Board in bad faith or that are grossly negligent. Board shall not be responsible in any manner to Agency for (a) the effectiveness, enforceability, genuineness, validity, or due execution of the Loan Papers or any other documents, (b) any representation, warranty, document, certificate, report, or statement herein made or furnished under or in connection with any of such documents, (c) the adequacy of collateral, if any, for the obligations of Borrower under the Loan Papers, (d) the existence, priority, or perfection of any lien or security interests granted or purported to be granted in connection with the Loan Papers, or (e) observation of or compliance with any of the terms, covenants, or conditions of any such documents on the part of Borrower.

13. Agency represents and warrants to Board that (a) Agency does not consider the acquisition of its participation hereunder to constitute the "purchase" or "sale" of a "security" within the meaning of the Securities Act of 1933, the Securities Exchange Act of 1934 or Rule 10b-5 promulgated thereunder, any securities law of the State of Vermont, any other applicable securities statute or law, or any rule or regulation under any of the foregoing, (b) Agency has no expectation that it will derive profits from the efforts of Board or any third party in respect of the acquisition of Agency's participation hereunder, (c) such participation merely constitutes a commercial transaction by Agency with Board regarding Agency's pro rata part of the obligations of Borrowers under the Loan Papers and does not represent an "investment" (as that term is commonly understood) in Board or any Borrower, and (d) Agency is purchasing its participation hereunder for its own account in respect of a commercial transaction made in the ordinary course of its business and not with a view to or in connection with any subdivision, resale, or distribution thereof.

14. No amount paid by Agency to purchase any participation in the Loans shall be considered a loan by Agency to Board. Board shall have no obligation to repurchase the participations sold under this Agreement upon the occurrence of any event of default by any Borrower under any of its obligations to Board or otherwise.

15. At its option, from time to time and at any time, Board shall be entitled to pay to Agency all principal, interest, and fees then owing to Agency hereunder in respect of its pro rata part, thereby terminating this Agreement.

16. None of the provisions of this Agreement shall inure to the benefit of any Borrower or any person than Board and Agency; consequently, no Borrower or any other person other than Board or Agency shall be entitled to rely upon or raise as a defense, in any manner whatsoever, the failure of either Board or Agency to comply with the provisions of this Agreement. Neither Board nor Agency shall incur any liability to any Borrower or any other person for any act or omission of the other party.

17. Whenever in this Agreement the singular number is used, the same shall include the plural where appropriate, and vice versa; and words of any gender in this Agreement shall include the other gender where appropriate.

18. This Agreement embodies the entire agreement between the parties, supersedes all prior agreements and understandings, if any, relating to the subject matter hereof, and may be amended only by an instrument in writing executed jointly by an authorized agent of each party.

IN THE PRESENCE OF:

__________________________ VERMONT HOUSING AND CONSERVATION BOARD

__________________________ By __________________________
Its duly authorized agent

__________________________ VERMONT HOUSING FINANCE AGENCY

__________________________ By __________________________
Witnesses Its duly authorized agent

STATE OF VERMONT
COUNTY OF ____________________, SS. At _______________ in said County this ____ day of ____________, 1994, personally appeared __________________________, the ______________ and duly authorized agent of VERMONT HOUSING AND

CONSERVATION BOARD, and acknowledged the foregoing instrument, by ____ subscribed, as and for ____ free act and deed and the free act and deed of the said VERMONT HOUSING AND CONSERVATION BOARD.

Before me,

____
Notary Public
My commission expires 2/10/95

STATE OF VERMONT
COUNTY OF ____________________, SS. At ________________ in said County this ____ day of ____________, 1994, personally appeared ____________________________, the ___________ and duly authorized agent of VERMONT HOUSING FINANCE AGENCY, and acknowledged the foregoing instrument, by ____ subscribed, as and for ____ free act and deed and the free act and deed of the said VERMONT HOUSING FINANCE AGENCY.

Before me,

____
Notary Public
My commission expires 2/10/95

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MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (the "agreement") is effective the 1st day of May, 1994, between VERMONT HOUSING FINANCE AGENCY (the "Agency") and VERMONT HOME MORTGAGE GUARANTEE BOARD (the "Board").

The parties agree as follows:

1. This agreement shall take effect as of the effective date first above written and shall terminate on June 30, 1997, unless extended by further agreement of the parties. Such duties of the parties as pertain to final accounting and payment shall survive the general expiration or termination of the agreement.

2. During the term of this agreement, the Agency shall make its offices available for the administration of certain programs of the Board described below (the "Programs") in accordance with the policies and procedures of the Board as the same now exist and as they may be hereinafter revised from time to time. The Agency shall hire and retain qualified personnel for the purpose of administering the Programs. The Agency may allocate duties among existing personnel and new personnel in its sole discretion. All such personnel shall be employees of the Agency and shall not be employees of the Board. All hiring and terminations shall be the sole discretionary function of the Agency; however, by way of initial guidance to the Agency, the Board and the Agency agree that all personnel employed by the Board and the Agency as of March 31, 1994 are qualified personnel within the meaning of this paragraph.

3. In addition to administration of the Programs, from time to time, at the request of the Board and at the Board's expense, the Agency shall develop and administer additional programs and/or revisions to existing programs under guidelines and policies established by the Board, and may, subject to approval of the Board, contract with actuarial, legal, and other consultants and/or temporary employees to assist it in carrying out such assignments. If the Board and the Agency cannot agree on the need for, or the identity of, any such consultants, the Agency may decline the additional assignment. Prior to commencement of any such additional work, the Agency shall present for the Board's approval an estimate of the additional cost of such work, and the Board and the Agency shall agree on an adjustment to the Budget to cover the the agreed cost.

4. Subject only to the consent of the landlord, as of July 1, 1994, the Agency shall assume the Board's lease of the Board's current office space on the third floor of One Burlington Square, Burlington, Vermont, until the expiration of the current term thereof.

All equipment and other chattels of the Board shall remain the property of the Board and the Agency shall be the custodian thereof, having the duties of a bailee with respect thereto.

The Agency shall have custody of such monies and financial records of the Board as the Board may designate in writing from time to time. The Agency shall have the duties of a fiduciary with respect to all such monies and financial records.

employees generally.

(b) compensation to the Agency for a reasonable pro-ration of actual common overhead expenses; and,

(c) a reasonable allowance to the Agency to cover reimbursement of actual expenses for special projects contemplated to be undertaken on behalf of the Board during the ensuing year.

The Board shall make reasonable adjustments to the Budget in the course of the year in order to pay for reasonable and necessary expenses unforeseen or underestimated at the time of the original adoption of the Budget.

6. The Agency shall provide to each member of the Board a timely written report of its activities on behalf of the Board in anticipation of each meeting of the Board. At the request of the Board, with reasonable advance notice from any member of the Board or the Clerk of the Board, the Executive Director of the Agency and/or such personnel as the Executive Director may deem appropriate, shall attend any meeting of the Board for the purpose of further elucidating the Agency's written report.

7. The Programs are:

(a) The Board's general program of guaranteeing loans for financing of primary residences, including all existing subprograms, such as the following: guarantees for Agency loans, loans of conventional lenders, special affordable housing loan programs of conventional lenders, refinance loan programs for conventional

5. Beginning with the fiscal year commencing July 1, 1994, the Board shall compensate the Agency for its services in accordance with the provisions hereof and an annual budget that corresponds to the fiscal year July 1 - June 30 (the "Budget"). For services rendered, the Agency shall bill the Board on a periodic basis, which may be monthly but in no event less often than quarterly. All bills shall be presented to the Board at a meeting thereof. Each bill shall be itemized in sufficient detail to track the line-item categories of the Budget. For services rendered for the period beginning as of the effective date and ending June 30, 1994, the Board shall compensate the Agency in accordance with the existing practice and the respective current budgets of the Agency and the Board. The respective current budgets are attached hereto.

The Board shall promptly pay all bills not contested in good faith. Such payment shall be made not later than 30 days after the date of submission.

Not later than May 1, 1994 and May 1 of each succeeding year during the term hereof, the Agency shall present for approval to the Board an estimate of the Budget for the fiscal year commencing on the following July 1. After consultation with the Agency, the Board shall adopt a Budget for the ensuing year. The Board shall not fail to adopt a Budget that provides at least for:

(a) compensation to the Agency for personnel time and benefits attributable to time spent to administer the Programs, commensurate with such compensation for Agency

(a) The Agency shall, within one hundred eighty days after termination or expiration, render its final accounting and bill for services to the Board.

(b) Within 30 days after receipt of the Agency's final ac counting and bill for services, the Board shall pay the Agency's final charges.

(c) All files and records of the Board shall be made available to the Board for reclamation at the offices of the Agency for a reasonable period of time, not to exceed ninety days, after which period the Agency in its discretion may deposit such files and records in the offices of the State Auditor of Accounts if not physically reclaimed and removed by the Board.

(d) All equipment and other personal property of the Board except files and records shall be made available to the Board for reclamation at the offices of the Agency for a reasonable period of time, not to exceed ninety days, after which period the Board shall be deemed to have abandoned any chattels not physically reclaimed and removed.

(e) The Board and the Agency shall take all other steps reasonable and necessary for the orderly transition of day to day administration of the Programs from the Agency to the Board. The reasonable cost for the facilities of the Agency and the time of Agency personnel used in the transition shall be compensable as part of the final accounting.

10. <u>Construction</u>. The purpose of this agreement is to

lenders, and the down payment assistance program;

(b) the Board's energy loan guarantee program.

8. <u>Processing of Claims for Losses Under Board Guarantees.</u> The Agency shall process all claims for losses made by claimants under Board guarantees, and shall forward the same with its recommendation with respect to payment in the following manner:

a. The Agency shall deliver each completed claim form, together with an unsigned claim check and the attachments required by the Board's written policies, to the State Treasurer.

b. If the claim is approved, the signed claim check shall be returned to the Agency with the claim form signed by a Board member or the designee of a Board member. The Agency may conclusively rely on a claim form signed by a board member or a Board member's designee as the act of the Board.

c. The Agency shall forward the signed claim check to the claimant.

As to any claim, upon compliance with the foregoing procedure, the Agency shall be deemed to have discharged its fiduciary responsibility to the Board. The Agency shall remain responsible to the Board for handling the claimant's questions or complaints, if any, in a manner consistent with the policies of the Board.

9. <u>Unwinding.</u> Upon expiration of this agreement or such earlier termination as the parties may agree:

provide for cost-efficient administration of programs of the Board in accordance with the Rules and Regulations, policies, forms, and procedures approved by the Board. Nothing herein shall be construed to delegate or to attempt to delegate any rule-making, policy-setting, or similar discretionary power or duty of the Board.

11. The Agency shall not assign or subcontract its performance of this Agreement without the prior written approval of the Board.

12. The Agency will adhere to all applicable State laws and regulations in carrying out the duties assigned to it hereunder.

IN WITNESS WHEREOF, the Board and the Agency have caused this Memorandum of Understanding to be subscribed by their respective Chairs, duly authorized, effective the date first above written.

VERMONT HOME MORTGAGE GUARANTEE BOARD

By Elizabeth R. Costle

Elizabeth Costle, Chair

VERMONT HOUSING FINANCE AGENCY

By Richard C. White

Richard White, Chair

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Multifamily Development Underwriter JE
Irene Jenkins, Director of Development IJ
Paul Cummings, Development Assistant PC

DATE: June 17, 1994

RE: June 1994 Low Income Housing Tax Credit Reservations

VHFA received nine applications for tax credits in the June round. The attached project summary sheet shows the relevant data for each project. In all, $720,331 (51%) of the state's total credit ceiling of $1,410,131 was requested. The applications have been reviewed in accordance with the requirements of the LIHTC program and the state's LIHTC Allocation Plan. Of the nine applications received, six were recommended to the Joint Tax Credit Committee (JTCC) for tax credit reservations at its meeting of June 16th. The JTCC has accepted staff recommendations for the nine applications. The balance of the credit authority remaining for allocation in 1994 will be $214,023 if credits are reserved at the recommended levels. All of the tax credit units in all of the projects are at or below the maximum tax credit income and rent limits.

There were four applications for Farmer's Home Administration (FmHA) 515 projects, two elderly and two family. Three of these applications were from Realty Resources and the fourth was from SK Properties. All four projects are new construction, and all four would have project-based rent assistance for all of the units.

Three of the applications were from Northern Community Housing Corporation (NCHC), for projects which have already received allocations of tax credits in previous years. The projects have encountered problems whenever units become vacant, and the sponsor must do extensive repairs to make the units rentable. Also, the projects' cash accounts are being utilized at a rate faster than projected, so the primary expenses in the proposed budgets are for rehabilitation and capitalization of sinking funds. NCHC and Housing Vermont are general partners in the partnership which owns these properties. VHFA has a first mortgage on one of these projects, St. Johnsbury Housing Partnership.

Housing Vermont (HVT) has submitted one application under this round. The project is a scaled-down version of a scattered sites project in Hartford that applied for credits last year. The project now consists of eight units in two buildings to be acquired and

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rehabilitated. Housing Vermont has partnered with the White River Area Housing Development Corporation (WRAHDC).

Finally, Green Mountain Development Group, Inc. has applied for credits for Phase I of the Dorset Senior Housing Project in South Burlington. The developer has expressed an intent to apply to VHFA for construction and permanent financing for later phases of this project. The project would be new construction and would have a total of 124 units: 53 in phase I, 23 in phase II, and 48 in phase III. The project would essentially be an elderly independent living project with limited services provided. Green Mountain Development Group has reached an agreement with Housing Vermont to act as a limited partner and to syndicate the credits.

RECOMMENDED BOARD ACTION

Staff recommends Board approval of the reservations as described in the attached project summaries, subject to payment by the sponsors of required reservation fees, and Board approval of carryover allocations subject to the conditions described above. In addition staff requests authority to increase or decrease LIHTC allocations by up to five percent if appropriate based upon changes in development costs.

PROJECT SUMMARIES

Name:	Swanton Meadows
Location:	Swanton
Sponsor:	Realty Resources, Chartered / Coastal Affordable Housing Corp.
Unit Breakdown:	24 total: sixteen 2-Bedroom, 816-826 square feet; eight 3-Bedroom, 996-1,000 square feet
Cost:	$1,767,038 total; $73,627/unit; $49/s.f. hard construction cost
Income Targeting:	Below 50% of Area Median Income (project-based rental assistance)

The proposed project consists of 24 units of newly constructed family housing in Swanton (see attached site map). Two of the units would be handicapped accessible and all of the units would receive project based rent assistance. Realty Resources' construction arm, Pen Bay Builders, would build the project for the cost in the FmHA-approved construction budget. The project has not received local or Act 250 approvals. The sponsor has supplied a market study for the proposed project which indicates a demand for 55 assisted family units in Swanton. The study anticipates that 75% of the units will be filled immediately upon completion of the project, with the balance renting up over a two month period.

Realty Resources initially endeavored to have Lake Champlain Housing Development Corporation as a non-profit partner in this project. Under the FmHA non-profit definition, however, LCHDC did not meet the "broadly-based membership" requirement. Realty Resources has approached a non-profit development entity, Coastal Affordable Housing Corp. of Camden, Maine, to act as a general partner on this development. Realty Resources has applied for funding from the FmHA non-profit set-aside. Farmer's Home has recently ruled that Coastal qualifies for their non-profit set-aside under their guidelines, and the application will be considered by FmHA in July, when the non-profit funding pool allocation occurs.

Recommendation: Staff recommends a reservation of credits in the amount of $64,874, with a carryover allocation subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than 10/31/94 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must demonstrate that requisite financing has been committed or obtained. "Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

3) Sponsor must provide a copy of the FmHA approved property appraisal.

4) Sponsor must provide a copy of all relevant FmHA forms as they become

available, including Form 1944-51, Rental Subsidy Agreement; Form 1930-7, Operating Budget; Form 1944-34, Loan Agreement; and Form 1924-13, Estimate and Certificate of Actual Cost.

5) Sponsor must provide a revised development budget at time of request for carryover.

Name: Newport Meadows
Location: Newport
Sponsor: Realty Resources, Chartered
Unit Breakdown: 24 total: two 1-Bedroom, 624 square feet; twenty 2-Bedroom, 766-860 square feet; two 3-Bedroom, 1,002 square feet
Cost: $1,699,851 total; $70,821/unit; $48/s.f. hard construction cost
Income Targeting: Below 50% of Area Median Income (project-based rental assistance)

The Newport Meadows proposal is for a 24 unit newly constructed family project in Newport (see attached location map). The sponsor has an option to purchase the land and has received a Notice of Preapplication Review Action from FmHA; however, the date FmHA anticipates funding will be available for the project is January 1995. The site is part of a previously-approved PUD, and although local approval will be needed for some modifications, the sponsor anticipates a relatively quick local approval. Pen Bay Builders will construct the project. The project has not received Act 250 approval, but will only be considered a minor proposal. The market study indicates a demand for assisted family units in Newport, and 50% of the units are anticipated to be filled upon project completion, with the balance renting up over a six month period.

The development budget shows a gap between the funding sources and the total project cost, and the net proceeds from tax credit syndication are insufficient to fill this gap.

Recommendation: Staff recommends that this application be held over until the next tax credit reservation round, anticipated for August 1994.

Name: The Village House
Location: Island Pond
Sponsor: Realty Resources, Chartered
Unit Breakdown: 20 total: twenty 1-Bedroom, 648 square feet
Cost: $1,398,615 total; $69,931/unit; $66/s.f. hard construction cost
Income Targeting: Below 50% of Area Median Income (project-based rental assistance)

The Village House proposal is for a newly constructed 20 unit elderly project in the Town of Brighton, Village of Island Pond (see attached location map). Although it scores higher than the other two Realty Resources projects under the FmHA guidelines, it has been delayed in processing and is the least likely of the three to receive FmHA funding this year. No local or Act 250 approvals have been received. The local approval process is anticipated to be fairly easy, however, as it is an elderly project. Pen Bay Builders will construct the project. The market study indicates a strong demand for assisted elderly units. The location of this site, adjacent to the Sunrise Manor project, is believed to be a strong point of the proposal. The study anticipates the units will rent up within six months and that it will maintain full occupancy with low turnover thereafter.

Like the Newport Meadows project, the current funding sources are insufficient to cover the total development costs. The sponsor has stated that the gap will be filled with equity.

Recommendation: Staff recommends that this application be held over until the next tax credit reservation round, anticipated for August 1994.

Name:	Windsor Hollow
Location:	Wilder
Sponsor:	SK Properties
Unit Breakdown:	27 total: twenty seven 1-Bedroom, 648 square feet; one unit is a manager's unit
Cost:	$1,874,645 total; $72,102/unit; $60/s.f. hard construction cost
Income Targeting:	Below 50% of Area Median Income (project-based rental assistance)

This elderly project will consist of 27 units, newly constructed, with one unit for a resident manager and the remaining 26 units for rent. The sponsor has obtained both local approval and Act 250 approval and anticipates closing on the land acquisition in June. Andella Homes, Inc. is an identity-of-interest contractor affiliated with SK Properties which will be constructing the project. Farmer's Home has committed 515 funding to the project and the construction is anticipated to run from July to December of this year.

Recommendation: Staff recommends a reservation of credits in the amount of $78,439, with a carryover allocation subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than 10/31/94 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must demonstrate that requisite financing has been obtained. "Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

3) Sponsor must provide a copy of the FmHA approved property appraisal.

4) Sponsor must provide a copy of all relevant FmHA forms as they become available, including Form 1944-51, Rental Subsidy Agreement; and Form 1944-34, Loan Agreement.

5) Sponsor must provide a revised development budget at time of request for carryover.

Name:	Caledonia Housing Rehabilitation
Location:	St. Johnsbury
Sponsor:	NCHC
Unit Breakdown:	28 total: four 1-Bedroom, 585-654 square feet; fourteen 2-Bedroom, 590-1,059 square feet; six 3-Bedroom, 1,017-1,449 square feet; three 4-Bedroom, 908-1,266 square feet; one 5-Bedroom, 1,708 square feet
Cost, This Round:	\$860,745 total; \$30,741/unit; \$18/s.f. hard construction cost
Cost, Total:	\$2,200,425 total; \$78,587/unit;
Income Targeting:	43% - 60% of Area Median Income

This is a scattered sites project that includes eight buildings of family housing in St. Johnsbury. Of the 28 units in this project, 23 would be low income "tax credit" units. Six of the units are currently vacant and three units currently have tenant-based Section 8 rental assistance. This project first received an allocation of credits in 1992, and currently has a carryover allocation for these credits. Due to problems in unit condition upon turnover the sponsor has identified a need for more rehabilitation than was originally specified. The sponsor also wishes to capitalize a sinking fund in order to facilitate the income targeting required by the tax credit program, the CDBG funds, and Vermont Housing and Conservation Board (VHCB) funds. The only other source of funds besides the tax credits for all three of these projects is VHCB. The sponsor has applied for funding from VHCB and anticipates action on the request at the VHCB's August Board meeting.

In addition to the new credits requested, the sponsor has expressed an intent to request additional credits under the first allocation. The application for these additional credits is anticipated for the next allocation round.

Recommendation: Staff recommends a reservation of credits in the amount of \$16,600 with a carryover allocation subject to the following conditions:

1) Sponsor must demonstrate that project is financially feasible for the tax credit compliance period and the extended use period, and that this feasibility can

be achieved and maintained through the tax credit equity raised under this reservation in conjunction with the VHCB funding.

2) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than 10/31/94 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

3) Sponsor must demonstrate that requisite financing has been committed or obtained. "Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

4) Sponsor must provide evidence that construction prices were obtained through competitive bidding.

5) Sponsor must provide a detailed operating budget.

6) Sponsor must provide a revised development budget at time of a request for a carryover allocation.

Name:	St. Johnsbury Housing Rehabilitation
Location:	St. Johnsbury
Sponsor:	NCHC
Unit Breakdown:	32 total: one 0-Bedroom, 250 square feet; four 1-Bedroom, 410-510 square feet; eight 2-Bedroom, 520-910 square feet; thirteen 3-Bedroom, 825-1,045 square feet; five 4-Bedroom, 1,035-1,125 square feet; one 5-Bedroom, 1,245 square feet
Cost, This Round:	$1,019,668 total; $31,865/unit; $24/s.f. hard construction cost
Cost, Total:	$2,753,674 total; $86,052/unit;
Income Targeting:	47% - 59% of Area Median Income

This is a scattered sites family project in St. Johnsbury consisting of 32 units in seven buildings. Thirteen of the 32 units have project based rental assistance, and in addition six other units are occupied by households with tenant-based rent assistance. Five units are currently vacant. In 1990, VHFA provided first mortgage financing on this project in the amount of $440,000, at 8.5%, 30 year term, and part of the sponsor's proposal is that VHFA refinance this loan and reduce its interest rate by 1%. At this time VHFA has not taken any formal action on this request. As with the other two projects submitted, NCHC anticipates a reduction in operating costs as a result of the additional rehabilitation work. The primary expenditures in the proposed development budget are the rehabilitation and the capitalization of a sinking fund.

This project received a final allocation of tax credits in 1991; the current proposal is that the additional work be treated as a separate project for purposes of calculating the credit amount.

Recommendation: Staff recommends a reservation of credits in the amount of $23,169 with a carryover allocation subject to the following conditions:

1) Sponsor must demonstrate that project is financially feasible for the tax credit compliance period and the extended use period, and that this feasibility can be achieved and maintained through the tax credit equity raised under this reservation in conjunction with the VHCB funding.

2) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than 10/31/94 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

3) Sponsor must demonstrate that requisite financing has been committed or obtained. "Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

4) Sponsor must provide evidence that the construction prices have been obtained through a competitive bidding process.

5) Sponsor must provide a revised development budget at time of request for carryover.

Name:	Lyndon Housing Rehabilitation
Location:	Lyndon
Sponsor:	NCHC
Unit Breakdown:	14 total: two 1-Bedroom, 475-600 square feet; ten 2-Bedroom, 625-910 square feet; two 3-Bedroom, 1,040-1,090 square feet
Cost:	$376,555 total; $26,896/unit; $16/s.f. hard construction cost
Income Targeting:	46% - 56% of Area Median Income

This project consists of 14 units in two rehabilitated buildings in Lyndon. At this time no units are vacant. Of the 14 units, four households currently have tenant-based Section 8 rental assistance, and all 14 would be low income "tax credit" units. The primary uses of the funds raised by the syndication of tax credits would be for additional rehabilitation and to capitalize a sinking fund. This project received a final allocation of credits in December of 1993.

In addition to the tax credits, the sponsor is increasing the project's depreciable basis and at the same time is projecting greater after-tax losses than in the original budget. The result of syndicating these additional after-tax benefits along with the credits is that the yield appears artificially high.

Recommendation: At the sponsor's request, staff recommends the application be held over for consideration at the next reservation round, anticipated for August of 1994.

Name:	Hartford Housing Rehabilitation
Location:	Hartford
Sponsor:	Housing Vermont (HVT) / White River Area Housing Development Corp. (WRAHDC)
Unit Breakdown:	8 total: three 1-Bedroom, 571-738 square feet; three 2-Bedroom, 792-1,215 square feet; two 3-Bedroom, 1,116 square feet
Cost:	$669,462 total; $83,683/unit; $49/s.f. hard construction cost
Income Targeting:	47% - 57% of Area Median Income

The project consists of two buildings and eight units of family housing. This proposal is a scaled-down version of a scattered sites project which applied for credits in 1993. That project was not pursued by the sponsor due to high total development costs. All of the eight units are currently occupied. The project has had an Environmental Site Assessment and an appraisal, but the appraisal is a year old and VHCB requires that appraisals older than six months be updated. The project has received funding commitments for the HUD, VHCB, and HOME funds, and the proposal does not show the project carrying any amortizing debt. WRAHDC has received a commitment from VHFA for a Ventures loan of $12,000 for architectural/engineering, legal, lead testing, and an appraisal update.

Recommendation: Staff recommends a reservation of credits in the amount of $32,184, with a carryover allocation subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than 10/31/94 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must demonstrate that requisite financing has been committed or obtained. "Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

3) Sponsor must provide evidence that the construction prices have been obtained through a competitive bidding process.

4) Sponsor must provide a detailed operating budget.

5) Sponsor must provide a revised development budget at time of request for carryover.

Name:	Dorset Senior Housing
Location:	South Burlington
Sponsor:	Green Mountain Development Group, Inc.
Unit Breakdown:	53 total: forty-two 1-Bedroom, 620 square feet; eleven 2-Bedroom, 720 square feet
Cost:	$4,038,312 total; $76,195/unit; $47/s.f. hard construction cost
Income Targeting:	50% - 60% of Area Median Income

This project consists of 53 units of newly constructed elderly housing in South Burlington (see attached site map). This project will be an independent living facility with optional services (e.g. housekeeping, linen, transportation and wellness programs) and meals. This is the first phase of a proposed three phase development that will total 124 units. All of the units will be handicap adaptable and ten percent of the units will be handicap accessible. In addition to the 53 units, the first phase will include 1,800 square feet of communal dining and living areas, a 720 square foot commercial kitchen, 1,525 of community/activity areas, laundry facilities and landscaping (including walking trails, gardens and patios). The building will be three-story wood frame construction and the construction contract will be competitively bid. There will be one elevator in the project that will be built during the first phase of construction. The sponsor will submit a Act 250 permit application and begin to secure all state and local permits once a Tax Credit reservation has been made.

Based on informal surveys of similar housing developments in the area, the sponsor is proposing that this project will rent up at the maximum tax credit rents. The market study identified a strong demand for affordable elderly housing and estimated a project absorption rate of 29 households a year in the primary market area (area within five mile radius of the project) and 36 households a year in primary and secondary market area (Chittenden County) with pent up demand providing a rent-up period of six months for Phase I. (Based on this market study we think the sponsor's projected six month rent-up period for Phase I may be somewhat optimistic.) The sponsor is proposing that an independent third party manage the project.

The sponsor has reached an agreement with Housing Vermont to act as a limited partner. In this role, Housing Vermont will act as a co-sponsor, assist in the syndication of the tax credits, and be offered an option to purchase the project at year 15. Based on preliminary commitments from national syndicators, the sponsor is projecting a tax credit yield of 53 cents per tax credit dollar. This yield may increase because of Housing Vermont's role in syndicating the credits. The sponsor has indicated that Eastern Bank Corp., the holding company for Vermont Federal Bank, has shown an interest in buying the credits. The addition of Housing Vermont also strengthens the sponsor's application for a grant and mortgage subsidy to be obtained through the Affordable Housing Program (AHP) of the Federal Home Loan Bank. Although the AHP grant/subsidy will not be awarded until at least December 1994, the sponsor has indicated a commitment to purchase the land and meet the requirements of the carryover allocation prior to hearing from the Federal Home Loan Bank. The other sources of financing include a loan (both construction and permanent) from Vermont Federal Bank and deferred developer's fees. The sponsor has received a letter of interest to provide financing from Vermont Federal Bank.

Recommendation: Staff recommends a reservation of credits in the amount of $390,052, with a carryover allocation subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than 10/31/94 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must demonstrate that requisite financing has been committed or obtained. "Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

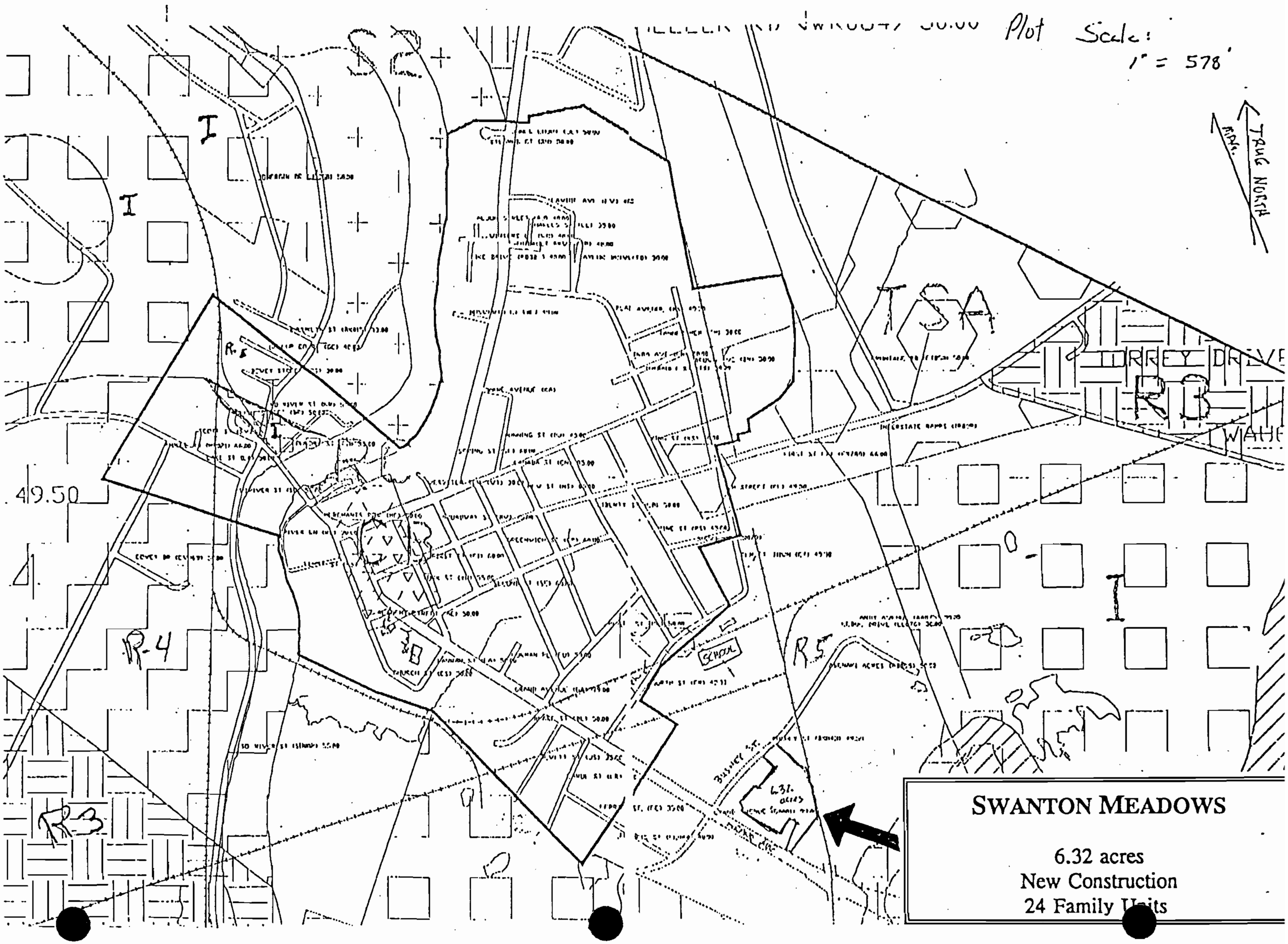
3) Sponsor must provide evidence that the construction prices have been obtained through a competitive bidding process.

4) Sponsor must provide a revised development budget at time of request for carryover.

5) Review and approval by staff of the option agreement with Housing Vermont to purchase the project. The option must make the long term affordability of the project feasible.

6) Allocation of tax credits for Phase I does not imply that tax credits will be approved for Phases II or III.

Swanton



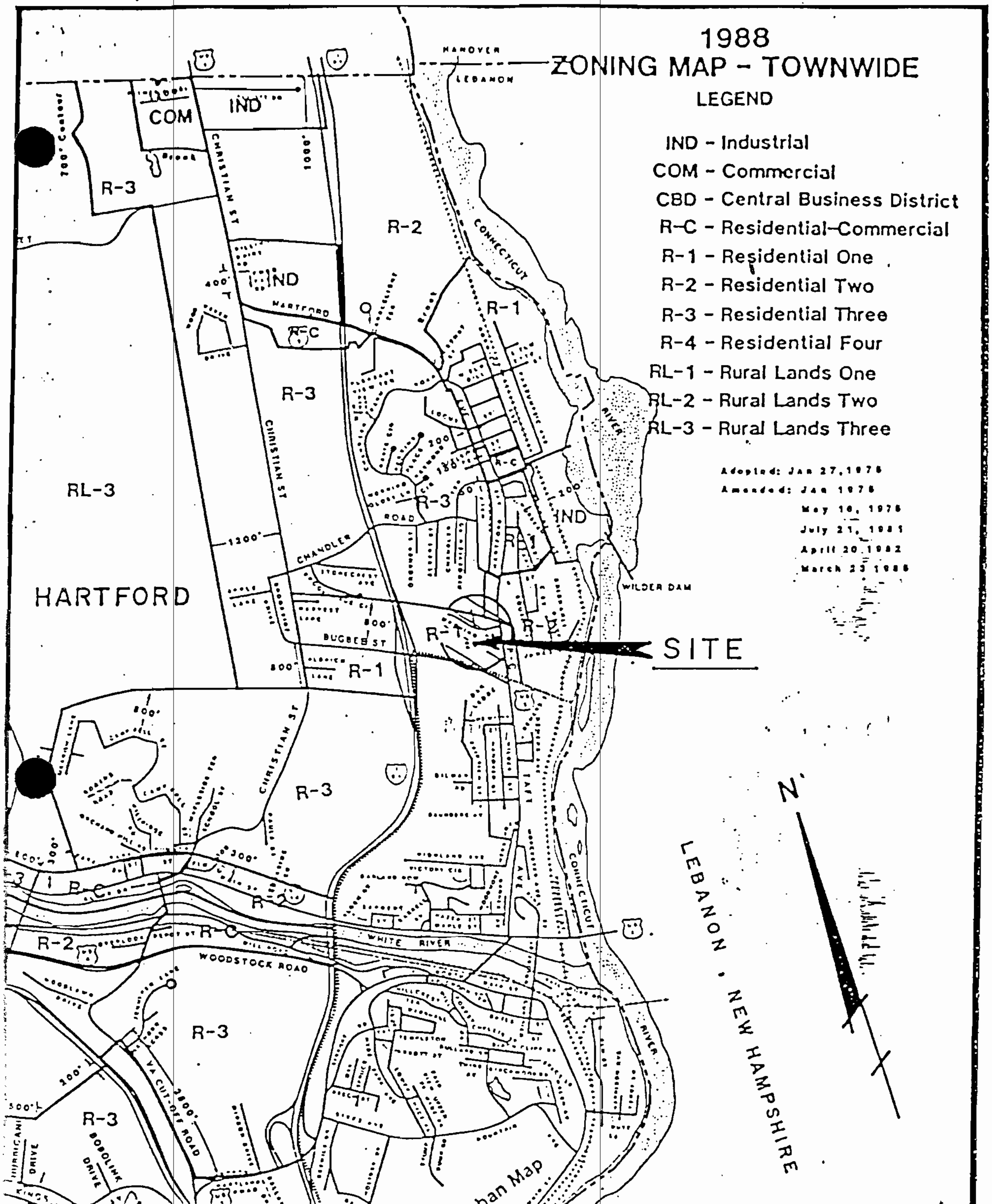
Plot Scale:
1" = 578'
TRUE NORTH
MAG.
49.50
TSA
TORREY DRIVE
RB
I
R5
R-4
R3
SCHOOL
6.32 acres
SWANTON MEADOWS
6.32 acres
New Construction
24 Family Units

VHFA 1994 LOW INCOME HOUSING TAX CREDITS
APPLICATIONS TO DATE AND ANALYSIS 6/6/94

Total 1994 LIHTC Available	
1994 Per Capita Credits	$720,000
1993 Carry-forward	690,131
Less 1994 Round 1 Reservations	590,790
Less 1994 Round 2 Reservations	605,318

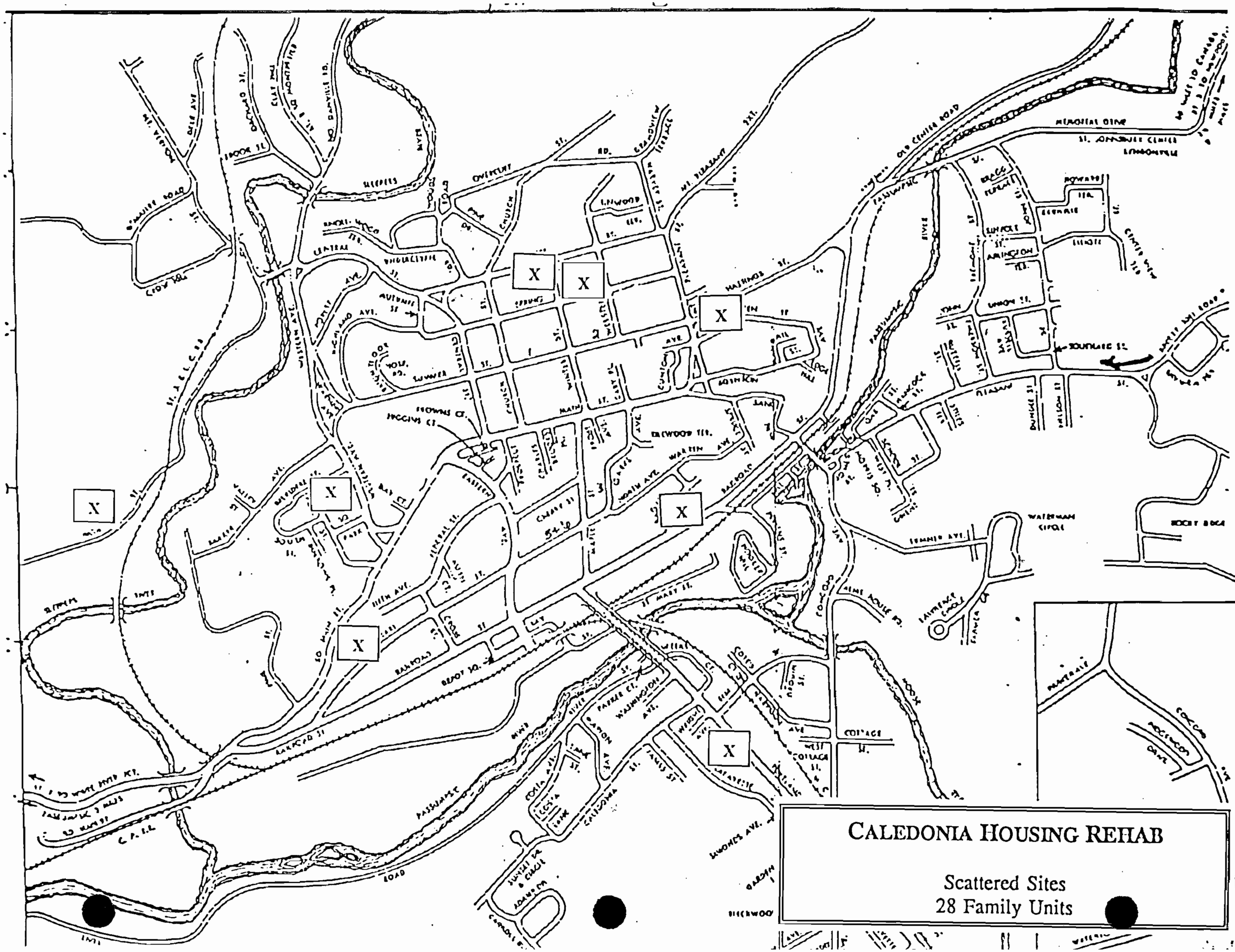
Remaining 1994 LIHTC	214,023

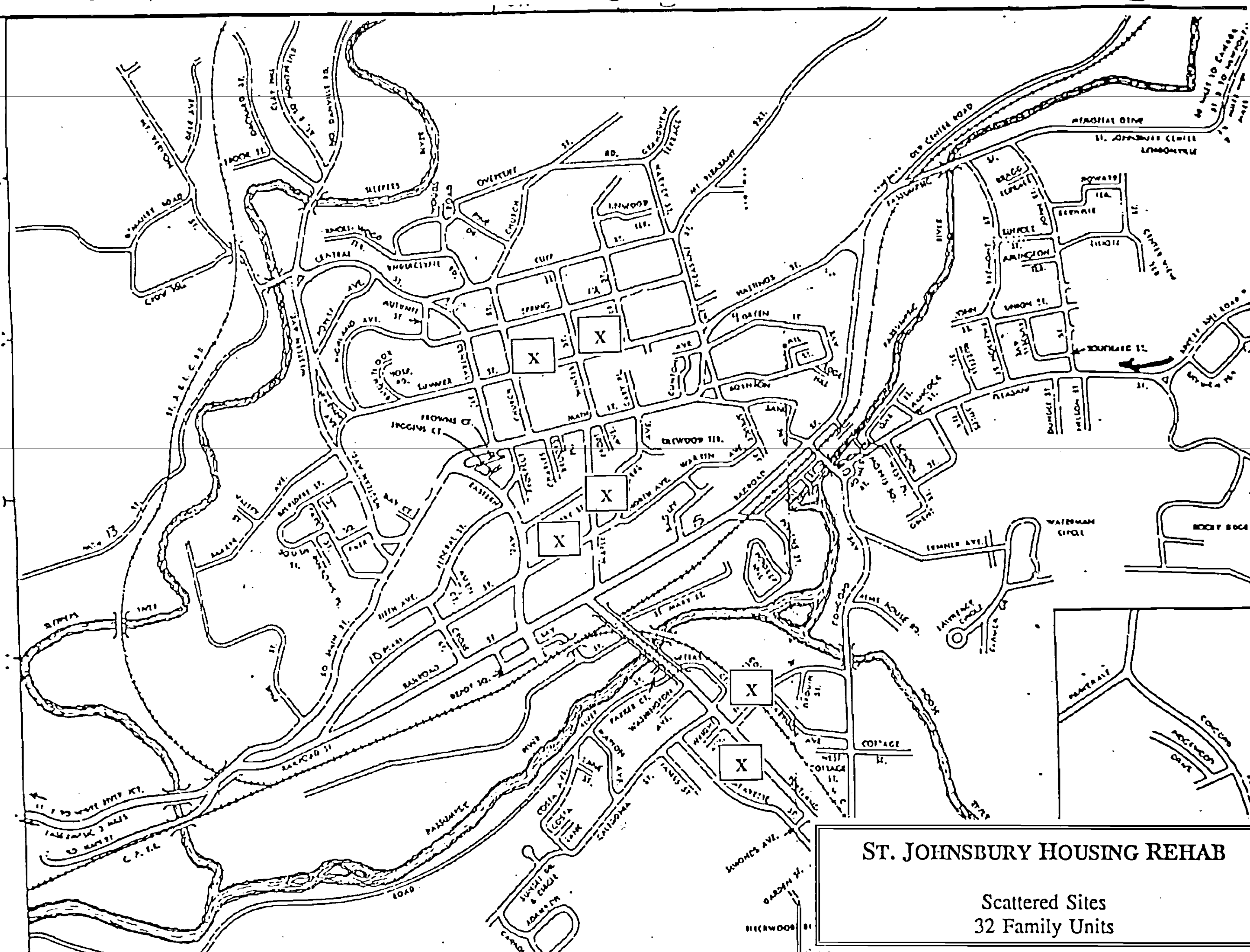
Project Name	City	Sponsor	Total # of Units	# of LIHTC Units	Project Type	Recommended Allocation	Credit Type	Non-Profit?	Total Development Cost	Total Cost Per Unit	Alloc. Per Unit	Equity Yield Per $ of Tax Credit	Total Equity	Dev. Fee as % of TDC	Developer's Fee
Thelma Maple Coop	Burlington	Housing Vermont / LCHDC	20	20	new construction	165,763	9%	Yes	1,890,290	94,515	8,288	$0.66	1,095,000	9.41%	162,500
Queensbury Road	South Burlington	Housing Vermont	18	16	new construction	137,609	9%	Yes	1,689,852	93,881	8,601	$0.65	897,153	8.22%	128,400
Brigham Road	St. Albans	Housing Vermont / LCHDC	15	15	new construction	113,271	9%	Yes	1,478,553	98,570	7,551	$0.70	792,365	8.14%	111,250
Burlington Scattered Site	Burlington	Housing Vermont / BCLT	20	20	rehab	90,896	9%	Yes	1,513,296	75,665	4,545	$0.68	615,976	9.40%	130,000
Autumn Leaves	Poultney	PDC Development	20	20	new construction	52,956	4%	No	1,359,609	67,980	2,648	$0.51	271,576	15.00%	177,340
Erastus Thayer House	Brandon	Housing Vermont / RCCLT	9	8	rehab	30,295	9%	Yes	686,501	76,278	3,787	$0.91	275,628	9.20%	57,850
			----	----		--------									
Reservations - Round 1															
			102	99		590,790									
Dorset Senior Housing	South Burlington	Green Mtn. Devel.	53	53	new construction	390,052	9%	No	4,038,312	76,195	7,359	$0.53	2,067,273	15.00%	526,750
Windsor Hollow	Wilder	SK Properties	27	26	new construction	78,439	4%	No	1,874,645	69,431	3,017	$0.52	407,883	13.98%	230,000
Swanton Meadows	Swanton	Realty Resources	24	24	new construction	64,874	4%	Yes	1,767,038	73,627	2,703	$0.52	337,345	14.67%	226,000
Hartford Village Rehab	Hartford	Housing Vermont / WRAHDC	8	7	rehab	32,184	9%	Yes	669,462	83,683	4,598	$0.70	226,722	9.66%	59,000
St. Johnsbury Housing Rehab	St. Johnsbury	NCHC / HVT	32	29	rehab	23,169	4%	Yes	1,019,668	31,865	799	$0.68	156,500	0.00%	0
Caledonia Housing Rehab	St. Johnsbury	NCHC / HVT	28	23	rehab	16,600	4%	Yes	860,745	30,741	722	$0.90	148,800	0.00%	0
Lyndon Housing Rehab	Lyndon	NCHC / HVT	0	0	rehab	0									
Newport Meadows	Newport	Realty Resources	0	0	new construction	0									
The Village House	Island Pond	Realty Resources	0	0	new construction	0									
			----	----		--------									
Reservations - Round 2															
			172	162		605,318									
			----	----		-----------									
			274	261		1,196,108									



LOCATION & ZONING MAP

NOT TO SCALE

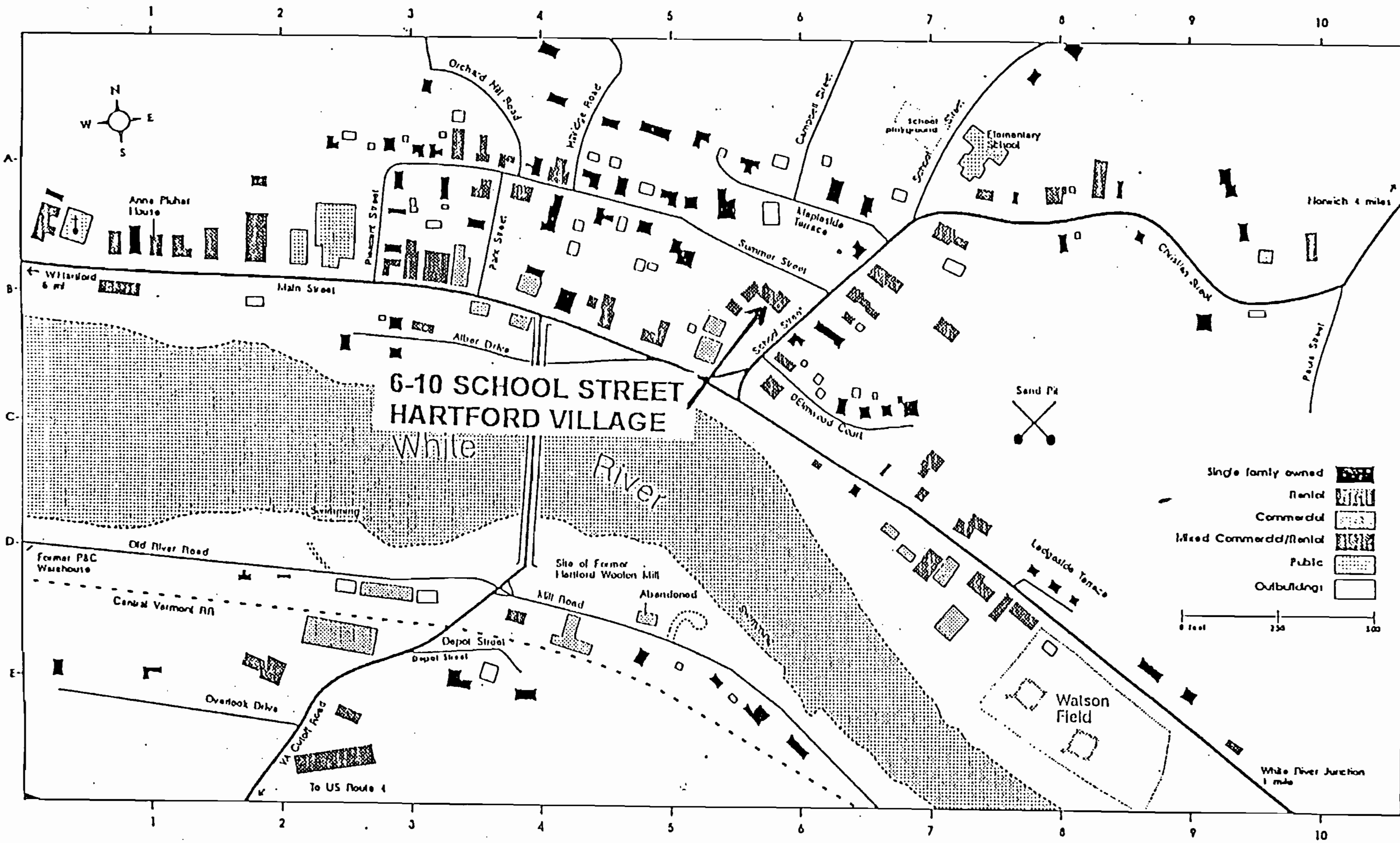

CALEDONIA HOUSING REHAB
Scattered Sites
28 Family Units



ST. JOHNSBURY HOUSING REHAB

Scattered Sites
32 Family Units

Village Map


6-10 SCHOOL STREET
HARTFORD VILLAGE
White
River
Main Street
Willardford 6 mi
Anne Pluhar House
Orchard Hill Road
Hillside Road
Campbell Street
School Street
School playground
Elementary School
Norwich 4 miles
Christian Street
Paus Street
Summer Street
Mapleside Terrace
Park Street
Pleasant Street
Allier Drive
Sand Pit
Lockwoodside Terrace
Walson Field
White River Junction 1 mile
Old River Road
Former P&C Warehouse
Central Vermont RR
Site of Former Hartford Woolen Mill
Abandoned
Mill Road
Depot Street
Overlook Drive
VA Cutoff Road
To US Route 4
Swimming
Single family owned
Rental
Commercial
Mixed Commercial/Rental
Public
Outbuildings
N
E
S
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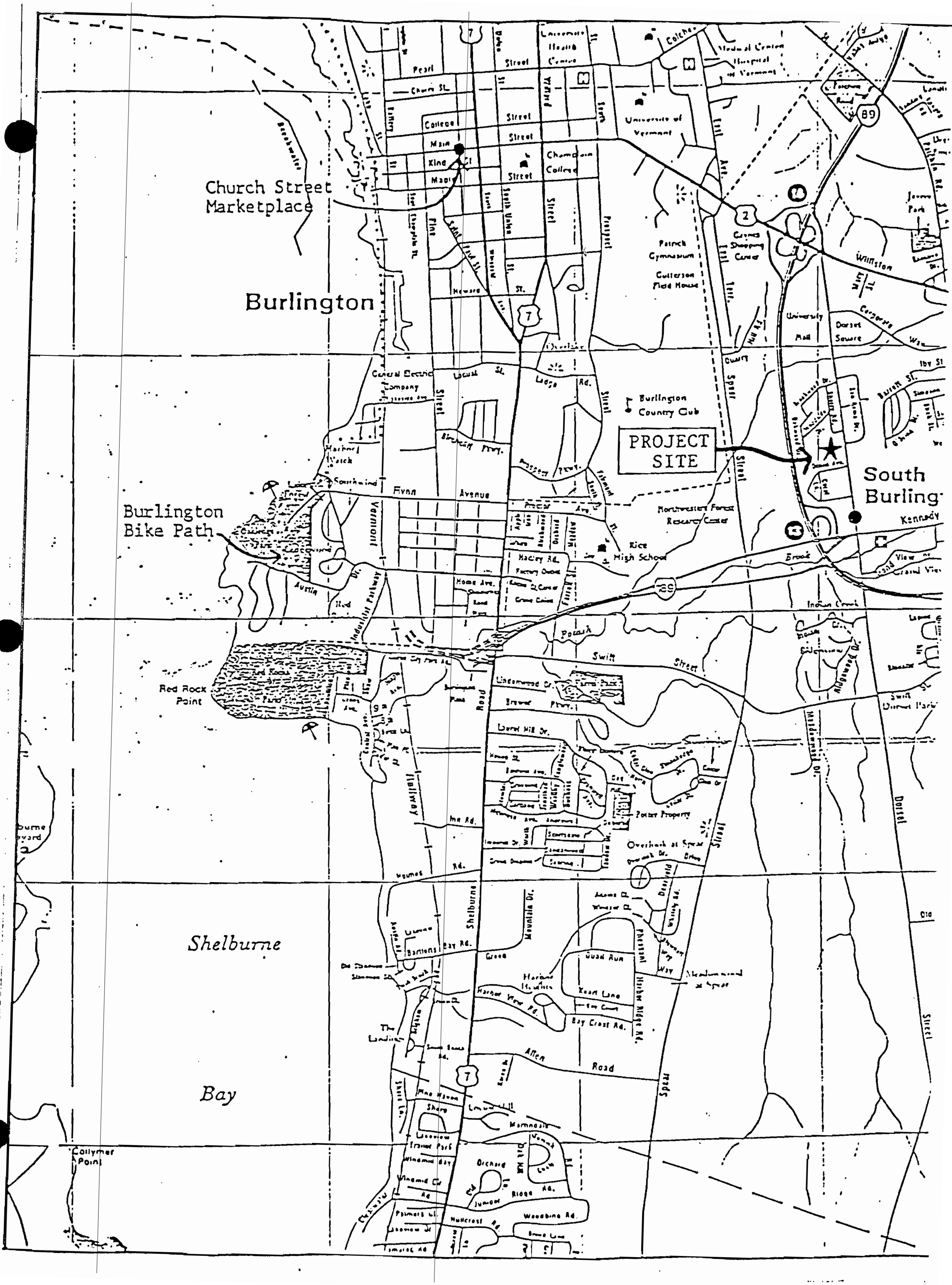

Church Street Marketplace
Burlington
PROJECT SITE
South Burling
Burlington Bike Path
Red Rock Point
Burlington Country Club
Rice High School
Shelburne
Bay
Collymer Point
University of Vermont
Champlain College
Swift Street
Allen Road
Spear Street
Dorset Street
Shelburne Road
Kennedy
Potter Property
Overlook at Spear
Meadowood at Spear
Harbor View Rd.
Bay Crest Rd.
Quail Run
The Landing
Northwestern Forest Research Center
General Electric Company
Flynn Avenue
Williston
University Mall
Dorset Square

RESOLUTION REGARDING
LOW INCOME HOUSING TAX CREDIT
PROJECT RESERVATIONS

WHEREAS, on November 18, 1993 the Board agreed with a staff recommendation that the Board consider and approve staff recommendations on specific Low Income Housing Tax Credit (LIHTC) project reservations after such recommendations had been presented to and considered by the Joint Tax Credit Committee (JTCC); and

WHEREAS, the JTCC met on June 16, 1994 and reviewed $720,331 in total applications and considered recommendations for a total of $605,318 in reservations of tax credits for nine proposed projects; and

WHEREAS, the Agency staff recommended six of the projects to the JTCC for reservations and the JTCC accepted the staff's recommendations on each of the projects; and

WHEREAS, staff has prepared a memorandum dated June 16, 1994 containing descriptions of the nine projects (the "Memorandum");

NOW, THEREFORE, it is hereby RESOLVED:

1. The Board has considered the nine projects discussed in the Memorandum.

2. The Agency approves the reservations for the six projects, totalling $605,308, recommended by staff for reservations in the Memorandum and accepted by the JTCC, subject to the payment of applicable reservation fees, as well as carryover allocations subject to the conditions discussed in the Memorandum.

3. The Agency staff may increase or decrease LIHTC allocations by up to five percent, if appropriate, based upon changes in development costs.

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vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Irene D. Jenkins, Director of Development
Joseph A. Erdelyi, Multi-Family Loan Underwriter

DATE: June 17, 1994

RE: Burlington Scattered Sites - Letter of Interest

THE DEVELOPMENT

1. General Description

Housing Vermont (HVT) and the Burlington Community Land Trust (BCLT) are planning to form a partnership to purchase, construct, and rehabilitate a 20 unit project in seven buildings located on scattered sites in Burlington's Old North End (see attached site map). BCLT has an option to purchase the properties, all of which are currently owned by Scott Mansfield.

The sponsors have received a reservation of Low Income Housing Tax Credits ("Tax Credits") and have received funding commitments from the Vermont Housing and Conservation Board (VHCB). The sponsors are seeking additional funding from the City of Burlington's HOME funds. The sponsors have requested debt financing from VHFA in the amount of $203,250, at a rate of up to ten percent, with a 30 year amortization schedule and a 20 year term. (We hope to be able to provide funds at a rate less than ten percent.) This debt would be secured by a first mortgage on all of the properties and would be the only amortizing debt.

BCLT intends to preserve affordability by maintaining ownership of the land and providing the partnership with a long-term lease. It is BCLT's intention to establish a leasing cooperative that would consist of residents of the six units located at 310 - 326 Manhattan Drive. At the end of the Tax Credit compliance period the cooperative would purchase the buildings from the partnership.

A summary of sources and uses of funds, rents, operating expenses, and financial projections is attached.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • FAX: 802/864-5746 • TDD: 1-800/586-5832

2. Projected Funding Sources

VHFA debt	$203,250	13.43%
VHCB Grant	367,000	24.25%
HOME deferred debt	236,040	15.60%
CDBG debt (assumed)	81,355	5.38%
Tax Credit Equity	625,649	41.34%
Total	$1,513,294	100.00%

3. Unit Breakdown and Rents

The completed project will include 20 total units; the breakdown is a follows:

	# of Units	Monthly Rent
Studio	1	240
One bedroom	6	330 - 360
Two Bedroom	7	410 - 480
Three Bedroom	3	580
Four Bedroom	2	600
Five Bedroom	1	650
TOTALS:	20	

At this time information on the square footage of the units has not been submitted. Seven of the units are currently occupied by households with tenant-based Section 8 rental assistance; the sponsors and we have not reflected this in the pro forma operating budget because tenants who move would take the assistance with them. There is no project-based rental assistance.

4. Site/Location

The buildings are located at the following addresses in the Old North End (see attached map):

33-39 Murray Street	5 units
11-11 1/2 Cedar Street	4 units
267 North Winooski Avenue	2 units
43-45 Manhattan Drive	3 units
310-326 Manhattan Drive	6 units

There are six existing buildings with 18 units; 16 of these units are currently habitable, and two of these units will be finished in a vacant building. One building with two units would be newly constructed.

5. Renovation Plan

Staff have visited the buildings but have not yet been through the interior of the units. The buildings cover a wide spectrum of physical conditions. Some units have had minor rehabilitation done previously, from 1989 to 1991. The proposed renovation will include: abatement of environmental hazards, interior finish surfaces (i.e. painting, new flooring), heating and weatherization improvements, new siding, and some roof and porch repair. Some of the buildings will have structural repairs such as sill replacement. Temporary tenant relocation will be required because of the level of rehabilitation and the potential for lead poisoning. The building to be newly constructed has received local approvals. Fourteen of the units will have the rehabilitation competitively bid. For the six units at 310 - 326 Manhattan Drive, the option agreement that was signed includes a provision that the seller, Scott Mansfield, do the construction for a set price.

6. Loan to Value

The appraisals completed for the Bank of Vermont, which is expected to provide short term financing of the acquisition, reportedly indicate values substantially below the proposed acquisition cost. The sponsors have not seen the appraisals but have been informed that the "as-is" value for fourteen of the units is approximately $3,000 per unit below the price in the option agreement. (The acquisition price includes the assumption of $81,355 in subordinate debt remaining from minor rehabilitation that was done in previous years from CDBG and Rental Rehabilitation Funds.) The "as-completed" appraised value of the six units located on Manhattan Drive, including the two new units, is $300,000, well below the proposed total acquisition and construction cost of $425,000 for the completed units.

Because the total loan amount is small relative to the total "as-is" appraised values (approximately 27%), the issue of concern is not whether VHFA would have sufficient value to cover its investment, but whether VHFA should endorse the use of public funds to pay more than market value for these properties.

The debt service coverage ratio in the first year's operating budget is approximately 1.25 to 1; this budget reflects the purchase price in the current option agreements. The cash flow projection shows the balance of the loan in year 20 would be $135,000.

7. Management

BCLT will be the property manager in addition to being a general partner; BCLT currently manages approximately 85 similar rental units and their offices are located within walking distance from the sites.

8. Market Demand

All 16 of the habitable units are occupied. The sponsors have submitted data on the market rents and household incomes in the Old North End. Both the City of Burlington's Comprehensive Housing Affordability Strategy (CHAS) and a 1990 market analysis were submitted. These buildings are located where the highest concentration of low income households and the highest concentration of poor quality units exist in the city. An estimated 80% of very low income households in Burlington pay on average more than 30% of income on housing costs. In Burlington in 1990 there are an estimated 362 vacant units for rent out of a supply of 8,773 units, a vacancy rate of 4.1%. BCLT has historically seen a vacancy rate in its portfolio of two to three percent. The proposed rents are 15% - 25% below the rents currently being charged for the units. There seems to be a need for the rehabilitated and new units this project would provide.

9. Environmental Concerns

The sponsors have submitted a Level I Environmental Site Assessment done on all the properties except for the six units at 310 - 326 Manhattan Drive; an assessment for 310 - 326 Manhattan has reportedly been completed but a copy has not yet been provided.

The assessment included testing for lead paint, asbestos, and lead in soils. Specific locations where lead paint is present were identified in the report. Locations of suspected friable asbestos were identified, but further testing may show less present than suspected. (Very little if any asbestos is present.) Because of its proximity to the Gracie Roofing site, the property at 267 North Winooski Avenue had soils testing for lead, and an elevated lead level was found in all samples. The rehabilitation plan calls for abatement of all known hazards.

DISCUSSION

Strengths

a) The project is expected to have a very low loan to value ratio, around 27%. With a first mortgage, VHFA would have a good security position.

b) BCLT is a community based, "hands-on" property manager and owner. With Housing Vermont as partner, the ownership entity will have substantial experience and capacity.

c) After completion of the rehabilitation the units will be decent, safe, and sanitary, and all of them would be in better condition than at present.

d) The unit rents would be lowered from the current levels, increasing the affordability; this affordability would be maintained at least for the term of the mortgage.

Weaknesses

a) The current prices for the properties in the option agreement reportedly exceeds the appraised values.

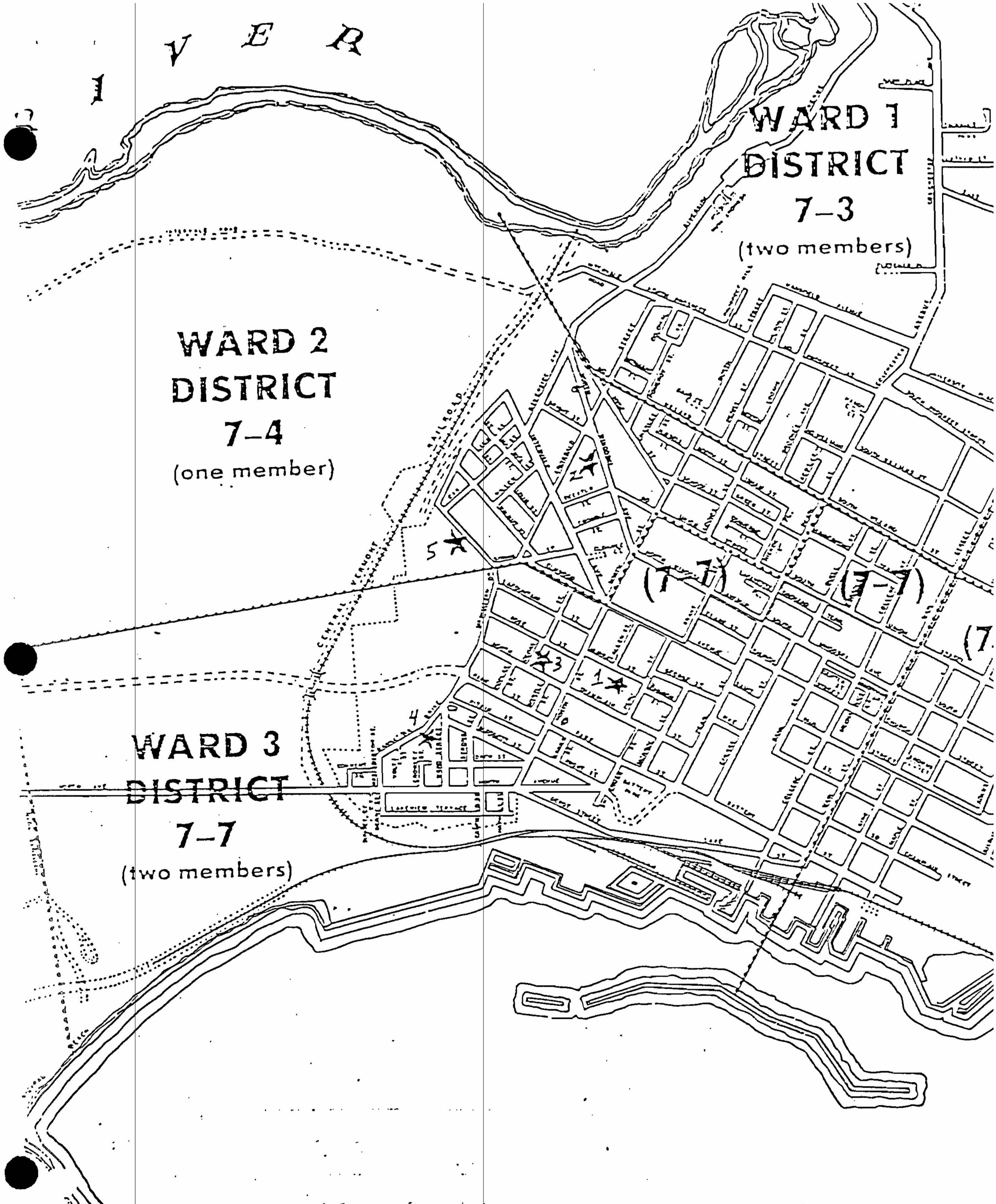
b) The units are located in a very low income neighborhood and do not have project based rental assistance, making the project's ability to pay debt service and other expenses more sensitive to fluctuations in market rent conditions.

c) The proposed project would only create four "new" units (two in a vacant, uninhabitable building, two new construction), so the supply of housing in the Old North End will not be significantly increased.

d) In year 14 of the cash flow projection the project's expenses are estimated to exceed revenues. However, the cumulative cash balance from previous years' operation is projected to carry the project through the remaining term of the mortgage.

RECOMMENDED BOARD ACTION

Staff recommends Board approval of issuance of a Letter of Interest. The proposed source of funds is the Federal Home Loan Bank (FHLB) funds. The Sponsors will provide VHFA with detailed plans and work specifications, complete identification of all environmental hazards and a plan for abatement, an appraisal demonstrating the properties' market values, reconciliation of the purchase price (and construction cost, where applicable) with market value, information on the square footage of the units, tenant income verifications, documentation of operating and development costs, a detailed operating budget, an independent cost estimate for the construction work that will not be competitively bid, and a revised project schedule. This project will return for a Letter of Commitment when at least the issue of the purchase prices has been satisfactorily resolved.



1	2 BUILDINGS	5 UNITS
2	1 BUILDING	2 UNITS
3	2 BUILDINGS	4 UNITS
4	1 BUILDING	3 UNITS
5	2 BUILDINGS	4 UNITS (REHAB)
	1 BUILDING	2 UNITS (NEW CONSTRUCTION)

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Project:	Burlington Scattered Site	RUN DATE:	17-Jun-94
Total Residential Units:	20	Increase LIHTC	2.00%
Restricted Units:	20	Increase Market	2.00%
Percent Restricted:	100.00%	Expense increase:	3.50%
Avg Net Monthly Rent:	428	Vacancy Rate:	5.00%
Total Dev Costs	1,513,296	Partner's Tax Rate:	34.00%
TDC/Unit	75,665	Depreciation Schedule:	27.5

Total Credit Amount	85,639
Gross Syndication	625,649
LIHTC - 9%	8.48%
LIHTC - 4%	3.63%

FINANCING SOURCES

	Amount	% of TDC	Interest	Amortization	
VHFA Debt	203,250	13.43%	10.00%	30	(balloon in 20 years)
CDBG Deferred debt	81,355	5.38%	3.00%	0	
HOME Deferred debt	236,040	15.60%	6.75%	0	
VHCB Grant	367,000	24.25%	N/A	N/A	
Tax Credit Equity	625,649	41.34%	N/A	N/A	
	1,513,294	100.00%			

		Budget	Per Unit	Per s.f.
ACQUISITION & CONSTRUCTION				
Land		137,204	6,860	6.47
Purchase of Building(s)		511,151	25,558	24.11
Demolition			0	0.00
Rehabilitation		428,619	21,431	20.22
New Buildings		125,000	6,250	5.90
APPLIANCES		10,320	516	0.49
Sitework			0	0.00
General Requirements	0.00%		0	0.00
Contractor Overhead	0.00%		0	0.00
Contractor Profit	0.00%		0	0.00
Construction Contingency	10.42%	58,784	2,939	2.77
Construction Bond Fee			0	0.00
Subtotal		1,271,078	63,554	59.96
PROFESSIONAL SERVICES				
Architect Fee - Design		2,200	110	0.10
Architect Fee - Supervision			0	0.00
Attorney		10,000	500	0.47
Legal - Title & Recording		2,023	101	0.10
Subtotal		14,223	711	0.67
INTERIM COSTS				
Construction Insurance			0	0.00
Construction Interest		27,655	1,383	1.30
Construction Loan Origination Fee		5,000	250	0.24
Taxes			0	0.00
Subtotal		32,655	1,633	1.54
OTHER SOFT COSTS				
Property Appraisal		6,000	300	0.28
TEMPORARY RELOCATION		7,400	370	0.35
Environmental Report		6,300	315	0.30
Tax Credit Fees		2,859	143	0.13
Marketing		3,000	150	0.14
Subtotal		25,559	1,278	1.21
FINANCING FEES & EXPENSES				
Credit Report			0	0.00
ACQUISITION LOAN INTEREST		899	45	0.04
Credit Enhancement			0	0.00
Cost of Issuance			0	0.00
Title & Recording			0	0.00
PERMITS/FEES		5,600	280	0.26
SOFT COST CONTINGENCY		5,282	264	0.25
Subtotal		11,781	589	0.56
SYNDICATION COSTS				
Organizational (Partnership)			0	0.00
Bridge Loan Fees & Expenses			0	0.00
Tax Opinion			0	0.00
Subtotal		0	0	0.00
DEVELOPER'S FEES				
Developer's Overhead & Profit	9.40%	130,000	6,500	6.13
Consultant Fees (clerk)		8,000	400	0.38
Subtotal		138,000	6,900	6.51
PROJECT RESERVES				
Rent-up (Deficit Escrow) Reserve			0	0.00
Replacement Reserve			0	0.00
Working Capital		20,000	1,000	0.94
Operating Reserve/Sinking Fund			0	0.00
Subtotal		20,000	1,000	0.94
TOTAL DEVELOPMENT COSTS		1,513,296	75,665	71.38

INCOME

RENTS

Restricted Units

Bedrooms	Type	Sq.Feet	Number	Rent	Tenant-paid Utilities	Total Annual Rent
Studio	VLI		1	240	41	2,880
1 Bedroom	VLI		2	330	59	7,920
1 Bedroom	VLI		2	350	59	8,400
1 Bedroom	VLI		2	360	59	8,640
2 Bedroom	LI		2	410	74	9,840
2 Bedroom	LI		2	480	74	11,520
2 Bedroom	LI		3	440	74	15,840
3 Bedroom	LI		3	580	89	20,880
4 Bedroom	LI		2	600	103	14,400
5 Bedroom	LI		1	650	116	7,800
	Totals	21,200	20	4,440		108,120

Market Rate Units

Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
1 Br			0	0		0
2 Br			0	0		0
3 Br			0	0		0
	Totals	0	0	0		0

All Units

		Sq.Feet	Number	Rent		Total Annual Rent
	Grand Totals	21,200	20	4,440		108,120

Less Vacancy	5.00%	(5,406)
NET RENT		102,714

OTHER INCOME

Interest Income	0
Laundry	0
Parking	0
Total Other Income	0

TOTAL INCOME	102,714

EXPENSE BUDGET			13-Jun-94
	Annual	Monthly	Per Unit Per Month
Administration			
Management Fee		0	0
Marketing		0	0
Audit/Accounting		0	0
Legal		0	0
Office Expense		0	0
Telephone		0	0
Office Payroll		0	0
Rent		0	0
Compliance Monitoring		0	0
Other	16,980	1,415	71
TOTAL ADMINISTRATIVE	16,980	1,415	71
Utilities			
Water/Sewer		0	0
Electric		0	0
Fuel		0	0
Other	9,360	780	39
TOTAL UTILITIES	9,360	780	39
Maintenance			
Maintenance Payroll		0	0
Supplies		0	0
Trash Removal		0	0
Snow/Grounds		0	0
Repairs		0	0
Paint/Decorating		0	0
Exterminating		0	0
Contract Maintenance		0	0
Equipment Debt		0	0
Service Lease		0	0
Other	22,800	1,900	95
TOTAL MAINTENANCE	22,800	1,900	95
Taxes	18,000	1,500	75
Insurance	3,360	280	14
Replacement Reserves	5,406	451	23
Other		0	0
Total	75,906	6,326	294

-94 Burlington Scattered Site PRO FORMA

Year	1	2	3	4	5	6	7	8	9	10	11
Residential Rent	108,120	110,282	112,488	114,738	117,033	119,373	121,761	124,196	126,680	129,213	131,798
Less Res Vacancy	(5,406)	(5,514)	(5,624)	(5,737)	(5,852)	(5,969)	(6,088)	(6,210)	(6,334)	(6,461)	(6,590)
Plus Other Income	0	432	883	1,351	1,836	2,338	2,856	2,909	3,417	3,935	4,460
Total Actual Income	102,714	105,201	107,747	110,352	113,017	115,743	118,529	120,895	123,763	126,687	129,668
Less Operating Expense	70,500	72,968	75,521	78,165	80,900	83,732	86,663	89,696	92,835	96,084	99,447
Less Replacement Reserves	5,406	5,514	5,624	5,737	5,852	5,969	6,088	6,210	6,334	6,461	6,590
Net Operating Income	26,808	26,719	26,601	26,450	26,265	26,042	25,778	24,990	24,594	24,143	23,631
Less Debt Service	21,404	21,404	21,404	21,404	21,404	21,404	21,404	21,404	21,404	21,404	21,404
Cash Flow	5,404	5,315	5,197	5,046	4,861	4,638	4,374	3,586	3,190	2,739	2,227
Oper Subsidy	0	0	0	0	0	0	0	0	0	0	0
Net Cash	5,404	5,315	5,197	5,046	4,861	4,638	4,374	3,586	3,190	2,739	2,227
DCR	125.25%	124.83%	124.28%	123.58%	122.71%	121.67%	120.44%	116.75%	114.90%	112.79%	110.40%
Cumulative Cash Flow	5,404	10,719	15,916	20,962	25,824	30,462	34,836	38,422	41,612	44,351	46,577

	12	13	14	15	16	17	18	19	20
	134,434	137,122	139,865	142,662	145,515	148,426	151,394	154,422	157,510
	(6,722)	(6,856)	(6,993)	(7,133)	(7,276)	(7,421)	(7,570)	(7,721)	(7,876)
	4,991	5,046	5,543	6,044	6,571	7,125	7,707	8,318	8,959
	132,703	135,312	138,414	141,573	144,811	148,129	151,531	155,019	158,594
	102,928	106,530	110,259	114,118	118,112	122,246	126,525	130,953	135,536
	6,722	6,856	6,993	7,133	7,276	7,421	7,570	7,721	7,876
	23,054	21,925	21,162	20,322	19,423	18,462	17,437	16,345	15,183
	21,404	21,404	21,404	21,404	21,404	21,404	21,404	21,404	21,404
	1,650	521	(242)	(1,082)	(1,981)	(2,942)	(3,967)	(5,059)	(6,221)
	0	0	242	1,082	1,981	2,942	3,967	5,059	6,221
	1,650	521	0	0	0	0	0	0	0
	107.71%	102.44%	98.87%	94.94%	90.74%	86.26%	81.47%	76.36%	70.93%
	48,227	48,749	48,507	47,424	45,443	42,501	38,534	33,475	27,254

RESOLUTION OF INTEREST
RE: BURLINGTON COMMUNITY LAND TRUST
SCATTERED SITE DEVELOPMENT (BURLINGTON)

WHEREAS, a proposal has been presented to the Agency by the Burlington Community Land Trust and Housing Vermont (who, together with any subsidiary of the foregoing or any general or limited partnership in which one or more of the foregoing or a subsidiary thereof is a general partner, is the "Housing Sponsor") involving the financing of 20 rental units located in several locations in the Old North End of Burlington, as referenced in a staff memorandum dated June 17, 1994 (the "Development"); and

WHEREAS, a to-be-formed partnership including the Housing Sponsor is expected to qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible; therefore

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.

2. The acquisition and construction costs incurred by the Housing Sponsor are for housing development costs within the meaning of the Act.

3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.

4. The Housing Sponsor undertaking the Development will increase and maintain the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income.

5. The security value of the Development will equal at least the amount of the VHFA loan.

WHEREFORE, it is hereby RESOLVED:

1. The Vermont Housing Finance Agency hereby declares its interest in providing a first mortgage loan for acquisition and rehabilitation in an amount not to exceed $203,250, for the Development.

2. This Resolution of Interest is not a commitment to make a loan or to otherwise finance the Development and is

expressly conditional upon the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency and such further requirements as the Agency may establish, including, but not limited to, the following:

(a) the availability of funds to the Agency for such purpose from the Federal Home Loan Bank;

(b) the furnishing to the Agency, with form and content satisfactory to the Agency, of the following:

(i) detailed plans and work specifications;

(ii) a copy of a current appraisal of the Development;

(iii) figures showing the square footage of the units;

(iv) tenant income verifications;

(v) documentation of operating and development costs;

(vi) a detailed operating budget;

(vii) an independent cost estimate for the construction work that will not be bid competitively;

(viii) a revised project schedule;

(ix) reconciliation of the purchase price (and construction cost, where applicable) with the market price; and

(x) environmental assessments and satisfactory plan to remediate deficiencies.

3. The maximum amount of the loan will be $203,250. The loan will be amortized over a period of 30 years, but all principal and interest will be due approximately 20 years from the date of the loan. If Federal Home Loan Bank funds are used, the interest rate will be 100 basis points above the effective interest rate paid by the Agency on the advance from the Federal Home Loan Bank. The loan origination fee will be one percent.

4. The Executive Director is authorized to deliver a copy of this resolution to the Housing Sponsor. This Resolution of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Irene D. Jenkins, Director of Development
Paul M. Cummings, Development Assistant

DATE: June 17, 1994

RE: HUD Preservation Technical Assistance Grant Program

SUMMARY OF REQUEST

We are requesting Board authorization of an application to HUD for the Preservation Technical Assistance Grant Program. On June 3, 1994, VHFA submitted the application to HUD requesting approval to serve as an intermediary to administer the program. One of the requirements of the application was authorization by the governing body of the applicant; the Chairman of the Board consented to staff submission of the application, with presentation to the full Board to follow at the June 23 Board Meeting.

PROGRAM OVERVIEW

The HUD Preservation Technical Assistance Grant program provides predevelopment and resident capacity grants to nonprofit organizations involved in the preservation of housing under Title VI of the 1990 National Affordable Housing Act (Low Income Housing Preservation and Resident Homeownership Act or "LIHPRHA"). VHFA is applying as an intermediary so that appropriate nonprofit organizations and resident groups in Vermont will have a state housing agency with preservation experience to which to apply for the predevelopment and resident capacity grants. (If no intermediary is approved for Vermont, the grant applicants would be required to apply to the HUD field office.) If approved as an intermediary, VHFA will receive a $15,000 start-up fee as well as five percent of each technical assistance grant VHFA administers. (VHFA has applied to administer initially a total of $200,000 in predevelopment technical assistance funds and $30,000 in resident capacity funds. Based on initial HUD allocations, $62,500 is currently allocated to Vermont.)

VHFA's preservation experience includes its efforts to facilitate the transfer of the "Gates" (Northgate/Greenfield, Highgate, Westgate and Applegate) to nonprofit owners under the Federal Preservation Program. We expect to administer the preservation grants with existing staff capacity.

In our application, we have notified HUD that VHFA has a potential conflict of interest in that we hold an option to purchase Westgate and Applegate and plan to finance the purchase and rehabilitation of these projects by nonprofit organizations. Despite this potential conflict, HUD staff encouraged us to submit the application. HUD will review the issue as part of its application review. (We talked to the Brattleboro Area Community Land Trust about applying as an intermediary; the Executive Director did not think an application to be an intermediary for the State would be appropriate.)

BOARD ACTION REQUESTED

Staff requests authorization of the application to HUD to administer Preservation Technical Assistance Grants that was submitted to HUD on June 3, 1994 and authorization to accept the HUD grant agreement if our application is approved.

RESOLUTION REGARDING HUD PRESERVATION TECHNICAL ASSISTANCE GRANT PROGRAM

WHEREAS, the United States Department of Housing and Urban Development ("HUD") has announced the availability of predevelopment and resident capacity grants to nonprofit organizations involved in the preservation of housing under Title VI of the 1990 National Affordable Housing Act, which is known as the Low Income Housing Preservation and Resident Homeownership Act ("LIHPRHA"); and

WHEREAS, the Agency is proposing to apply as an intermediary so that nonprofit organizations and resident groups will have available a state housing agency with preservation experience to which to apply for grants; and

WHEREAS, the Agency has revealed to HUD a potential conflict of interest due to its option to purchase the Westgate development in Brattleboro and the Applegate development in Bennington, but has been encouraged by HUD to submit its application; and

WHEREAS, the Agency has, with the consent of the Chairman, submitted its application to HUD, subject to approval of the full Board because one of the application requirements is the authorization of the applicant's governing body; and

WHEREAS, the Agency expects to administer the preservation grants with existing staff and will receive a $15,000 start-up fee and five percent of each technical assistance grant the Agency administers;

NOW, THEREFORE, it is hereby RESOLVED:

1. The Agency staff is authorized to submit an application to HUD to act as an intermediary to administer the Preservation Technical Assistance Grant Program.

2. Actions of the Agency staff taken before this meeting in connection with the submission of the application to HUD are hereby ratified.

3. If the Agency's application is approved, the Agency is authorized to act as an intermediary to administer the HUD Preservation Technical Assistance Grant Program.

4. The Executive Director, Deputy Director and Director of Finance are authorized to take all necessary actions to implement the program, if the Agency's application is approved.

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VERMONT HOUSING FINANCE AGENCY
MEMORANDUM

TO: **VHFA BOARD OF COMMISSIONERS**

FROM: **ROGER A. SCHOENBECK, DIRECTOR OF FINANCE** RAS

DATE: **JUNE 17, 1994**

RE: **FISCAL YEAR JUNE 1995 BUDGET**

The accompanying table shows the current year approved budget, the proposed budget for FY95 as formulated by staff, and a dollar and percentage increase or decrease comparison between the two years. A factor that complicates this year's budget is the consolidation with the Guarantee Board. We are showing total expenses including VHMGB expenses in the various categories and also showing the charges as income. An overall **decrease** of 6.9% is realized if you were to back out the VHMGB expenses.

Income. Single family fee income is estimated to drop substantially based on the no-point mortgage option that we are offering through the MOVE program. Not only will we not collect the 3/4 point, but we must pay the lender a full point for origination. As explained when this option was offered, we should eventually receive higher takeout from the bond program to offset the upfront loss. Estimated activity of $30 million in no-point mortgages represents a payout of $316,000 in single family fees. Interest income has been broken down into two categories this year. The investment of $2.5 million into low rate deferred loans from the Housing and Conservation Trust Fund is the main reason for the drop in this category.

Fund Balance Transfers. The amounts indicated in this area of the budget represent transfers from existing bond programs to help supplement income to pay expenses. We will further discuss the implications of transfer of fund balances under a separate agenda item. At this point in time, no extraordinary transfers are contemplated and the levels indicated are level funding the surpluses earned by the programs.

Capital Budget. The capital portion of the budget shows a substantial decrease due to the near completion of the purchase and installation of the new computer system. The majority of the $92,795 budgeted for capital items is to finalize the computer conversion. Last year the capital budget was $200,600.

Expenses. The following part of this memorandum will discuss individual expense items, which are either areas of special interest or items that show a significant increase or decrease over the FY94 budget. Total expenses decreased by over 6% for the second straight year, after adjusting for the impact of VHMGB expenses.

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VHMGB Expenses. Included in the expense categories are chargebacks to VHMGB for advertising $4,000, audit $8,500, annual report $2,500, consulting expenses $22,500, dues and subscriptions $1,915, insurance $23,600, office expenses $5,200, pension $14,175, postage $1,500, rent $20,000, repairs and maintenance $11,000, salaries and wages $160,999, staff travel and training $4,000, payroll taxes $12,301 and telephone $5,000. Many of these charges explain increases in the various expense categories.

Advertising. Besides the savings of almost $40,000 shown in the budget, we are also reducing $25,000 in advertising expenses assumed to be subsidized by bond issuances during FY95. In FY94, $50,000 of advertising expenses were charged through the bond programs.

Consulting Fees. More than half of this category is for the secondary market quality control compliance requirements for VHMGB.

Miscellaneous Expense. Last year this category included a general fund loan loss, we are assuming this will not reoccur. Subsidies for coffee and soda have been eliminated.

Pension Plan. We recognized a significant benefit last year as terminated employees forfeitures were used to reduce VHFA contributions.

Salaries and Wages. Modest salary adjustments have been factored in at 2.5% for all staff with a minimum floor increase of $600. A separate schedule of salaries will be available at the meeting.

Subsidy--Housing Vermont, ERH, etc. Included in this category are sustaining membership fees of $50,000 for Energy Rated Homes and $15,000 for Housing Vermont.

This is a very tight budget with little room for surprises. We may need to come back to the Board during the year to seek adjustments in areas where there is a change. If you have any questions regarding the budget, please feel free to call upon Allan or myself at your convenience or bring any questions to the Board meeting.

Recommended Board Action: Approval of the operating budget as shown on the attached schedule and the capital budget as explained above.

PROPOSED BUDGET
VERMONT HOUSING FINANCE AGENCY
F/Y/E JUNE 30, 1995

	APPROVED FYE 6/30/94	PROPOSED FYE 6/30/95	$ INCREASE (DECREASE)	PERCENT CHANGE
INCOME				
SINGLE FAMILY FEES	56,350	(115,000)	(171,350)	-304.08%
MULTI-FAMILY FEES	106,500	142,000	35,500	33.33%
PROJECT ADMIN FEES	122,000	130,000	8,000	6.56%
INTEREST INCOME-LOANS	328,000	300,000	(28,000)	-8.54%
INTEREST INCOME-INVEST	100,000	75,000	(25,000)	-25.00%
VHMGB CHARGES	40,000	300,000	260,000	650.00%
MISCELLANEOUS	30,000	30,000	0	0.00%
TOTAL INCOME	782,850	862,000	79,150	10.11%
FUND TRANSFERS				
SINGLE FAM HOUSING	40,000	50,000	10,000	-25.00%
SHAWMUT MTG PURCHASE	100,000	100,000	0	0.00%
HOWARD MTG PURCHASE	1,250,000	1,250,000	0	0.00%
HOWARD HOME MTG PURCH	305,000	325,000	20,000	6.56%
HOWARD MULTI-FAMILY	430,000	430,000	0	0.00%
CONN NATL MULTI-FAMILY	80,000	85,000	5,000	6.25%
HOUSING DEVELOP BDS-MF	10,000	10,000	0	0.00%
DIRECT PLACEMENT BONDS	35,000	35,000	0	0.00%
TOTAL TRANSFERS	2,250,000	2,285,000	35,000	1.56%
TOTAL INC & TFRS	3,032,850	3,147,000	114,150	3.76%
EXPENSES				
ADVERTISING & PROMOTION	163,100	123,500	(39,600)	-24.28%
AUDIT	27,500	36,000	8,500	30.91%
ANNUAL REPORT	10,000	12,500	2,500	25.00%
COMMISSIONERS EXPENSES	8,000	5,000	(3,000)	-37.50%
CONSTRUCTION INSPECTION	20,000	15,000	(5,000)	-25.00%
CONSULTING FEES	75,000	43,500	(31,500)	-42.00%
DUES & SUBSCRIPTIONS	33,200	25,635	(7,565)	-22.79%
INSURANCE	188,336	208,114	19,778	10.50%
INTEREST EXPENSE	57,000	52,000	(5,000)	-8.77%
LEGAL	55,000	46,500	(8,500)	-15.45%
MISCELLANEOUS	7,800	4,000	(3,800)	-48.72%
OFFICE EXPENSES	30,000	35,000	5,000	16.67%
PENSION PLAN	100,000	125,000	25,000	25.00%
POSTAGE	22,500	24,000	1,500	6.67%
RENT	116,000	135,000	19,000	16.38%
REPAIRS & MAINTENANCE	55,000	52,500	(2,500)	-4.55%
SALARIES & WAGES	1,297,860	1,420,919	123,059	9.48%
STAFF TRAVEL & TRAINING	68,745	62,500	(6,245)	-9.08%
SUBSIDY-HOUSING VT, ERH	90,000	81,000	(9,000)	-10.00%
TAXES-PAYROLL	97,600	108,475	10,875	11.14%
TELEPHONE	30,000	33,000	3,000	10.00%
TRUSTEE & CREDIT FEES	260,000	250,000	(10,000)	-3.85%
DEPRECIATION	120,000	130,000	10,000	8.33%
TOTAL EXPENSES	2,932,641	3,029,143	96,502	3.29%
SURPLUS (DEFICIT)	100,209	117,857	17,648	17.61%

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Single Family Operations DRL

DATE: June 17, 1994

RE: DISCUSSION OF PROPERTY TAXES AND REOs

BACKGROUND

Property taxes have proven to be a significant expense incurred by mortgage lenders who deal with properties repossessed from borrowers for severely delinquent mortgage payments.

In February of 1984, VHFA obtained a ruling from the office of the Attorney General of the State of Vermont, which indicated that VHFA was not required to pay property taxes for properties owned as of the assessment date of April 1 of each year.

For several years after receiving this ruling, VHFA did not pay property taxes to the towns and cities in Vermont on REO properties. The decision to resume payment of property taxes was made because of concerns about relationships with municipalities and local governing boards, out of concern for the adverse effects on local tax bases, and because VHFA's property ownership was usually limited to four or five properties.

Staff has analyzed the last 25 REO properties sold in an effort to determine the cost to VHFA of paying local property taxes. VHFA paid taxes on properties owned as of the assessment date for 15 of these 25 properties. The total amount of taxes paid was $15,500, or an average of $1,033 per property. Over the past year, VHFA has averaged approximately three properties sold per month, or 36 properties per year. Applying the same ratio as the sample would result in a prediction of tax payments on 22 properties at a cost of $22,726. Of course, as the number of REO properties decreases, the cost to VHFA will decrease.

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DISCUSSION

The issue is whether good will and maintaining a positive relationship with the towns and cities of Vermont justify the cost of paying these property taxes although VHFA is not required to do so. The possible risks were shown during the Officers' Row project in Colchester and Essex. After VHFA refused to pay the sizeable municipal taxes on the property it owned, the Town of Colchester had legislation introduced that would have removed VHFA's exemption from the payment of such taxes. Fortunately, the legislation was not passed. While this situation illustrates the dangers involved, it is important to recognize that the amount of taxes involved in this instance was nearly 20 times the average amount of tax on a single family REO.

REQUESTED BOARD ACTION

Staff would appreciate direction from the Board on the choice between conserving Agency resources and the risk of jeopardizing our relationship with municipalities.

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: April 30, 1994

Lenders	Total Loans	30	Days	60	Days	90+	Days	Auth	FCL	Total Delinq		REO	
BancBoston Mortgage Corp.	314	13	4.14%	2	0.64%	3	0.96%	0	0.00%	18	5.73%	1	0.32%
Banknorth Mortgage Co.	737	31	4.21%	9	1.22%	11	1.49%	2	0.27%	53	7.19%	5	0.68%
Bennington Co-op S&L Assoc.	36	1	2.78%	0	0.00%	0	0.00%	0	0.00%	1	2.78%	0	0.00%
Brattleboro Savings & Loan	4	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Chittenden Bank	831	48	5.78%	15	1.81%	10	1.20%	3	0.36%	76	9.15%	4	0.48%
Citizens Savings Bank	60	1	1.67%	2	3.33%	1	1.67%	0	0.00%	4	6.67%	0	0.00%
Comfed Mortgage Co.	7	0	0.00%	0	0.00%	1	14.29%	0	0.00%	1	14.29%	0	0.00%
Community National Bank	200	7	3.50%	1	0.50%	5	2.50%	0	0.00%	13	6.50%	1	0.50%
Factory Point Nat. Bank	27	2	7.41%	0	0.00%	0	0.00%	0	0.00%	2	7.41%	0	0.00%
First Brandon Nat. Bank	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
First Northern Mortgage Corp.	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Fleet Mortgage	10	1	10.00%	0	0.00%	0	0.00%	0	0.00%	1	10.00%	0	0.00%
Graystone Mortgage Company	161	9	5.59%	5	3.11%	1	0.62%	1	0.62%	16	9.94%	3	1.86%
Green Mountain Bank	187	10	5.35%	3	1.60%	2	1.07%	1	0.53%	16	8.56%	1	0.53%
Lomas & Nettleton Company	12	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Lyndonville Savings Bank	62	4	6.45%	0	0.00%	0	0.00%	0	0.00%	4	6.45%	1	1.61%
Marble Bank	208	10	4.81%	1	0.48%	2	0.96%	0	0.00%	13	6.25%	0	0.00%
Merchants Bank	339	20	5.90%	1	0.29%	4	1.18%	1	0.29%	26	7.67%	3	0.88%
Mortgage Service Ctr. of NE	53	0	0.00%	1	1.89%	0	0.00%	0	0.00%	1	1.89%	4	7.55%
National Bank of Middlebury	61	2	3.28%	0	0.00%	0	0.00%	0	0.00%	2	3.28%	1	1.64%
New England IBM Employees FCU	50	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	1	2.00%
Northfield Savings Bank	106	7	6.60%	1	0.94%	2	1.89%	0	0.00%	10	9.43%	1	0.94%
Passumpsic Savings Bank	166	5	3.01%	3	1.81%	2	1.20%	0	0.00%	10	6.02%	2	1.20%
Peoples Trust Co.	112	7	6.25%	2	1.79%	1	0.89%	0	0.00%	10	8.93%	0	0.00%
Randolph National Bank	51	2	3.92%	1	1.96%	0	0.00%	0	0.00%	3	5.88%	0	0.00%
Union Bank	149	4	2.68%	0	0.00%	0	0.00%	0	0.00%	4	2.68%	0	0.00%
Vermont Development CU	5	1	20.00%	0	0.00%	0	0.00%	0	0.00%	1	20.00%	0	0.00%
Vermont Federal Bank	784	30	3.83%	2	0.26%	8	1.02%	3	0.38%	43	5.48%	7	0.89%
Vermont National Bank	534	19	3.56%	9	1.69%	5	0.94%	1	0.19%	34	6.37%	0	0.00%
Wells River Savings Bank	35	1	2.86%	0	0.00%	0	0.00%	0	0.00%	1	2.86%	0	0.00%
Totals April 30, 1994	5305	235	4.43%	58	1.09%	58	1.09%	12	0.23%	363	6.84%	35	0.66%
Totals Previous Month	5327	232	4.36%	48	0.90%	58	1.09%	13	0.24%	351	6.59%	41	0.77%

Series 5 Statistical Report
LTV 0% To 100%
Effective as of 6/15/94
Loan Status: Committed, Underwritten and Purchased

Total Number of Loans: 220
Total Loan Amount: $13,955,542

	Amount	Percentage of Loans	
Existing:	$12,407,725	90.0%	198 Loans
New Construction:	$1,547,817	10.0%	22 Loans
New Detatched Housing:	$1,385,622	90.9%	20 Loans
New Condominium:	$162,195	9.1%	2 Loans

Total Insured or Guaranteed Loans: 219
Loans Guaranteed by VHMGB: 195

	ACED	NON-ACED	STATEWIDE
Avg Purchase Price	64,271.63	72,452.22	66,948.91
Avg Loan Amount	61,757.73	66,880.54	63,434.29
Avg Borrower Income	28,081.61	27,801.14	27989.82
Avg Housing Debt-Income Ratio	25.48	27.47	26.13
Avg Total Debt-Income Ratio	33.48	33.52	33.49
Total Number of Loans	148	72	220
% of Total Loan Amount	65.5%	34.5%	100.0%
First Time Homebuyers	128	71	199
% Meeting Low Income Set Aside	54.1%	75.0%	60.9%

	Loans	% of Loans	$ Amount	* Households	% of Households	% Difference
ADDISON	10	4.5%	544,690	4,064	5.5%	-1.0%
BENNINGTON	9	4.1%	649,208	4,668	6.3%	-2.2%
CALEDONIA	19	8.6%	1,065,400	4,251	5.8%	2.8%
CHITTENDEN	41	18.6%	2,850,973	13,269	18.0%	0.6%
ESSEX	2	0.9%	98,750	1,018	1.4%	-0.5%
FRANKLIN	30	13.6%	1,831,352	5,330	7.2%	6.4%
GRAND ISLE	3	1.4%	192,550	727	1.0%	0.4%
LAMOILLE	13	5.9%	793,188	3,001	4.1%	1.8%
ORANGE	9	4.1%	521,501	3,735	5.1%	-1.0%
ORLEANS	16	7.3%	962,380	3,774	5.2%	2.1%
RUTLAND	24	10.9%	1,601,403	8,815	12.0%	-1.1%
WASHINGTON	29	13.2%	1,932,684	7,196	9.8%	3.4%
WINDHAM	6	2.7%	333,484	6,151	8.3%	-5.6%
WINDSOR	9	4.1%	577,976	7,780	10.5%	-6.4%
Total :	220	100.0%	13,955,542	73,776	100.0%	

* Estimated Number of households, $15,000 to $35,000 income.
Source: CACI, 1990 Sourcebook of County Demographics.

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Glenn A. Jarrett, General Counsel GAJ

DATE: June 16, 1994

RE: Conflict of Interest Policy

BACKGROUND:

Recently, news of the Municipal Securities Rulemaking Board issuing new rules regarding political contributions and gifts by underwriters to issuers of bonds prompted the Agency staff to formulate a policy regarding conflicts of interest. The Chairman asked that staff present the policy to the Board for adoption as a policy of the Agency applicable to staff, members of the Board of Commissioners and other representatives of the Agency, such as consultants.

Staff's proposed policy is attached. It sets the expectation that Agency representatives will avoid conflicts of interest and will not engage in conduct that is disruptive or damaging to the business activities of the Agency. Specifically, it prohibits Agency representatives from accepting gifts from any person or firm doing business with the Agency, unless such gifts are of nominal (less than $25) value. The policy also prohibits Agency representatives from offering or giving anything of value to someone representing an organization with which the Agency does business. Agency representatives are also prohibited from acquiring goods or services from contractors, developers, owners or managers to whom the Agency provides or is considering providing financing, unless such goods or services are available to the general public at the same price.

Finally, the policy allows staff members to utilize VHFA financing programs after disclosure to their supervisors. Any such applications will generally be treated identically with other applications for the same program, with certain exceptions made to preserve confidentiality of financial information.

Violation of the policy can result in disciplinary action against the employee, up to and including dismissal.

RECOMMENDATION:

Adoption of the attached policy.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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VERMONT HOUSING FINANCE AGENCY

CONFLICT OF INTEREST POLICY

VHFA's mission of providing financing and promoting affordable housing opportunities for low- and moderate-income Vermonters, includes a duty to maintain a sound fiscal structure and meet all fiduciary requirements in a professional manner. VHFA is a public organization and our effectiveness relies on our sound reputation and public confidence. It is essential that Agency representatives such as employees, members of the Board of Commissioners and consultants exhibit the highest professional conduct.

VHFA expects and requires that you avoid any activity, practice or act that conflicts with, or appears to conflict with, the interests of VHFA, its affiliate lenders or the public that it serves. Since it is impossible to describe all of the situations which may cause or give the appearance of a conflict of interest, the prohibitions included in this policy are not intended to be exhaustive and only include some of the more clear-cut examples.

In any event involving a potential conflict of interest, you are expected to disclose to your supervisor the potential conflict.

(1) You are expected to represent VHFA in a positive and ethical manner and have an obligation both to avoid conflicts of interest and to refer questions and concerns about potential conflicts to your supervisor.

(2) You should not engage in any conduct which is disruptive or damaging to the business activities of VHFA.

(3) You are not to accept gifts from any person or firm doing business with or seeking to do business with VHFA that could be construed as an effort to exert some influence over you as a representative of VHFA. The

meaning of gifts for purposes of this policy includes the acceptance of complimentary entertainment, long-distance travel and lodging. Token gifts of nominal value (less than $25) which are offered and would not create a conflict of interest or the appearance of a conflict of interest, need not be declined by a VHFA representative, but should be reported to your supervisor.

(4) You are not to give, offer, or promise, directly or indirectly, anything of value to any representative of any organization with whom VHFA does business in connection with any transaction or business with that organization.

(5) You should not acquire any good(s) or service(s), etc. (through purchase or by any other means), from contractors, developers, owners or managers to whom VHFA provides financing or is considering providing financing, unless the same good(s) or service(s) are offered to the general public at the same price.

(6) Staff members seeking to utilize VHFA's financing programs should disclose to their supervisor their intent to utilize a VHFA program. Supervisors so advised shall ensure that the application of the staff member is treated identically with other applications for the same program, but the salary information shall be kept confidential from other staff members and the file/application shall be reviewed only by the head of the department charged with underwriting any such loans.

Violations of this policy may result in disciplinary action being taken against you, up to and including dismissal.

Questions about the interpretation of this policy should be directed to the Chairman of the Board of Commissioners, the Executive Director or the Deputy Director.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sam Falzone, Director, Multi-Family Management

DATE: June 14, 1994

RE: TAX CREDIT COMPLIANCE MONITORING OPTIONS

SPECTRUM, Inc.

Last year the Board approved a one-year contract with SPECTRUM, Inc. for tax credit compliance monitoring. This first year of monitoring with SPECTRUM as our Authorized Delegate has not met our expectations. SPECTRUM's performance has been disappointing and has required a substantial commitment of our time in assisting with questions, corrections and providing them direction. Our one year contract, covering 25 properties at a cost of $14,040, expires on June 30th. Steve Rosenblatt, President, has assured us that he will meet all contractual obligations and provide a comprehensive final report and any draft non-compliance forms that will need to be sent to IRS by VHFA within 45 days of the correction period. We are holding final payment under his contract until this information is received.

Feedback from owners and managers who have been covered under SPECTRUM's contract has been consistently negative. Other states that are using or have considered SPECTRUM as a tax credit monitoring option are also questioning his performance and capacity. Rosenblatt is interested in renewing his contract with VHFA and has hired new monitoring staff as well as divested himself of a management company that once had a staff of 45. SPECTRUM's fees for the second year, covering 35 properties now subject to monitoring, would be $16,800.

VHFA

Multi-Family Management is well positioned to assume compliance monitoring responsibilities in year two. Once SPECTRUM completes the work on all 25 projects subject to monitoring in year one, we would be able to focus on the 10 additional tax credit projects placed in service prior to December 31, 1993. We would also need to follow up on corrective actions that may be necessary due to non-compliance findings reported as a result of SPECTRUM's first year monitoring. We are already mailing out and receiving annual Owner Certifications required under the program and have established files for all projects that have been placed in service. Multi-Family staff has begun the design of a tax credit monitoring database which includes all basic information on the 35 projects which have been placed in service as of 12/31/93. We are also working closely with Development in an effort to set up a historical database for all tax credit allocations going back to 1987. VHFA physical inspections are required on 17 of the 35 projects that will need to be monitored in year two and we have begun efforts with agencies such as FmHA, VHCB, HUD, HVT and VSHA, to better coordinate and reduce duplication in all monitoring activities.

We are prepared to take a series of steps, from revising the Allocation Plan and Application Package to notification of tax credit owners and managers, that would allow VHFA to implement an effective compliance monitoring program. Initially, there would be no additional cost to the Agency although the one area we must address, is improving our knowledge in the technical aspects of compliance issues. It will be our responsibility to provide a contact for answers to compliance questions, as well as give specific advice on corrective actions necessary in instances where we find non-compliance. This can be accomplished with a commitment to staff training/resources and by developing contacts at IRS and other HFA's that have been doing compliance monitoring for several years. Eventually, as the program grows in numbers of projects and units, we may also decide to add a Tax Credit Monitoring software component to our Contract Administration computer package.

By the time we reach the third year of monitoring, there will be 48 projects subject to monitoring and the first year group of 25 projects will be ready for monitoring again under our 3-year cycle. It may be necessary to hire part time help for a couple of months in the summer to assist with this increased volume of on site reviews and inspections, or when the number of tax credit projects begins to snowball beyond what can be handled with current staff.

FY'95 fee income for compliance monitoring on 35 properties would be $15,972 and in FY'96 is projected to be $21,396 for a total of 48 properties.

Recommendation

We seek the Board's approval to implement a VHFA Tax Credit Compliance Monitoring program within VHFA's Multi-Family Management department including a commitment to increase staff's technical capacity through increased attendance at tax credit workshops and training sessions.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Glenn A. Jarrett, General Counsel GAJ

DATE: June 16, 1994

RE: Amendment to VHFA Condominium Policy

BACKGROUND

At last month's Board meeting, there was a discussion of the conversion of the Sunwood Condominiums. As you may recall, the developer requested approval for financing units other than those being purchased by tenants. During the discussion, the Board requested that staff bring an amendment to the Condominium Policy to the Board to cover situations like the one at Sunwood on a case by case basis.

The amendment staff is proposing would add two sentences to paragraph B (1) under the heading "Conversion Condominium Project" on the last page of the policy. The paragraph would now read:

1. VHFA will consider financing only for tenants who: were given written notice of conversion; wish to purchase their units; are eligible for VHFA financing; and through the financing will avoid displacement. Applicants may request a waiver from this restriction based on the circumstances surrounding the conversion. Such a request will be decided on a case-by-case basis by the VHFA Board of Commissioners.

REQUESTED ACTION

Approval of the suggested amendment.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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The Vermont Housing Finance Agency

Condominium Eligibility Procedures

Approved by Board of Commissioners
December 14, 1988

Revised 6/90

Table of Contents

Preface

The VHFA is dedicated to providing affordable housing to Vermont's low-and moderate-income families. Traditionally, condominiums have provided one of the most affordable types of homeownership for two main reasons: one, the land cost is shared by all condominium owners, and two, the maintenance on the buildings and common elements is shared by all owners.

A major consideration in providing housing is the balance between available affordable rental units and homeownership opportunities. Part of this process is to protect tenants in rental units from being displaced by the conversion of rental units to homeownership.

The VHFA condominium procedures presented here are designed to provide guidance for obtaining eligibility of individual condominium projects for financing, while at the same time encouraging an appropriate balance between homeownership opportunities and affordable rental units.

VHFA recognizes that housing is a dynamic marketplace. These procedures will be reviewed periodically to assure that they are consistent with the goals of VHFA and the Housing Policy of the State of Vermont.

Definitions

New Condominium Project

This type of project consists of the following:

1. The construction of a new discrete structure or structures;
2. A new addition to an existing residential structure which, when completed, will at least double the total number of dwelling units currently existing; and
3. The conversion of a non-residential structure or structures into residential units.

Existing Condominium Project

This type consists of projects which were built as condominiums and sold to individual purchasers as condominiums. VHFA eligibility was not applied for or not granted at time of construction.

Conversion Condominium Project

This type consists of projects that were built as rental units or as condominium units and have been or are in the process of being converted to homeownership units. Date of conversion will be the date the first written notice of the conversion is given to the occupants of the units.

General Policies

1. Fees:

The application fee for eligibility of a condominium project will be $275.00.

2. Documents needed in support of the Application for eligibility request:

All documents requested on VHFA Form #S-270 "Documentation Required for Multi-Unit Project Eligibility Request" as it is amended from time to time.

3. Other:

Condominium documents for projects of six units or less must contain a dispute resolution procedure acceptable to VHFA.

As a rule VHFA will consider financing up to 30% of the total number of the completed units of a project, as long as the project and phase in which they were built is eligible. The percentage of units on which VHFA will allow financing may be adjusted at the sole discretion of VHFA, based on such considerations as financial stability of the project, age of the project, percent of units in the project which are owner occupied, the size of the project, and other pertinent considerations.

If applicable, projects must obtain a land use permit pursuant to Chapter 151 of Title 10, Vermont Statutes Annotated, and any other State or local permits as required.

VHFA reserves the right to withdraw this condominium eligibility at any time if, in its judgment, there are material deficiencies in the project, financial condition of the condominium/homeowners association, or the physical condition of the project. Among the reasons that withdrawal of eligibility might occur would include, without limitation, lawsuits, liens, and attachments. Withdrawal of eligibility will not cancel loan commitments previously issued by VHFA.

Project may be subject to a possible site inspection.

4. Advertising:

Eligibility for financing by VHFA allows a developer to advertise that the units are "VHFA Eligible". Under no circumstances may a developer, its agent or any other seller or its agent advertise or represent that a unit or units are approved by VHFA. Any such advertising or representations may result in VHFA withdrawing eligibility for financing.

New Condominium Project

This type of project consists of the following:

1. The construction of a new discrete structure or structures;

2. A new addition to an existing residential structure which, when completed, will at least double the total number of dwelling units presently existing; and

3. The conversion of a non-residential structure or structures into residential units.

Requirements:

1. VHFA Energy Conservation Standards must be met.

2. All requirements listed under General Policies must be met.

3. If FreddieMac/FannieMae approved the following will apply or are required:

   A. Fee will be reduced to $100.00.

   B. In addition to required documentation an unconditional letter of approval by FreddieMac or FannieMae must be provided.

Existing Condominium Project

This type consists of projects which were built as condominiums and sold to individual purchasers as condominiums and VHFA eligibility was not applied for or not granted at time of construction.

Requirements

1. Reason for previous denial, if any, has been corrected.

2. All requirements listed under General Policies must be met.

3. List of owners and addresses along with an indication of which units are owner occupied.

4. Certification from the Association that to the best of their knowledge there are no circumstances which would subordinate a recorded first mortgage on any unit or that they anticipate any such action.

5. Certification from the Association that there are no substantive problems with the developers' warranties, that there is no anticipated phasing of additional units, and that all common elements and units are complete.

6. A report of delinquent Association dues.

7. Certification from the Association that the entire project was new when developed and was not any type of rental unit conversion project.

8. If FreddieMac/FannieMae approved the following will apply or are required:

   A. Fee will be reduced to $100.00.

   B. In addition to required documentation an conditional letter of approval by FreddieMac or FannieMae must be provided.

Conversion Condominium Project

This type consists of projects that were built as rental units or as condominium units and have been or are in the process of being converted to homeownership units. Date of conversion will be the date the first written notice of the conversion is given to the occupants of the units.

Requirements

A. Projects that have been converted.

1. Projects in this category must have been under control of the Homeowners Association for a period of two years.

2. The conversion process was in compliance with Chapter 15 of Title 27, Vermont Statutes Annotated, if the declaration was filed on or after July 1, 1986.

3. All requirements listed under General Policies must be met.

4. List of owners and addresses along with an indication of which units are owner occupied.

5. Certification from the Association that to the best of their knowledge there are no circumstances which would subordinate a recorded first mortgage on any unit or that they anticipate any such action.

6. Certification from the Association that there are no substantive problems with the developers' warranties, that there is no anticipated phasing of additional units, and that all common elements and units are complete.

7. A report of delinquent Association dues.

8. If FreddieMac/FannieMae approved the following will apply or are required:

    A. Fee will be reduced to $100.00.

    B. In addition to required documentation an unconditional letter of approval by FreddieMac or FannieMae must be provided.

B. Projects in the process of conversion or recently converted.

1. VHFA will consider financing only for tenants who: were given written notice of conversion; wish to purchase their units; are eligible for VHFA financing; and through the financing will avoid displacement.

2. Conversion process was in compliance with Chapter 15 of Title 27, Vermont Statutes Annotated.

3. All requirements listed under General Policies must be met.

4. If FreddieMac/FannieMae approval is being sought and is obtained the following will apply or are required:

   A. Fee will be reduced to $100.00.

   B. In addition to required documentation an unconditional letter of approval by FreddieMac or FannieMae must be provided.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Cathleen L. Gent, Interim Director of Communications

DATE: June 17, 1994

RE: Strategic Planning Update

VHFA's strategic planning process now enters its final period. With the work of the Advisory Committee completed, the VHFA Board of Commissioners, with assistance from VHFA staff, must consider and act upon the options and recommendations of the Committee.

The specific strategic planning work tasks needing to be completed by the VHFA Board of Commissioners include:

A. Review the Advisory Committee work with respect to: 1) goal statements by content area; 2) prioritization of objectives (most attractive options)
B. Ratify/modify prioritization of objectives (most attractive options)
C. Develop Strategy
D. Develop Action Plan (with staff)
E. Develop Monitoring Follow-Up Mechanism (with staff)

The agenda for Thursday's meeting will focus on reviewing the process to date and the work of the Advisory Committee with respect to their goal statements and most attractive options. The Board will have an opportunity to discuss these options with staff and review the 4 income and cost evaluation prototypes (prepared by staff) to offer direction in what other information the Board needs for your evaluation of the rest of the "top 10" options. If appropriate, the process of finalizing priorities will be initiated.

VHFA staff have prepared materials for your review prior to the strategic planning discussion next week. It should be noted that much of this information is exploratory, preliminary, and sensitive in nature. As such, the information included herein should be considered confidential and should not be discussed or shared with anyone other than VHFA Board of Commissioners or senior VHFA staff. These materials include:

1) VHFA Mission and Goals Statements as modified by the Strategic Planning Advisory Committee

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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2) VHFA Strategic Planning Advisory Committee Staff Review of and Determination of Objectives as Defined at February 4, 1994 Meeting: Criteria for Evaluating Options *(May 9, 1994)*
3) VHFA Strategic Planning Advisory Committee Listing of Goals by Content Area: Adopted February 4, 1994
4) VHFA Strategic Planning Preliminary Goals and Objectives - May 9, 1994
5) Strategic Planning Advisory Committee Top "10" Recommended Options - Adopted May 9, 1994
6) Income & Cost Analysis of Top "10' Recommended Options from VHFA Strategic Planning Advisory Committee - 4 Prototypes - June 17, 1994

Thank you for your attention.

VERMONT HOUSING FINANCE AGENCY

MISSION

VHFA's mission is to finance and promote affordable housing opportunities for low- and moderate-income Vermonters.

GOALS

1. To provide low cost mortgage financing to individuals who are not able to qualify for conventional financing.

   safe and decent *

2. To encourage and stimulate additional affordable rental housing for low- and moderate-income Vermonters; and to encourage, where possible, mechanisms to ensure that this housing remains perpetually affordable.

3. To maintain a sound fiscal structure and meet all fiduciary requirements in a professional manner.

4. To heighten general awareness of housing needs for low- and moderate-income Vermonters, particularly with groups who can have an important impact on the production of such housing, including the legislature, community officials and the business community.

* Added by VHFA Strategic Planning Advisory Committee

STRATEGIC PLANNING ADVISORY COMMITTEE

TOP "10" RECOMMENDED OPTIONS

Adopted May 9, 1994

CATEGORY	ITEM	TOP "10"
S.F. Lender	A.2. Expand Down Payment Assistance Program(s)	1
Organization Structure	F.1. Reduce Operating & User Costs F.2. Collaborate with Other Agencies To Achieve Efficiencies F.3. Better Utilize VHMGB To Enhance Services or Products	2
S.F. Lender/ Environment.	A.5. Develop Home Improvement Lending Program In Conjunction with: C.2. Expand Energy Programs C.3. Finance Program for Environmental Hazard Management	3
Environment	C.1. Finance Failing or Inadequate Housing Infrastructure	4
Info & Public Education	D.1. Expand Data Collection, Analysis, Dissemination D.2. Become Clearinghouse for Housing Data	5
Info & Public Education/ M.F. Lender	D.5. Address Homelessness (Multi-Departmentally) B.5. Collaborate to Develop Programs for Support & Special Needs	6
Financing & Admin. Struc.	E.3. Explore Expanding to Finance-Related, Non-Housing	7
M.F. Lender	B.3. Expand (as Consortium) Use of FHLB in Conjunction with LIHTC	8
S.F. Lender	A.1. Create Self-Help Program (Sweat Equity)	9
M.F. Lender	B.4. Continue to Participate in Public/Private Partnerships to Create Affordable Housing	10
S.F. Lender	A.4. Expand Financing Options for Mobile Home Purchases	11
Info & Public Education	D.3. Promote Homeownership Through Expansion of Home Buyer Education	-- *
Organization Structure	F.5. Direct Servicing of Loans and/or Reduction of Lender Servicing Fee	-- *

* Added by VHFA Staff for discussion purposes

VHFA STRATEGIC PLANNING ADVISORY COMMITTEE
LISTING OF GOALS BY CONTENT AREA

Adopted - February 4, 1994

I. Role as Single Family Lender

GOAL **To enhance affordability and habitability**

II. Role as Multi Family Lender

GOAL **To improve flexibility of financing tools**
To enhance affordability and services which promote continuity of tenure

III. Environmental Area

GOAL **To reinforce the safe and decent part of VHFA's statutory mandate**

IV. Information and Public Education

GOAL **To build upon VHFA's successful information and public education efforts**

V. Financing Structure

GOAL **To explore new financial service opportunities to use the existing resource capacity of VHFA**

VI. Organizational Structure

GOAL **To make VHFA more efficient and reduce costs**

Strategic Planning Advisory Committee

VHFA Strategic Planning
Preliminary Goals and Objectives

May 9, 1994

INCLUDED IN TOP "10" OPTIONS

GOAL	Objective	RANK
GOAL A: Role As Single Family Lender	✓ A.1 Create Self-Help Program	5
	✓ A.2 Expand Down Payment Assistance Program(s)	1
	A.3 Provide Financing to 3 to 4 Unit Owner Occupied	25
	✓ A.4 Expand Financing Options For Individual Mobile Home Purchases	10
	✓ A.5 Develop Home Improvement Lending Program	9
	A.6 Explore Direct Lending In Under Served Areas	13
GOAL B: Role As Multi-Family Lender	B.1 Provide Financing of Co-Op Housing	12
	B.2 Find Ways to Reduce the Costs of Debt	20
	✓ B.3 Expand Use of FHLB Program in Conjunction with LIHTC (Consortium)	7
	✓ B.4 Continue To Participate in Public/Private Partnerships to Create Affordable Housing, Such as Mobile Home Parks	8
	✓ B.5 Collaborate with Other Agencies/Organizations To Develop Programs For Support and Special Needs (e.g. assisted living)	19
GOAL C: Environmental Area	✓ C.1 Financing for ~~Mobile Home Park~~ Failing or Inadequate Housing Infrastructure	2
	✓ C.2 Expand Energy Programs	15
	C.3 Finance Program For Environmental Hazard Management or Removal In Housing (lead paint, radon, asbestos)	14
GOAL D: Information and Public Education	✓ D.1 Expand Data Collection, Analysis, And Dissemination of Housing Data	3
	✓ D.2 Become Clearinghouse For Housing Data	
	D.3 Promote Homeownership Through Expansion of Home Buyer Education	23
	D.4 Increase Awareness of VHFA Among State Officials and Legislature	18
	✓ D.5 Address Homelessness	6
GOAL E: Financing & Administrative Structure	E.1 Research Mortgage Banking Function For Non-Conventional Loans	21
	E.2 Refinance VHFA's Single Family Mortgages	16
	✓ E.3 Explore Feasibility of Expanding to Finance-Related, Non-Housing Activities	11
	E.4 Utilize Other Financing Mechanisms	22
GOAL F: Organizational Structure	✓ F.1 Reduce Operating Costs to Agency & Reduce Costs of Prog. To Users	4
	✓ F.2 Collaborate with Other Agencies in Achieving Efficiencies to Deliver Affordable Housing	
	✓ F.3 Better Utilize VHMGB To Enhance Services or Products of VHFA	
	F.4 Collaborate With Private Developers to Assist Them in Accessing Funds From Other Organizations	17
	F.5 Direct Servicing of Loans and/or Reduction of Lender Servicing Fee	24
	TOTAL	100

VERMONT HOUSING FINANCE AGENCY

STRATEGIC PLANNING

INCOME AND COST ANALYSIS

OF TOP "10" RECOMMENDED OPTIONS

FOUR PROTOTYPES

AS PREPARED BY VHFA STAFF

FOR THE BOARD OF COMMISSIONERS

June 17, 1994

STRATEGIC PLANNING
COST/INCOME ANALYSIS

A.2 EXPAND DOWN PAYMENT ASSISTANCE PROGRAMS

VHFA staff considered four Down Payment Assistance Programs/Initiatives to expand the number of loans available with a low down payment or no down payment available through the MOVE and HOUSE programs. An income/expense analysis was completed for two options. The first option would continue the Down Payment Assistance Program with VHMGB after the pilot program expires. The second option—Down Payment Second Mortgage Program—would provide a second mortgage equal to 5% of the purchase price in conjunction with a MOVE or HOUSE 95% LTV first mortgage. An analysis of the two options is attached.

The two additional programs/initiatives considered by staff are outlined below. An income/expense analysis was not completed for these two options due to time constraints.

OPTIONS NOT FULLY ANALYZED

MOVE/HOUSE FHA Insured, VA Guaranteed, and FmHA Guaranteed Loans:

- Currently Eligible for MOVE Program;
- FmHA program does not receive adequate funding;
- FHA Insured and VA Guaranteed programs are under-utilized in Vermont;

MOVE/HOUSE 97% Financing:

- Buyer must make 3% down payment from their own funds;
- Mortgage Insurance through private MI (MGIC, CMAC, or GE);
- Mortgage Insurance Premium paid monthly—reducing closing costs—increasing monthly PITI payment;
- Pre-purchase Homeownership Education/Counseling;
- VHFA Servicing—Early Intervention Servicing;
- Post-Purchase Delinquency Counseling if any payment is 21 days overdue;
- Property Inspection Requirement;
- VHFA may be able to negotiate more flexibility in underwriting with a risk share agreement—VHFA's risk could be offset by IORTA funds.

DOWN PAYMENT SECOND MORTGAGE PROGRAM					MOVE/HOUSE 100% FINANCING ("No Down Payment"				
EXPENSES (PROGRAM IMPLEMENTATION PHASE)									
Department	Staff Position	Hours Worked	Hourly Rate	Total	Department	Staff Position	Hours Worked	Hourly Rate	Total
Development	Dev. Coor.	8	22	176	Development	Dev. Coor.	2	22	44
SF Operations	Asst. Dir.	15	22	330	SF Operations	Asst. Dir.	4	22	88
Communications	CRC, TC, Adm/HL	8	66	528	Communications	CRC, TC, Adm/HL	2	66	132
Administration	Ex. Asst.	15	25	375	Administration	Ex. Asst.	2	25	50
Operations	Adm. Asst.	8	15	120	Operations	Adm. Asst.	2	15	30
Communications	Adm./HL	6	15	90	Communications	Adm./HL	2	15	30
Communications	CRC, TC	8	37	296	Communications	CRC, TC	2	37	74
SF Operations	Servicing	15	20	300	SF Operations	Servicing	2	20	40
Administration	DP Manager	5	25	125	Administration	DP Manager	2	25	50
Finance	Lender Acct. Coor.	15	22	330	Finance	Lender Acct. Coor.	2	22	44
Administration	General Counsel	10	29	290	Administration	General Counsel	4	29	116
CORE	CORE	1	270	270	CORE	CORE	½	270	135
Miscellaneous	Printing/Mailing			15,000	Miscellaneous	Printing/Mailing			1,000
Totals				18,230		Totals			1,833
INCOME (PROGRAM IMPLEMENTATION PHASE)									
Annual Originations				0	Annual Originations				0
Less 100 b.p. origination fee paid to lenders				0	Less 100 b.p. origination fee paid to lenders				0
Servicing Fee Income				0	Servicing Fee Income				0
Annual Income				0					0

DOWN PAYMENT SECOND MORTGAGE PROGRAM					MOVE/HOUSE 100% FINANCING ("No Down Payment"				
EXPENSES (PROGRAM DEVELOPMENT PHASE)									
Department	Staff Position	Hours Worked	Hourly Rate	Total	Department	Staff Position	Hours Worked	Hourly Rate	Total
Development	Dev. Coor.	8	22	176	Development	Dev. Coor.	4	22	88
SF Operations	Asst. Dir.	5	22	110	SF Operations	Asst. Dir.	3	22	66
Development	Director	3	29	87	Development	Director	2	29	58
SF Operations	Director	3	33	99	SF Operations	Director	2	33	66
Communications	Director	2	29	58	Communications	Director	1	29	29
Communications	CRC, TC, Adm/HL	5	66	330	Communications	CRC, TC, Adm/HL	1	66	66
Finance	Lender Acct. Coor.	5	22	110	Finance	Lender Acct. Coor.	1	22	22
Finance	Director	2	38	76	Finance	Director	1	38	38
Administration	General Counsel	5	29	145	Administration	General Counsel	3	29	87
Administration	DP Manager	2	25	50	Administration	DP Manager	2	25	50
SF Operations	Servicing*	5	20	100	SF Operations	Servicing	2	20	40
CORE	CORE	1	270	270	CORE	CORE	1	270	270
Totals				1,611	Totals				880
INCOME (PROGRAM DEVELOPMENT PHASE									
Annual Originations				0	Annual Originations				0
Less 100 b.p. origination fee paid to lenders				0	Less 100 b.p. origination fee paid to lenders				0
Servicing Fee Income				0	Servicing Fee Income				0
Annual Income				0	Annual Income				0

<table>
<tr><th colspan="2">EXPAND DOWN PAYMENT ASSISTANCE PROGRAM(S)</th></tr>
<tr><th>DOWN PAYMENT SECOND MORTGAGE PROGRAM</th><th>MOVE/HOUSE 100% FINANCING ("No Down Payment")</th></tr>
<tr><th colspan="2">PROGRAM OUTLINE/PARAMETERS</th></tr>
<tr><td>- Lender makes second mortgage for up to 5% of the purchase price in conjunction with a 95% LTV MOVE/HOUSE first mortgage
- VHFA purchases second mortgage at the time the MOVE/HOUSE second mortgage is purchased
- VHFA funds program with a FHLB advance
- VHFA services both the first mortgage and second mortgage
- VHMGB insures the 95% LTV first mortgage
- IORTA Loan Loss Claim Fund insures second mortgage
- Pre-Purchase Homeownership Counseling
- VHFA Servicing—Early Intervention Servicing
- Post-Purchase Delinquency Counseling if any payment is 21 days overdue
- Property Inspection Requirement</td><td>- Loans Guaranteed by VHMGB—risk share agreement
- VHFA Loan Loss Claim Fund with Interest on Real Estate Trust Accounts (IORTA)
- Pre-Purchase Homeownership Education/Counseling
- VHFA Servicing—Early Intervention Servicing
- Post-Purchase Delinquency Counseling if any payment is 21 days overdue
- Property Inspection Requirement</td></tr>
<tr><th colspan="2">ASSUMPTIONS</th></tr>
<tr><td>- Loans originated under the MOVE/HOUSE Down Payment Second Mortgage option would not otherwise be originated for sale to VHFA
- Staff expenses calculated by using the mid-point of the salary grade for the position involved plus 30% for benefits
- All loans will be "no point" mortgages
- 150 loans originated in a one year period ($9.5 million in first mortgages; $.5 million in second mortgages)
- 75 basis point spread between the cost of funds and the note rate (first and second mortgage)</td><td>- Loans originated under the MOVE/HOUSE 100% Financing Option would not otherwise be originated for sale to VHFA
- Staff expenses calculated by using the mid-point of the salary grade for the position involved plus 30% for benefits
- All loans will be "no point" mortgages
- 150 loans originated in a one year period ($10 million)
- 75 basis point spread between the cost of funds and the note rate</td></tr>
<tr><th colspan="2">TIME PERIOD FOR IMPLEMENTATION</th></tr>
<tr><td>Four (4) months (see areas not analyzed [below] which will affect the implementation period)</td><td>Three (3) Months (see areas not analyzed [below] which will affect the implementation period)</td></tr>
</table>

<table>
<tr><th colspan="4">EXPAND DOWN PAYMENT ASSISTANCE PROGRAM(S)</th></tr>
<tr><th colspan="2">DOWN PAYMENT SECOND MORTGAGE PROGRAM</th><th colspan="2">MOVE/HOUSE 100% FINANCING ("No Down Payment")</th></tr>
<tr><th colspan="4">COST (EXPENSES) TO VHFA</th></tr>
<tr><td>Program Development</td><td>$ 1,611</td><td>Program Development</td><td>$ 880</td></tr>
<tr><td>Program Implementation</td><td>$18,230</td><td>Program Implementation</td><td>$ 1,833</td></tr>
<tr><td>Annual Cost of Program Operation</td><td>$ 9,205</td><td>Annual Cost of Program Operation</td><td>$ 7,586</td></tr>
<tr><th colspan="4">INCOME TO VHFA</th></tr>
<tr><td>$10,000,000 Annual Originations</td><td>$ 75,000</td><td>$10,000,000 Annual Originations</td><td>$ 75,000</td></tr>
<tr><td>Less 100 b.p. origination fee paid to lenders</td><td>$100,000</td><td>Less 100 b.p. origination fee paid to lenders</td><td>$100,000</td></tr>
<tr><td>Annual Income</td><td>$ 79,500</td><td>Annual Income</td><td>$(25,000)</td></tr>
<tr><th colspan="4">OTHER AREAS OF CONSIDERATION (NOT YET ANALYZED)</th></tr>
<tr><td colspan="2">- Cost, time, and other resources to develop, implement, and deliver Homeownership Counseling and Post-Purchase Delinquency Counseling
- Income from self-servicing first and second mortgage
- Staff capacity in Development, Finance, SF Operations and Communications departments
- Space and Set-up costs for additional staff (if necessary)
- System requirements and changes to Self-Service Loans
- Supplies to Promote and Operate Program
- Affect on bond rating/interest rates if VHFA were to increase the number of loans with less than a 5% down payment
- Losses not covered by IORTA Loan Loss Claim Fund or contributions from VHFA
- Cost of issuance of bonds
- Pre-Payments</td><td colspan="2">- Cost, time, and other resources to develop, implement, and deliver Homeownership Counseling and Post-Purchase Delinquency Counseling
- Staff capacity in Development, Finance, SF Operations and Communications departments
- Space and Set-up costs for additional staff (if necessary)
- System requirements and changes to Self-Service Loans
- Supplies to Promote and Operate Program
- Affect on bond rating/interest rates if VHFA were to increase the number of "No Down Payment" Loans
- Losses not covered by IORTA Loan Loss Claim Fund or contributions from VHFA
- Cost of issuance of bonds
- Pre-Payments</td></tr>
</table>

DOWN PAYMENT SECOND MORTGAGE PROGRAM					MOVE/HOUSE 100% FINANCING ("No Down Payment"				
EXPENSES (PROGRAM OPERATION: ANNUAL COSTS)									
Department	Staff Position	Hours Worked	Hourly Rate	Total	Department	Staff Position	Hours Worked	Hourly Rate	Total
SF Operations	Underwriters	175	17	2,975	SF Operations	Underwriters	150	17	2,550
SF Operations	Sr. Underwriter	50	20	1,000	SF Operations	Sr. Underwriter	38	20	760
SF Operations	Adm. Asst.	38	15	570	SF Operations	Adm. Asst.	38	15	570
SF Operations	Asst. Director	30	22	660	SF Operations	Asst. Director	20	22	440
SF Operations	Quality Control	15	22	330	SF Operations	Quality Control	15	22	330
SF Operations	Director	10	33	330	SF Operations	Director	10	33	330
Administration	General Counsel	5	29	145	Administration	General Counsel	5	29	145
Finance	Lender Acct. Coor.	50	22	1,100	Finance	Lender Acct. Coor.	38	22	836
SF Operations	Servicing*	20	20	400	SF Operations	Servicing*	15	20	300
Communications	CRC, TC	20	37	740	Communications	CRC, TC	10	37	370
Administration	DP Manager	10	25	250	Administration	DP Manager	10	25	250
CORE	CORE	1	270	270	Communications	ADM/HL	15	29	435
Communications	Adm/HL	15	29	435	CORE	CORE	1	270	270
Totals				9,205	Totals				7,586
INCOME									
Annual Originations				75,000	Annual Originations				75,000
Less 100 b.p. origination fee paid to lenders				-100,000	Less 100 b.p. origination fee paid to lenders				-100,000
Annual Income				- 25,000	Annual Income				- 25,000

*SERVICING ESTIMATE: Does not include staff time to self-service loans.

PROJECTED INCOME FOR FOLLOWING YEARS:	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	TOTALS
Annual Originations	150,000	225,000	300,000	375,000	450,000	525,000	1,400,000
Less 100 b.p. origination fee paid to lenders	100,000	-100,000	- 100,000	- 100,000	- 100,000	- 100,000	- 100,000
TOTALS	50,000	125,000	200,000	275,000	350,000	425,000	1,300,000

B.3 EXPAND (AS CONSORTIUM) USE OF FHLB IN CONJUNCTION WITH LIHTC

1. LIST OF ASSUMPTIONS FOR DISCUSSIONS

a. Community banks are interested in participating in a loan consortium with VHFA.
b. Benefits to participating banks would be risk-sharing, CRA credit, and access to loan underwriting and servicing expertise, and program knowledge of VHFA staff.
c. Consortium would operate as a pool with participation by all banks in each deal or would assign deals, based on geographical location, to one or more participating banks.
d. VHFA would provide administrative, loan underwriting, and loan servicing services, for which it would receive fees and other revenue.
e. VHFA might participate in loans, depending upon the competitiveness with which it can access funds (i.e., rate) or the appetite of participating banks for lending (i.e., VHFA would lend only if its rates were competitive, or the other member banks could not handle the volume of potential loans generated).
f. The consortium would initially focus on FHLB lending for LIHTC projects, but might expand to other types of lending, which might provide greater opportunities for VHFA participation in direct lending. Revenue estimates assume no direct lending by VHFA.
g. First year lending: $2,000,000 for 10 projects.
h. Second year lending: $2,000,000 for 10 projects; servicing for first year projects.

2. TIME PERIOD FOR IMPLEMENTATION

Assume initial six month program development and start-up time, including sign-up of initial members, with additional lenders participating over time. Assume that consortium will be a continuous institution with growth potential.

3. COST TO VHFA (See attached)

4. INCOME/REVENUES TO VHFA (See attached)

5. CONCLUSION

Subject to the accuracy of assumptions and of cost and revenue estimates, this activity might break even financially by the end of the first full year of operations and become profitable after that. Direct lending by VHFA as a participant would improve profitability by creating interest as well as other revenues.

The assumption of $2,000,000 in loan activity is optimistic. Expense projections are highly sensitive to the number of projects processed, while revenue projections are highly sensitive to the loan amounts. Relatively small numbers of projects with large loan amounts will yield better earnings. Relatively large numbers of projects with small loan amounts will yield worse earnings or losses; e.g., if we process ten projects, but lend only $1,000,000, our costs will be similar but our revenues (in the form of origination and servicing fees) will be half of that indicated in the chart.

EXPAND USE OF FHLB IN CONJUNCTION WITH LIHTC			
EXPENSES (DEVELOPMENT/IMPLEMENTATION: 6 MONTHS)			
Staff Position	Hours Worked	Hourly Rate	Total
Executive Director •	6	44	264
General Counsel	50	29	1,450
Finance Director	6	38	228
Management Director	4	29	116
Development Director	50	29	1,450
Multifamily Underwriter	24	22	528
Development Assistant	40	17	680
Administrative Assistant	20	15	300
SUBTOTAL EXPENSE (Develop/Implement)			5,016
Travel Mileage	500 miles	.29	145
TOTAL EXPENSE (Develop/Implement)			5,161
INCOME (DEVELOPMENT/IMPLEMENTATION: 6 MONTHS)			
Origination Fees 1% of 2,000,000			0
Attorney's Fees (Closing)			0
Servicing Fees			0
Loan Interest			0
Other Revenues			0
TOTAL INCOME (Develop/Implement)			0

EXPAND USE OF FHLB IN CONJUNCTION WITH LIHTC			
EXPENSES (OPERATION: FIRST YEAR)			
Staff Position	Hours Worked	Hourly Rate	Total
Executive Director	15	44	660
General Counsel	30 * 10	29	8,700
Counsel's Admin Asst	5 * 10	15	750
Finance Director	6	38	228
Finance Staff	20	25	500
Communications Director	8	29	232
Management Director	10	29	290
Management Staff	30	22	660
Development Director	100	29	2,900
Multifamily Underwriter	400	22	8,800
Development Assistant	200	17	3,400
Administrative Assistant	40	15	600
SUBTOTAL EXPENSE (First Year)			27,720
Advertising			1,000
Travel Mileage	1,500	.29	435
TOTAL EXPENSE (First Year)			29,155
INCOME (OPERATION: FIRST YEAR)			
Origination Fees 1% of 2,000,000			20,000
Attorney's Fees (Closing)	10	1,500	15,000
Servicing Fees	.375	* 0	0
Loan Interest			0
Other Revenues			0
TOTAL INCOME (Develop/Implement)			35,000

EXPAND USE OF FHLB IN CONJUNCTION WITH LIHTC			
EXPENSES (OPERATION: SECOND YEAR)			
Staff Position	Hours Worked	Hourly Rate	Total
Executive Director	15	44	660
General Counsel	30 * 10	29	8,700
Counsel's Admin Asst	5 * 10	15	750
Finance Director	6	38	228
Finance Staff	30	25	750
Communications Director	8	29	232
Management Director	10	29	290
Management Staff apps.	30	22	660
Management Staff Servicing	6 *10	22	1,320
Management Staff Servicing	2 * 10	15	300
Development Director	80	29	2,320
Multifamily Underwriter	300	22	6,600
Development Assistant	300	17	5,100
Administrative Assistant	40	15	600
SUBTOTAL EXPENSE (Second Year)			28,510
Travel Mileage	2,000	.29	580
TOTAL EXPENSE (Second Year)			29,090
INCOME (OPERATION: SECOND YEAR)			
Origination Fees 1% of 2,000,000			20,000
Attorney's Fees (Closing)	10	1,500	15,000
Servicing Fees 375 * 2,000,000			7,500
Loan Interest			0
Other Revenues			0
TOTAL INCOME (Second Year)			42,500

STRATEGIC PLANNING
COST/INCOME ANALYSIS

D.1: EXPAND DATA COLLECTION, ANALYSIS, DISSEMINATION

LIST OF ASSUMPTIONS FOR DISCUSSIONS

- Expanded data collection, analysis, and dissemination is fundamental to VHFA decision-making and to advancing the need for affordable housing
- Primarily for VHFA internal use
- New computer system will make data analysis more efficient
- Amount charged for data dissemination can cover cost of photocopying (reproduction) <u>and</u> cost of development *{subject to further review}*
- A research assistant position (split with housing clearinghouse) is needed to significantly expand this activity
- Income generation is limited because focus of work is for internal VHFA use

TIME PERIOD FOR IMPLEMENTATION

- Must have a permanent director of communications and research analyst, and desktop publishing capabilities in place to begin the development and implementation phases; this should be completed within the next two months
- The operation phase could commence immediately after the development and implementation phases. A research assistant would be added at that time.

D.2: BECOME CLEARINGHOUSE FOR HOUSING DATA

LIST OF ASSUMPTIONS FOR DISCUSSIONS

- Data will include general housing, general affordable housing, and specific State Agency data
- Becoming a clearinghouse for housing data will significantly increase VHFA's visibility as a source of general housing and State Agency data
- Amount charged for data dissemination can cover cost of photocopying (reproduction) <u>and</u> cost of development *{subject to further review}*
- A research assistant position (split with expand data analysis function) is needed to perform this activity
- Will have cooperation of other housing agencies and organizations re: providing data and working on quality control
- State Data Center works collaboratively
- Can use <u>Open House</u> and other inexpensive sources to publish data, such as the Realtor R Gram, Home Builders letter, etc.
- Breaking even financially is difficult and will require the support of numerous organizations statewide, *vis-a-vis* a membership structure: would include major affordable housing agencies as well as for-profit and nonprofit housing-based organizations

TIME PERIOD FOR IMPLEMENTATION

- Must have a permanent director of communications and research analyst, and desktop publishing capabilities in place to begin the development and implementation phases; this should be completed within the next two months
- The operation phase could commence immediately after the development and implementation phases. A research assistant would be added at that time.

EXPAND DATA COLLECTION/ANALYSIS/DISSEMINATION					BECOME CLEARINGHOUSE FOR HOUSING DATA				
EXPENSES (PROGRAM DEVELOPMENT/IMPLEMENTATION PHASES)									
Department	Staff Position	Hours Worked	Hourly Rate	Total	Department	Staff Position	Hours Worked	Hourly Rate	Total
Administration	Executive Assist	2	22	44	Administration	Executive Assist	0	22	0
Communications	Comm Director	4	29	116	Communications	Comm Director	2	29	58
Administration	Research Analyst	5	22	110	Administration	Deputy Director	2	38	76
Administration	Deputy Director	2	38	76	Administration	Research Analyst	5	22	110
TOTAL EXPENSES (DEVELOP/IMPLEMENT)				346	TOTAL EXPENSES (DEVELOP/IMPLEMENT)				244
INCOME (DEVELOPMENT/IMPLEMENTATION PHASES)									
				0					0
EXPENSES (PROGRAM OPERATION: ANNUAL COST)									
Department	Staff Position	Hours Worked	Hourly Rate	Total	Department	Staff Position	Hours Worked	Hourly Rate	Total
Administration	Executive Assist	195	22	4,290	Administration	Executive Assist	100	22	2,200
Administration	Research Asst *[New]*	975	17	16,575	Administration	Research Asst *[New]*	975	17	16,575
Administration	Deputy Director	10	38	380	Administration	Deputy Director	10	38	380
Administration	Research Analyst	30	22	660	Administration	Research Analyst	50	22	1,100
Equipment (½ new computer)				1,000	Equipment (½ new computer)				1,000
Travel (mileage, parking, etc.)		300 mi	.29	100	Travel (mileage, parking, etc.)		300	.29	100
Advertising				0	Advertising (Direct Mailings, etc.)				1,100
Purchase Data, Publications				200	Purchase Data, Publications				1,000
TOTAL EXPENSES (OPERATION PHASE)				23,205					23,455
INCOME (OPERATION PHASE: ANNUAL INCOME)									
Data Fees				3,000	Data Fees				10,000
Subscription Fees				0	Subscription Fees				15,000
TOTAL INCOME (OPERATION PHASE)				3,000	TOTAL INCOME (OPERATION PHASE)				25,000

STRATEGIC PLANNING
COST/INCOME ANALYSIS

F.1 REDUCE OPERATING COSTS TO AGENCY AND REDUCE COSTS OF PROGRAMS TO USERS

One area where immediate benefits can be achieved with respect to gaining sound financial footing is in the area of reducing operating costs to VHFA. While program development ultimately will "drive" the long-term direction of the Agency, cost savings within the organization and to users of VHFA programs are critical elements in strategic planning during the current environment.

The reduction of costs to users of VHFA's programs has not yet been addressed specifically. However, collaboration with other agencies to achieve efficiencies, better utilization of VHMGB to enhance our homeownership services/products, and the development of new programs will be undertaken with the objective of reducing costs to users.

AGENCY COST REDUCTION EFFORTS

1. Agency-Wide Efforts

   Since the Evensen Dodge Report was completed, staff have been involved in a very intensive effort to identify ways of reducing Agency operating costs. All staff were involved in proposing ideas that would save money for the Agency and improve general efficiencies in every department. Ideas poured in, ranging from doing away with paper cups to reducing the work week. All were considered seriously.

   ASSUMPTIONS

   - The benefits of cost savings outweigh any inconvenience to staff
   - Additional savings can be achieved through reduction in areas like travel, use of consultants, capital and office expenditures. These items have historically been used/obtained on an as-needed basis, so significant reductions are unlikely.
   - VHFA should is also looking closely at the "subsidies" provided Housing Vermont and Energy Rated Homes. A reduction in subsidies has begun and will continue over the next two years. Discussions with those organizations will take place to monitor the overall effects of VHFA's reduction in subsidies.
   - No direct expenses are anticipated. Unforeseen obstacles may make specific recommendations difficult to implement.

   SAVINGS $ 60,000

2. Media Advertising

One of the biggest areas for potential savings is the direct purchase of media advertising. The media advertising budget has been approximately $150,000 for the past two years in an effort to result in single family loan purchases to reduce negative arbitrage in an unfavorable interest-rate environment. While it was very clear that media advertising was cost effective in getting mortgages originated to reduce negative arbitrage, this problem may be reduced given new ways of structuring bond deals.

ASSUMPTIONS
Two scenarios have been considered; one assumes that all media advertising would immediately be eliminated and that $100,000 would go toward securing additional down payment assistance loans, while the Hotline staff would be reduced. The alternative would be to conduct a one-year evaluation of the effectiveness of the Agency's media advertising in an effort to determine the goals of media advertising and whether the advertising is cost effective.

Under both of these scenarios, the following assumptions were made:
- Negative arbitrage will be less of a problem.
- The "lender of last resort" concept still applies.
- A reduction in media advertising would probably mean fewer mortgages, but we need to determine: (a) what that reduction might be and (b) the number of loans which need to be made annually to keep VHFA in sound fiscal condition.

If all advertising is to be *eliminated*, these additional assumptions apply:
- The $100,000 budgeted for media advertising would be redirected to leverage additional no down payment mortgages, which allows the Agency to grow our assets to replace paid off loans assuming the new loans remain for at least five years.
- All media advertising will be discontinued immediately.
- One Hotline position would be eliminated; outreach efforts would be reduced by one third; lender and realtor training would also need to be cut by one third.
- All media outreach will be conducted via press releases, public service announcements and other no-cost options.
- Promotion of Home Buyer fairs and other events will be reduced unless participating vendor fees are increased.
- Any staff reduction would necessitate the assumption or absorption of those responsibilities by remaining staff, affecting all departments.

A one-year *evaluation* period would include the following assumptions:
- The specific impact of media advertising has not yet been measured adequately.
- Advertising assists in bringing in new loans, which allows the Agency to grow our assets to replace paid off loans assuming the new loans remain for at least five years.
- A review needs to take place regarding: the goals of VHFA media advertising; whether the media advertising is meeting Agency goals; the role of the Hotline staff in media advertising efforts
- Year 2 expenses and income will be determined based upon an analysis conducted in Year 1.

EXPENSES: Evaluation of Media Advertising

Staff Member	Hours Worked	Hourly Rate	Cost
Executive Director	10	$44	$ 440
Comm Director	40	$29	1,160
Deputy Director	10	$38	380
SF Operations Director	5	33	165
SF Assistant Director	5	22	110
Comm Dept Staff (CRC/TC)	10	37	370
Media Consultant			2,000
TOTAL EXPENSES			$ 4,625

SAVINGS Already reduced media advertising $50,000
FY95 budget reflects this reduction

EXPENSES: Elimination of Media Advertising

SAVINGS Eliminate Hotline staff position 25,000

TIME PERIOD FOR IMPLEMENTATION

A decision to eliminate all media advertising could be implemented immediately. Staff reduction could be accomplished after sufficient notice is given in accordance with standard VHFA practice.

If the one-year evaluation option is selected, implementation of suggested changes could be made as appropriate at the conclusion of the evaluation period.

3. REO Management

Another area of significant potential savings is in the area of REO management. Losses in this area may approach $500,000 this year! Some steps have been taken to speed up the process to reduce expenses associated with holding the properties. We have

ASSUMPTIONS

- Designate "regional attorneys" (who are familiar with VHFA rules and regulations) to handle all foreclosure actions. *[We have tested the concept of having one maintenance firm per region handle all aspects of maintaining the REO's to eliminate the threat of improperly winterized homes and to get repairs done in an expeditious manner and find it to be a promising approach.]*
- A full time administrative person has been assigned to assist the General Counsel and the servicing staff in tracking the properties through foreclosure. This should expedite the turn-around time.

SAVINGS

Not determined at this time. Reducing the length of time the properties remain in REO management will decrease Agency costs, although the dollar amount has not been analyzed.

F.2 COLLABORATE WITH OTHER AGENCIES IN ACHIEVING EFFICIENCIES TO DELIVER AFFORDABLE HOUSING

Collaboration efforts among Vermont's principal affordable housing agencies have been discussed, attempted, and, in some cases, successfully implemented over the past several years. Encouragement to increase collaboration is consistently heard from many sources: the 1992 Enterprise Report; the Vermont legislature; Governor Howard Dean; non-profit and for-profit housing developers; and numerous local housing organizations.

This collaboration can take many forms. For purposes of discussion, two areas are presented here: (1) Affordable Housing Program Monitoring; and (2) Section 8 Contract Administration. It should be emphasized that these areas represent a small portion in the broad range of various collaborative alternatives that might be pursued by agencies delivering affordable housing programs. The VHFA Strategic Planning Advisory did not specify which examples should be included in the income/cost analysis, although staff development of these areas was based on the Committee's discussion of various alternatives. Other examples of collaborative efforts might include: developing a data clearinghouse (discussed under option D.2); exchanging programs which fit within a given agency's area of expertise (such as VHFA taking over VHCB's Homeland Program and VHCB assuming VHFA's VENTURES Loan Program); and modifying the way in which access to loan dollars is arranged.

STRATEGIC PLANNING
COST/INCOME ANALYSIS

AFFORDABLE HOUSING PROGRAM MONITORING

The Enterprise Report completed in 1992 clearly identified the need for increased coordination in the delivery and monitoring of housing programs administer by agencies in Vermont. At least 12 monitoring agencies/programs are active in the production of affordable rental housing in throughout the State. Each of these organizations is responsible for conducting its own monitoring programs in four general areas: Tenant Income and Eligibility, Rent Levels, Physical Inspections, and Financial Reporting. In the current environment, property owners and managers typically receive requests from each funding or lending agency, which often leads to inefficiencies. Lack of standardized data makes reporting difficult and reduces the ability to derive good quality data for tracking purposes.

1. LIST OF ASSUMPTIONS FOR DISCUSSIONS
   - Would result in more efficient monitoring system
   - Would reduce need to request information multiple times from owners and managers
   - Would improve quality of data gathered
   - VHFA is in an ideal position to assume central monitoring position because of its portfolio of over 100 developments, with experience in monitoring and servicing related to fiduciary responsibilities for mortgage loans, outstanding bonds; and for tax credit information
   - Willingness by most agencies to consolidate monitoring
   - Market exists (i.e., organizations willing and able to pay) to finance this activity
   - Analyzed as separate piece to VHFA's Section 8 Contract Administration effort
   - No cost incurred by LIHTC monitoring function in Year 1 (no additional staff)
   - Total housing units in state is over 10,000 (including VHCB, Housing Vermont, DCA/CDBG, LIHTC representing 10,000 units); assuming 50% overlap, there would be approximately 5,000 "unduplicated" units for Year 2

2. TIME PERIOD FOR IMPLEMENTATION
   A three-year period of transition is anticipated. During the first year, efforts would go toward garnering support among housing agencies to consolidate monitoring activities, to secure commitments to finance effort, and to begin monitoring of LIHTC. The second year would be devoted to the hiring of staff and actual initiation of the monitoring work, with 100% participation occurring in the third year.

3. COSTS TO VHFA (see attached)

4. INCOME/REVENUES TO VHFA (see attached)

STRATEGIC PLANNING
COST/INCOME ANALYSIS

SECTION 8 CONTRACT ADMINISTRATION

VHFA and VSHA currently share Contract Administration responsibility for a portion of the properties built under the Section 8 NC/SR program. Fees of $271,178 to compensate the agencies for this work come in the form of either the spread on the bonds issued by VHFA or administrative fees collected by VSHA. Under existing agreements covering 61 properties (1,292 units), VHFA pays $67,032 annually from their spread and VSHA makes annual payments of $68,557 to VHFA as its share of the admin fee. Over the years, significant cooperation and communication have been needed between the two organizations to service and monitor loans, as well as property oversight and other responsibilities. Despite the best efforts of the two organizations, confusion and frustration over the arrangement exist among owners and managers and other housing administrators.

Vermont is the only remaining state with such an arrangement. The following proposes a mechanism to bring the Section 8 Contract Administration under one roof at VHFA.

1. LIST OF ASSUMPTIONS FOR DISCUSSIONS
   - Would result in more logical and efficient approach to Contract Administration designation
   - VHFA should be Contract Administrator because of Agency's greater capacity and depth of monitoring related to fiduciary responsibilities of mortgage loans, outstanding bonds and existing contract administration
   - Would result in one agency with whom HUD, owners and managers, other organizations will need to communicate
   - Direct responsibility on the status of all ACC and HAP Contract amendments would provide VFHA with better information and control with regard to budget based rent increases, Preservation Agreement negotiations, energy loans, and underwriting of acquisitions
   - Tax credit monitoring on those Section 8 developments that have used the LIHTC Program would be strengthened
   - VHFA can advocate for supportive services component in Section 8 housing
   - Significant effort needed in political arena to accomplish transition

2. TIME PERIOD FOR IMPLEMENTATION
   A two-year period of transition is anticipated. During the first year, efforts would go toward negotiating the details of the transition. The second year would be devoted to the hiring of staff and actual assignment and transfer of Contract Administration.

3. COST TO VHFA (see attached)
4. INCOME/REVENUES TO VHFA (see attached)

5. CONCLUSION
   Greater efficiencies with less confusion for owners/managers.

vhfa
VERMONT HOUSING FINANCE AGENCY

July 14, 1994

Ms. Marie Carpenter
Department of Administration
Secretary of Administration's Office
Pavilion Office Building
109 State Street
Montpelier, VT 05602

Dear Ms. Carpenter:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Thursday, July 28, at 1:30 p.m., in the Community Room at Whitney Hill, on Whitney Hill Road, Williston, Vermont.

If you have any questions, please do not hesitate to contact me at 864-5743, ext. 255.

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • FAX: 802/864-5746 • TDD: 1-800/586-5832

VERMONT

STATE GOVERNMENT MEETINGS

The Associated Press

Today

Board of Nursing Homes, 9 a.m., Secretary of State, 26 Terrace St., Montpelier.

Board of Cosmetology Hearing, 9:30 a.m., Vermont Learning Center, 146 State St., Montpelier.

Vermont Department of Agriculture, 9:30 a.m., Food and Markets, 2nd Floor Conference Room, 116 State St., Montpelier.

Governor's Workers' Compensation Advisory Council, 9:30 a.m., Green Mountain Power Corp., Green Mountain Drive, Montpelier.

Vermont Fire Service Training Council, 10 a.m., Pittsford Academy, Pittsford.

Health Care Authority Policy Council Finance Committee, 12:30 p.m., Pavilion Building, Fourth Floor Conference Room, 109 State St., Montpelier.

Architectural Barrier Compliance Board, 1:30 p.m., Labor & Industry, National Life Building, 2nd Floor Conference Room, Montpelier.

Connecticut River Joint Commissions, 1:30 p.m., Gaudens National Historic Site, Cornish, N.H.

Tuesday

Board of Land Surveyors, 9 a.m., Secretary of State, 26 Terrace St., Montpelier.

Hospital Data Council, 9 a.m., Skylight Conference Room, Waterbury State Complex, Waterbury.

Vermont Parole Board, 10:30 a.m., Federal Correctional Institution, Ray Brook, N.Y.

Public Service Board Technical Hearing, 3 p.m., Westford Town Library, Vermont 128, Westford.

Wednesday

Board of Pharmacy Secretary of State, 9 a.m., 26 Terrace St., Montpelier.

Environmental Board, deliberations, 9:30 a.m., Conference Room, 58 East State St., Fourth Floor, Montpelier.

Health Policy Council Planning Committee, 10 a.m., Health Care Authority, City Center, 89 Main St., Montpelier.

Vermont Home Mortgage Guarantee Board, 10:30 a.m., Banking, Insurance and Securities Office, City Center, 89 Main Street, Montpelier.

Agency of Transportation, 10:30 a.m., Travel Information Council, **Maintenance Division,** Sign Control Section, Agency of Transportation, Maintenance Division Conference Room, National Life North, Fourth Floor, Montpelier.

Environmental Board Deliberations, 11:30 a.m., Environmental Board Conference Room, 58 East State St., Fourth Floor, Montpelier.

Board of Dental Examiners Hearing, 2 p.m., Secretary of State, 26 Terrace St., Montpelier

Water Resources Board Public Hearing, 2 p.m., Woodward Reservoir, Plymouth Municipal Building, Route 100, Plymouth.

Water Resources Board Public Hearing, 7 p.m., Somerset Reservoir, Stratton Town Clerk's Office, Stratton.

Thursday

Real Estate Commission, 9 a.m., Secretary of State, 26 Terrace St., Montpelier.

Vermont's New Motor Vehicle Arbitration Board, 9:30 a.m., Agency of Transportation, Maintenance Division Conference Room, National Life North, 4th Floor, Montpelier.

Labor Relations Board, 9:30 a.m., Baldwin Street, Montpelier.

Liquor Control Board, 10 a.m., Green Mountain Drive, Montpelier.

Vermont Housing Finance Agency Board, 1:30 p.m., 3 Cathedral Square, Burlington.

Friday

Real Estate Commission, 9 a.m., Secretary of State, 26 Terrace St., Montpelier.

Board of Radiologic Technology, 9 a.m., Vermont Learning Center, 146 State St., Montpelier

Vermont Economic Development Authority, 9:30 a.m., Hartness House, Springfield.

Vermont 503 Corporation, noon, Hartness House, Springfield.

BURLINGTON POLICE LOG

12:39: 36-year-old man cited with retail theft on Cherry Street.

2:54: 30-year-old man cited with possession of cocaine.

7:18: 25-year-old man held in connection with simple assault.

8:29: Red Jeep stolen from King Street parking lot.

8:37: Ceramic cats stolen from car on North Winooski Avenue.

10:12: 30-year-old man held in connection with assault and violation of conditions.

1:18 p.m.: Checks stolen on Shelburne Road; $150.

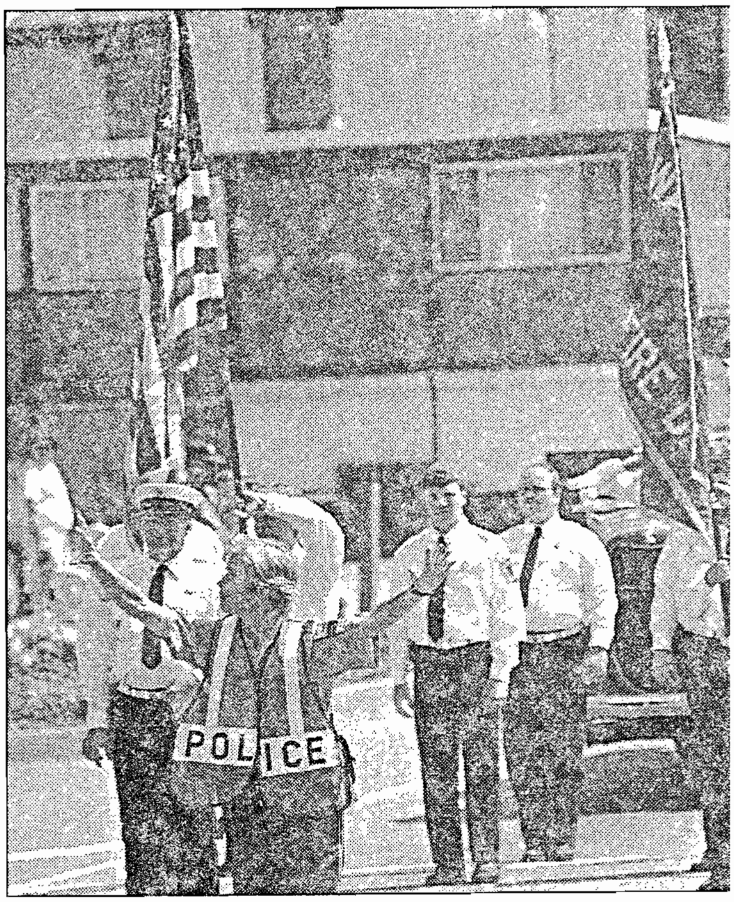
2:07: Car vandalized on Pine Street and Main Street; $100.

5:20: Lawn furniture stolen from residence on Weston Street; $60.

5:23: Bike stolen on Shore Road; $363.

10:58: Bike stolen on North Street; $200.

In addition, police responded to 16 noise disturbances, 16 motor vehicle incidents, nine domestic disturbances, seven disturbances, six intoxicated subjects, four alarms, three assists, three suspicious subjects, three suspicious circumstances, and 25 miscellaneous calls.



HEAVY TRAFFIC: Dot Graham of the University of V
at the corner of Main Street and South Winooski Avenue on
Firefighters' Association convention parade.

BLOODMOBILE

This week, the Vermont-New Hampshire Red Cross bloodmobile will make the following stops: Monday, American Legion, White River Junction, 12 p.m.-5 p.m., and Congregational Church, Colebrook, N.H., 1 p.m-6 p.m.; Wednesday, St. John's Center, St. Johnsbury, 12:30 p.m.-6 p.m.; Thursday, St. Leo's Parish Hall, Waterbury, 10 a.m.-3:30 p.m., and Col. Town Community House, Lancaster, N.H., 12:30 p.m.-5:30 p.m.; Friday, Orleans Federated Church, Orleans, 11 a.m.-4 p.m., and Elk's Lodge, Burlington, 4 p.m.-7 p.m.

Donor hours at the Williston site are: Monday and Friday, 7:30 a.m.-1 Tuesday through Thursday, 10 p.m., 3:30 p.m-6:30 p.m.; on the Saturday of each month, 8:30 12:30 p.m.

Last week's blood collections ed the Williston site, 291; Barre, Windsor, 64; Newport, N.H., 63; N.H., 61; UVM, 57; and Blodget, 3

The following donors received awards at the Blood Center: 2 lons:Sanford Sheldon, St. Alban gallons:Sidney Flanders, Waterbur Greg Whitchurch, Middlesex; 8 g Jill Decker, Essex Junction; 7 g

DEATHS

CALL, Geneva "Nena," 85, Burlington, Saturday; graduate of Mary Fletcher Hospital School of Nursing in 1930, former private nurse.

COTA, L. Leon, 75, Montgomery, Saturday; employed by GAF Corp. in Lowell for 32 years, member of St. Isidore Catholic Church and area senior citizens groups.

DUFRESNE, Armand G., 76, Har Saturday; World War II veteran, granite cutter, caretaker of health c

KING, Doris E., 73, Fletcher, day; New Hampshire native.

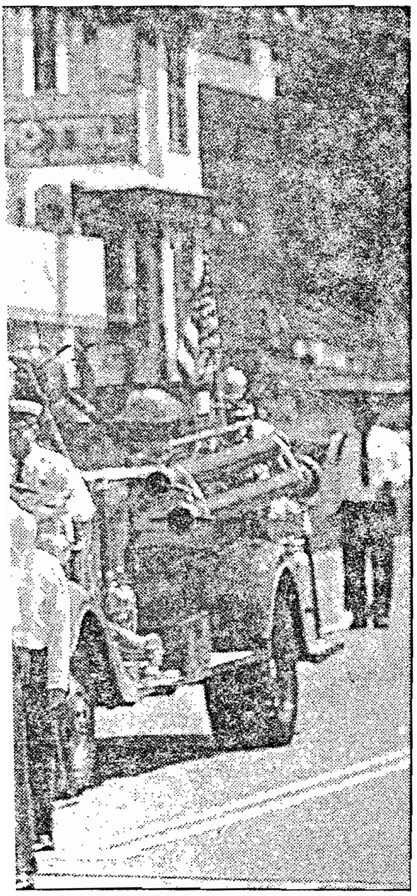
MULLEN, Elizabeth Anne, 92, burne, Sunday; worked for 35 year

▶ DEATH NOTICES AND FUNERALS HELD

he shared his stories and his time through various programs at the

neth, all of Montgomery; one daughter and her husband, Kathie

fette Menard of Williamsto
Irene Dussault Paquet of



MARK SASAHARA, *Free Press*

ont Police Services directs traffic
lay during the Vermont State

Timothy McCarron, Hinesburg, and Joseph Bousquet, Fairfax; 6 gallons: Neil Abair, Burlington; 5 gallons: Tammy Waite, Burlington; 3 gallons: Barbara Lascelles, Burlington, Judi Salatino, Colchester, and Robert McGregor, Essex Junction; 2 gallons: Jean DeSimone, Burlington, and Kathryn Davis, South Burlington; 1 gallons: Teresa Matthew, Colchester, Nancy Pratt, Colchester, Jeff Kenney, Essex Junction, Shirley Fox, Williston, Kevin Rooney, Williston, Thomas Fischer, Grand Isle, and John Redel, Grand Isle.

law firm in New York.

PRESTON, Bernice, 76, Georgia, Saturday; former secretary for superintendent of Milton schools.

STACEY, Donald S., Ferrisburgh, Saturday; pastor emeritus of the First United Methodist Church of Shelburne.

In Brief

Unexploded bomb found in school

An unexploded pipe bomb was found Saturday evening in Bellows Falls Union High School, state police in Rockingham said.

Police were called to the school at 9:32 p.m. Saturday when a janitor reported finding the bomb. The janitor had removed the bomb from the school, police said.

The homemade pipe bomb had a burned fuse, police said. They do not yet know the destructive potential of the bomb had it gone off, they said.

An investigation is continuing, police said.

CASA schedules summer meeting

Citizens Against Substance Abuse will meet from 7 to 8:30 p.m. Tuesday in Room 136, South Burlington Community Library on Dorset Street.

The group will discuss updates by summer activity committees and the youth center, a new name for the organization, and proposals for activities for later this year and next year. The public is invited to attend.

Free Press group to attend meeting

Black, Asian, Hispanic and American Indian journalists, once barely visible in an industry dominated by white men, are joining forces this week in Atlanta at a conference called Unity '94.

Also attending will be four journalists from The Burlington Free Press.

The Free Press delegation: Jennifer Carroll, executive editor; Juli Metzger, assistant managing editor; Aki Soga, business reporter; and Dipti Coorg, copy editor.

— From staff, wire reports

PAID NOTICES

and his wife, Laurie, of Santa Clara, Calif., and three great

by his daughters, Beth and Becky

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director ASH

DATE: July 6, 1994

RE: CANCELLING 07/21 BOARD MEETING
CONFIRMING 07/28 STRATEGIC PLAN REVIEW
PLANNING 08/18 BOARD MEETING

Due to a lack of agenda items and several conflicting vacation schedules, the July 21 Board meeting has been cancelled.

The Strategic Planning Review is scheduled for **1:30 p.m. Thursday, July 28.** This meeting will be held in the Community Room at Whitney Hill in Williston *(directions below)*. Appropriate staff members will attend this meeting attend as well. (A full packet of information regarding the "Top Ten" strategic planning subjects will be mailed to you July 22.)

The next regular monthly Board meeting is scheduled to take place **August 18** in Montpelier; however, that date (and location) will need to be re-confirmed during the Strategic Planning session.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to meeting with you in Burlington at 1:30 July 28!

REMINDER: The VHFA picnic will be held 07/21 at Knight Point State Park. Hope to see you there!

DIRECTIONS FROM BURLINGTON

{From the Airport, go LEFT (SOUTH) on Airport Road to Williston Road (Route 2); turn LEFT (EAST) onto Route 2.}

Continue EAST on Route 2 toward Williston. After 3 or 4 miles, you will come to a junction with Route 2A; this intersection is called Tafts Corner. After crossing this intersection, continue EAST on Route 2 for 1.8 miles. Turn RIGHT onto Whitney Hill Road. The Whitney Hill complex is at the end of the road. Park in spaces near the entrance and *not* in residents' spaces. Community Room is the building to the RIGHT of the main entrance; door is in the back.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD
One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • FAX: 802/864-5746 • TDD: 1-800/586-5832

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director ASH

DATE: July 22, 1994

RE: PROPOSED PURCHASE OF OFFICE SPACE

An opportunity has come along to purchase some good office space in downtown Burlington. The building is located at the corner of St. Paul Street and King Street, just south of the old Hotel Vermont building. The building has three stories, totalling a little more than 17,000 sq. ft. Dick White and several staff toured the building about a month ago and felt it would be good space for the Agency as well as a good investment, given the asking price of $750,000. We were planning to discuss this possible purchase with the full Board at our upcoming meeting.

This past Monday, the realtor listing the property called and indicated the owner (the Merchants Bank) had received a serious offer and that if we wanted to be considered, we would need to submit an offer by Thursday, 07/21. After consultation with the chairman, it was decided to submit an offer of $700,000 contingent on the Purchase and Sales Contract (copy enclosed) being ratified by the Board. This offer has been accepted by the seller.

In order to allow the entire Board the opportunity to tour this building, we have relocated the Strategic Planning session to Cathedral Square in Burlington.

If you are available and interested in touring the building, please meet at the VHFA office at 12:45; we will walk the few blocks to the Venture Place building, and from there to Cathedral Square. (Should the weather not cooperate, we will arrange transportation.) The Board will then be able to discuss the purchase of the building at the meeting to follow. I have enclosed a memo prepared by Roger Schoenbeck as to the financial implications of buying vs. remaining at One Burlington Square.

The regularly-scheduled Strategic Planning session will begin at 1:30 at "Top of the Square" in the Cathedral Square Building on Cherry Street (use the Cherry Street entrance). As this meeting will have received appropriate public notice, the Board will be able to take any appropriate action regarding the building purchase.

OVER

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • FAX: 802/864-5746 • TDD: 1-800/586-5832

The agenda for Thursday's meeting will be primarily devoted to VHFA's Strategic Planning work and will include the following:

1) Ratify/Modify VHFA's Mission Statement
1) Finalize strategic planning goal statements
3) Begin discussion of strategies to accomplish goals
   A. Review objectives (most attractive options) as defined by Strategic Planning Advisory Committee
   B. Discuss Income & Cost Analysis of Top "10" Recommended Options from Strategic Planning Committee

Please bring all materials you have received to date relating to Strategic Planning, including the income and cost analyses (the prototypes prepared for the June 23 meeting) and the materials attached to this memorandum.

Another Board meeting will be scheduled to complete the discussion of actions needed to accomplish the overall goals and objectives for the strategic plan and to develop an action plan and monitoring follow-up mechanism (for VHFA staff).

As with all Strategic Planning materials provided to you, the information included herein should be considered confidential and should not be discussed or shared with anyone other than members of the VHFA Board of Commissioners or senior VHFA staff.

Enclosed is an abbreviated menu from Carbur's. If you would like us to provide you with lunch, please let Barbara (ext. 255) know your menu selection by Wednesday, 07/27. Your meal will then be available at Cathedral Square.

vhfa

VERMONT HOUSING FINANCE AGENCY

TO: **VHFA Board of Commissioners**

FROM: **Roger A. Schoenbeck, Director of Finance** RAS

DATE: **July 22, 1994**

RE: **Venture Place Purchase**

Enclosed is a spreadsheet analysis comparing the financial costs of purchasing the Venture Place building or continuing to rent at One Burlington Square.

CURRENT LEASE: We are currently leasing 13,815 sq ft and some offsite storage at an annual cost of $151,558. We are trying to return approx 1,800 sq ft back to the landlord (storage and the old "multi-family" space). We were informed that $11 sq ft would be a reasonable assumption for our example and we are using 12,000 sq ft as a lease basis. We increased the rental rate to $11.50 after 10 years; $12 after 15 years and $12.50 after 20 years. There is a clause in our rental contract for us to pay our pro-rata share of operating expense increases over a base year. We have never been assessed for any charges and it is **possible** that there would be some incremental expenses. For the purposes of this analysis, we are assuming no extra operating expense charges.

BUILDING PURCHASE/DEBT SERVICE: Assumptions on the purchase are a $700,000 purchase price and $100,000 in renovations and moving expenses for a total of $800,000. We are assuming that we need a 5% return on our "investment" over a 25 year period. The rent/debt service calculation is equivalent to the interest earnings at 5% on the outstanding amortized principal balance of $800,000. Since the building has 15,000+ sq ft on the main floors, we are assuming that we would sublease 3,000 sq ft at $10 per foot. We increased the rate by 5% every five years.

OPERATING EXPENSES: Annual operating expenses for the building were calculated at $121,000, which includes the interest on the $800,000 debt. Although we are exempt from paying property taxes, we have included a $15,000 budget item in the event that the Board determines that some payment in lieu of taxes should be made. All other expenses for the building, as provided to us, were reviewed for reasonableness. Expenses were increased 5% each five year period to match the assumed 5% rental increase after the first 10 years. We also included a parking subsidy of $12,000 to match the "free parking of 20 spaces" included in our current leases.

CONCLUSIONS: The attached schedule shows a first year savings of $41,000 and a lifetime savings of almost $1.5 million by purchasing the building instead of continuing to rent. In addition to the real dollar savings, VHFA would presumably have a building as an asset that would be worth at least what we paid for it.

VENTURE PLACE BUILDING
PURCHASE ANALYSIS
1994-2019 (Lifetlme)

	PURCHASE		RENTAL		SAVINGS	
	1ST YEAR	LIFETIME	1ST YEAR	LIFETIME	1ST YEAR	LIFETIME
Rent/Debt service	39,624	603,013	132,000	3,480,000	92,376	2,876,987
Property taxes	15,000	414,422			(15,000)	(414,422)
Electric/gas	27,000	745,960			(27,000)	(745,960)
Water, sewer, fire	2,000	55,256			(2,000)	(55,256)
Rubbish/recycle	1,200	33,153	250	6,900	(950)	(26,253)
Elevator service	2,400	66,307			(2,400)	(66,307)
HVAC service	2,000	55,256			(2,000)	(55,256)
Janitorial	15,000	414,422			(15,000)	(414,422)
Parking	12,000	331,538			(12,000)	(331,538)
Insurance	3,300	91,173			(3,300)	(91,173)
Miscellaneous	1,476	40,779			(1,476)	(40,779)
Total expenses	121,000	2,851,279	132,250	3,486,900	11,250	635,621
Less: Sublease income	(30,000)	(828,845)	0	0	30,000	828,845
Net expense	91,000	2,022,434	132,250	3,486,900	41,250	1,464,466

STRATEGIC PLANNING ADVISORY COMMITTEE
TOP "10" RECOMMENDED OPTIONS
Adopted May 9, 1994

CATEGORY	ITEM		TOP "10"
S.F. Lender	A.2.	Expand Down Payment Assistance Program(s)**	1
Organization Structure	F.1. F.2. F.3.	Reduce Operating & User Costs** Collaborate with Other Agencies To Achieve Efficiencies** Better Utilize VHMGB To Enhance Services or Products**	2
S.F. Lender/ Environment.	A.5. C.2. C.3.	Develop Home Improvement Lending Program In Conjunction with: Expand Energy Programs Finance Program for Environmental Hazard Management	3
Environment	C.1.	Finance Failing or Inadequate Housing Infrastructure	4
Info & Public Education	D.1. D.2.	Expand Data Collection, Analysis, Dissemination** Become Clearinghouse for Housing Data**	5
Info & Public Education/ M.F. Lender	D.5. B.5.	Address Homelessness (Multi-Departmentally) Collaborate to Develop Programs for Support & Special Needs	6
Financing & Admin. Struc.	E.3.	Explore Expanding to Finance-Related, Non-Housing	7
M.F. Lender	B.3.	Expand (as Consortium) Use of FHLB in Conjunction with LIHTC**	8
S.F. Lender	A.1.	Create Self-Help Program (Sweat Equity)	9
M.F. Lender	B.4.	Continue to Participate in Public/Private Partnerships to Create Affordable Housing	10
S.F. Lender	A.4.	Expand Financing Options for Mobile Home Purchases	11
Info & Public Education	D.3.	Promote Homeownership Through Expansion of Home Buyer Education	-- *
Organization Structure	F.5.	Direct Servicing of Loans and/or Reduction of Lender Servicing Fee	-- *
M.F. Lender	B.1.	Provide Financing/Leasing of [Limited Equity] Coop Housing	-- *

-- * Added by VHFA Staff/Board for discussion purposes (not assigned to "Top 10" by Advisory Committee)

** These seven analyses are not included in this mailing; copies were included in the mailing for the 06/23 meeting, and should be brought to 07/28 meeting for further discussion.

STRATEGIC PLANNING
COST/INCOME ANALYSIS

A.1 CREATE SELF-HELP PROGRAM (SWEAT EQUITY)

OVERVIEW

VHFA's normal source of funding for single family programs is proceeds from the sale of tax exempt bonds. These funds come with certain requirements. One of these is the calculation of what is designated as "Acquisition Cost". The Internal Revenue Service Code (the "Code") defines Acquisition Cost as "...the cost of acquiring the residence as a completed residential unit...". Section 143 of the Code tells us that "...the value of services performed by the mortgagor or members of his family in completing the residence..." (Sweat Equity) may not be included in the acquisition cost.

Definition of Sweat Equity - The value of the labor provided by the mortgagor(s) or members of their family in the construction and completion of a residential unit.

VHFA must base the amount it could loan on the Acquisition Cost of the residence. As Sweat Equity can not be included in the acquisition cost, it can not be considered when calculating the amount that may be financed.

Example: Borrower is going to build a house. The appraised value of the home, based on plans and specs, would be $100,000. Borrower provides estimates from contractors showing the value of the labor to be $20,000. The materials and labor (of sub-contractors Borrower hires) is $80,000. VHFA would be able to loan Borrower 95% of $80,000 or $76,000. In other words, Borrower would need to have cash in the amount of $4,000 plus closing costs, not including the Sweat Equity, to make the deal work.

OPTION BEING ANALYZED

Provide a source of 100% financing for loans which include Sweat Equity

Example: Borrower is going to build a house. The appraised value of the home, based on plans and specs, would be $100,000. Borrower provides estimates from contractors showing the value of the labor to be $20,000. The materials and labor (of sub-contractors Borrower hires) is $80,000. VHFA would be able to loan Borrower 100% of the $80,000. In other words, Borrower would not need to have any cash other than closing costs to make the deal work.

ASSUMPTIONS

* Loans would be originated using MOVE/HOUSE programs.
* The Mortgagor would need to have full construction knowledge or hire an independent inspector to monitor the quality of work.
* Participating lenders are willing to offer the construction financing and disburse proceeds based on a completion schedule.
* 10 loans originated in a one year period for $800,000
* Once in operation, the expenses and income for VHFA would be the same as for any MOVE loan.

PROGRAM OUTLINE PARAMETERS

* Lender originates a construction loan for 100% of the construction costs, to include materials, land and contracted labor.
* VHFA provides lender with a form of a completion guarantee. Source of guarantee might be a pool of funds to be set aside from General Fund.
* Prior to the construction loan being granted, a loan package is presented to VHFA/VHMGB for a financing commitment.
* All phases of the construction not being performed by hired professional labor must be inspected by a building inspector. The lender and borrower would agree on the inspector to be used and this cost would be included in the financing.
* Lender would be responsible for receiving and reviewing all construction documentation.

Development and implementation expenses have been allocated to this initiative. However, no operational income or expenses have been allocated as this would be a subset of current MOVE/HOUSE programs and any income derived would be the same as current mortgages originated.

OTHER AREAS OF CONSIDERATION (NOT YET ANALYZED)

* Provide a pool of funds for second mortgage financing for Self-Help loans.
* Provide funding to a nonprofit to provide this type of assistance to eligible borrowers.
* Time and resources needed to obtain approval for additional 100% financing mortgages for VHMGB.
* Effect of additional 100% financing loans on VHFA bond ratings, etc.
* Supplies to promote and operate program.
* Effect of allowing Sweat Equity as part of the Acquisition Cost and its relationship to maximum purchase prices.

CREATE SELF-HELP PROGRAM (SWEAT EQUITY)				
EXPENSES (DEVELOPMENT/IMPLEMENTATION: 6 MONTHS)				
Department	Staff Position	Hours Worked	Hourly Rate	Total
SF Operations	Director	5	33	165
SF Operations	Assistant Director	15	22	330
Development	Development Coordinator	5	22	110
Communications	Director	3	29	87
Communications	Comm Relat/Training Coord	10	66	660
Finance	Director	2	38	76
Administration	General Counsel	2	29	58
Core		1	270	270
SUBTOTAL EXPENSE (Develop/Implement)				1,748
Miscellaneous (Printing/Mailing)				2,000
Travel Mileage		600	.29	174
TOTAL EXPENSE (Develop/Implement)				3,922
INCOME (DEVELOPMENT/IMPLEMENTATION: 6 MONTHS)				
TOTAL INCOME (Develop/Implement)				0
EXPENSES (OPERATION: FIRST YEAR)				
Department	Staff Position	Hours Worked	Hourly Rate	Total
TOTAL EXPENSE (First Year)				0
INCOME (OPERATION: FIRST YEAR)				
TOTAL INCOME (Develop/Implement)				0
EXPENSES (OPERATION: SECOND YEAR)				
Department	Staff Position	Hours Worked	Hourly Rate	Total
TOTAL EXPENSE (Second Year)				0
INCOME (OPERATION: SECOND YEAR)				
TOTAL INCOME (OPERATION: SECOND YEAR)				0

STRATEGIC PLANNING
COST-INCOME ANALYSIS

A.4 EXPAND FINANCING OPTIONS FOR MOBILE HOME PURCHASES

Overview

VHFA currently offers financing through the MOVE and HOUSE programs for mobile homes on owned and leased land. Mobile homes on leased land must have a lease term of twice the term of the mortgage (60 years). Individuals who want to purchase a mobile home in a park that has a short term (annual) lease are not eligible for VHFA financing and must qualify for a consumer loan from a bank or finance company. These types of loans usually have a term of 10-15 years, require a down payment of 10-25 percent, and the interest rates are generally adjustable.

If VHFA were to develop a source of funds to allow for the financing of mobile homes in parks with short term leases, we could expand homeownership options for lower income Vermonters who do not have the resources to qualify for financing offered by banks and finance companies and who need greater flexibility in qualifying for financing.

Program Outline/Parameters

- VHFA would:
  * determine criteria for approving mobile home parks for eligibility (i.e., adequacy of water/sewer, park management, on-going monitoring, etc.);
  * develop a source of funds to finance mobile homes as consumer loans;
  * establish a relationship with the consumer lending departments of current VHFA participating lenders;
  * purchase loans from participating lenders—loans would be serviced by VHFA.
- Lenders would originate loans secured by mobile homes in parks with short term leases.
- Loans would be insured by either VHMGB (must first obtain authority) or through the FHA Title One program for manufactured housing.
- Loan terms would range from 10-20 years (depending on the age of the mobile home).
- Minimum down payment requirement 5% with VHMGB (silent 2nd mortgage from nonprofit eligible for use as down payment)—no down payment required with the FHA Title One program.

Assumptions

- VHFA would purchase 150 loans each year.
- The average loan size would be $30,000.
- There would be a 112 basis point spread between the cost of funds and the note rate.
- VHFA would service the loans directly.
- VHMGB would obtain approval to insure mobile homes as consumer loans.
- FHA Title One program for manufactured housing would be found to be workable.
- VHFA would be able to finance loan origination fees and insurance fees in the loan.

Other Areas of Consideration (Not Yet Analyzed)

- Time and resources to develop financing source.
- Staff Capacity to develop, implement, and operate program.
- Space and set-up costs for additional staff (if necessary).
- Systems requirements and changes to self-service loans.
- Time needed and cost to establish authority for VHMGB to insure consumer loans.
- Losses not covered by VHMGB or FHA Title I Insurance.
- Pre-payments and Amortization.
- Supplies to promote and operate program.
- State Statute changes would be necessary.
- Resources necessary to monitor private mobile home parks re: health and safety issues.

Time Period for Development/Implementation

6 months

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EXPAND FINANCING OPTIONS FOR MOBILE HOME PARK PURCHASES				
EXPENSES (DEVELOPMENT: 6 MONTHS, INCLUDING IMPLEMENTATION)				
Department	Staff Position	Hours Worked	Hourly Rate	Total
Development	Development Coordinator	15	22	330
SF Operations	Assistant Director	15	22	330
Development	Director	3	29	87
Communications	Director	3	29	87
SF Operations	Director	5	33	165
Communications	Comm Relations/Training Coord	10	37	370
Finance	Director	15	38	570
Administration	General Counsel	15	29	435
Administration	Executive Director	2	44	88
Administration	Deputy Director	2	38	76
Administration	Research Analyst	2	22	44
Administration	Research Assistant *[New]*	5	17	85
Administration	DP Manager	3	25	75
SF Operations	Servicing	15	20	300
SF Operations	Underwriters	1	17	17
SF Operations	Senior Underwriter	2	20	40
Development	Administrative Assistant	3	15	45
SF Operations	Administrative Assistant	3	15	45
Core		1	270	270
Finance	Staff	4	25	100
TOTAL EXPENSE (Develop)				3,559
INCOME (DEVELOPMENT: 6 MONTHS, INCLUDING IMPLEMENTATION)				
				0
TOTAL INCOME (Develop/Implement)				0

EXPAND FINANCING OPTIONS FOR MOBILE HOME PARK PURCHASES				
EXPENSES (IMPLEMENTATION: 6 MONTHS, INCLUDING DEVELOPMENT)				
Department	Staff Position	Hours Worked	Hourly Rate	Total
Development	Development Coordinator	8	22	176
SF Operations	Assistant Director	20	22	440
Development	Director	2	29	58
Communications	Director	2	29	58
SF Operations	Director	5	33	165
Communications	Comm Relations/Training Coord	15	37	555
Finance	Director	15	38	570
Administration	General Counsel	15	29	435
Administration	Executive Director	2	44	88
Administration	Deputy Director	2	38	76
Administration	DP Manager	5	25	125
SF Operations	Servicing	15	20	300
SF Operations	Underwriters	2	17	34
SF Operations	Senior Underwriter	3	20	60
Development	Administrative Assistant	5	15	75
SF Operations	Administrative Assistant	5	15	75
Communications	Admin Assistant/Hotline Coord	10	15	150
Core		1	270	270
Finance	Staff	25	25	625
Administration	Executive Assistant	25	22	550
SUBTOTAL EXPENSES (Implementation)				4,885
Procedures/Printing/Mailing				15,000
TOTAL EXPENSES (Implementation)				19,885
TOTAL EXPENSES (Development PLUS Implementation)				23,489

EXPAND FINANCING OPTIONS FOR MOBILE HOME PARK PURCHASES				
EXPENSES (OPERATION: ANNUAL)				
Department	Staff Position	Hours Worked	Hourly Rate	Total
SF Operations	Underwriters	150	17	2,550
SF Operations	Senior Underwriter	38	20	760
SF Operations	Administrative Assistant	38	15	570
SF Operations	Assistant Director	20	33	660
SF Operations	Quality Control	15	22	330
SF Operations	Director	10	33	330
SF Operations	Servicing *	20	20	400
Communications	Comm Relations/Training Coord	15	37	555
Administration	DP Manager	10	25	250
Administration	Deputy Director	1	38	38
Core		1	270	270
Communications	Admin Assistant/Hotline Coord	20	29	580
Development	Development Coordinator	2	22	44
Communications	Director	3	29	87
Administration	Research Analyst	2	22	44
Administration	Research Assistant *[New]*	6	17	102
Administration	Executive Director	1	44	44
Finance	Staff	20	25	500
TOTAL EXPENSE (Annual)				8,259

*Does not include staff time to service loans.

INCOME: ANNUAL

$4.5 million in loans x 1.12 = (avg balance $2.7 million) 33,750

Year 1 =	33,750
Year 2 =	84,150
Year 3 =	134,550
Year 4 =	184,950
Year 5 =	235,350
TOTAL	672,750

STRATEGIC PLANNING
COST-INCOME ANALYSIS

A.5 DEVELOP HOME IMPROVEMENT LENDING PROGRAM

Overview

Access to funds for home improvements are generally limited to those homeowners with a substantial amount of equity in their property. Most lenders in Vermont offer home equity loans that allow homeowners to borrow up to 80 percent of the value of their home (less the amount of the first mortgage); however, many homeowners do not have sufficient equity to qualify for a line of credit. Other sources of financing for home improvements are very limited. Some lenders offer unsecured, personal loans that may be used for home improvements. Personal loans generally have a short term and a high interest rate.

There are currently only five or six lenders actively participating in the FHA Title One Home Improvement Program. In the 1970's and early 1980's, the Title I program was used by lenders to assist homeowners without a lot of equity to access funds for home improvements. In the mid-1980's, FHA made some changes to this program that required additional lender monitoring and administration ,and the requirement that the lender demonstrate that the borrower has sufficient equity. With those changes, many lenders discontinued their participation in the FHA Title I program.

With the increased availability to home buyers of low down payment or no down payment financing, many homeowners will not have sufficient equity to access funds for home improvements. Also, the housing stock in Vermont is aging and it will be increasingly important for homeowners to have access to affordable financing for home improvements and repairs. There appears to be a need that is currently not being met by other financial institutions in Vermont and an opportunity for VHFA to meet this need. VHFA also believes that an important component to a home improvement program will be developing a statewide technical assistance network to support homeowners who may need assistance to determine what repairs are necessary, obtain bids, and supervise improvements/repairs. Staff is hopeful that technical assistance can be delivered by nonprofit organizations, CAP agencies, etc.

Program Outline/Parameters

- Eligible Improvements/Repairs include (but not limited to):
    * Maintenance (roof, exterior siding, well, septic, foundation, etc);
    * Energy Repairs/Improvements;
    * Health and Safety Repairs/Improvements (lead paint abatement, asbestos removal, etc);
    * Other Improvements (new kitchens/bathrooms, new flooring and carpeting, additions to living space, garages, finish basements, etc).
- Maximum Loan Amount—$15,000.
- Maximum Loan Term—15 years.
- Technical Assistance available to assist homeowners who need help to determine what repairs are necessary, obtain bids, and supervise construction/repairs.

- Loans insured by VHMGB (need authority) or the FHA Title One Home Improvement Loan Program or VHFA Loan Loss Reserve Fund.
- VHMGB or VHFA Loan Loss Reserve Fund insured loans may include costs to obtain loan—FHA Title One Home Improvement Loan Program limits loan costs/fees that may be financed.
- Homeowners receiving a loan insured by the FHA Title One program do not have to demonstrate equity in the property.
- Equity requirements for VHMGB insured and VHFA Loan Loss Reserve insured loans to be determined.
- Loans are originated through the consumer lending departments of participating lenders for sale to VHFA.
- VHFA services the loans.

Assumptions

- VHFA would purchase 200 loans each year.
- Average loan size would be $6,000.
- There would be a 150 basis point spread between the cost of funds and the note rate.
- Technical assistance would be available for those homeowners who need assistance.
- VHFA would service the loans directly.
- VHMGB would obtain approval to insure other home improvements (they are currently authorized to insure energy loans up to a maximum of $7500.
- Title One Home Improvement Loan Program must be determined to be workable (this program is undergoing a review by FHA/Lenders/NCHSA to make it more workable, especially for affordable housing).
- Fees to compensate the lenders for originating the loans, insurance fees, and fees to pay for technical assistance would be eligible for financing (VHMGB and VHFA Loan Loss Reserve funds only—FHA Title One Home Improvement Loan Program limits fees that may be financed).

Other Areas of Consideration (Not Yet Analyzed)

- Time and resources to develop financing source.
- Staff capacity to develop, implement and operate program.
- Space and set-up costs for additional staff (if necessary).
- System requirements and changes to service loans and to meet any special requirements of the FHA Title One Home Improvement Loan Program.
- Time and resources needed to establish authority for VHMGB to insure home improvement loans.
- Losses not covered by VHMGB, FHA, or a Loan Loss Reserve.
- Supplies to Promote and operate program.
- Pre-payments.
- Development of Technical Assistance component (with area nonprofit organizations).

Time Period for Development/Implementation
6 months

DEVELOP HOME IMPROVEMENT LENDING PROGRAM				
EXPENSES (DEVELOPMENT)				
Department	Staff Position	Hours Worked	Hourly Rate	Total
Development	Development Coordinator	15	22	330
SF Operations	Assistant Director	15	22	330
Development	Director	3	29	87
Communications	Director	3	29	87
SF Operations	Director	5	33	165
Communications	Comm Relat/Training Coord	10	37	370
Finance	Director	15	38	570
Administration	General Counsel	15	29	435
Administration	Executive Director	2	44	88
Administration	Deputy Director	2	38	76
Administration	Research Analyst	2	22	44
Administration	Research Assistant *[New]*	5	17	85
Administration	DP Manager	3	25	75
SF Operations	Servicing	15	20	300
SF Operations	Underwriters	1	17	17
SF Operations	Senior Underwriter	2	20	40
Development	Administrative Assistant	3	15	45
SF Operations	Administrative Assistant	3	15	45
Core		1	270	270
Finance	Staff	4	25	100
TOTAL EXPENSE (Development)				3,559
INCOME (DEVELOPMENT)				0

DEVELOP HOME IMPROVEMENT LENDING PROGRAM				
EXPENSES (IMPLEMENTATION)				
Department	Staff Position	Hours Worked	Hourly Rate	Total
Development	Development Coordinator	8	22	176
SF Operations	Assistant Director	20	22	440
Development	Director	2	29	58
Communications	Director	2	29	58
SF Operations	Director	5	33	165
Communications	Comm Relations/Training Coord	15	37	555
Finance	Director	15	38	570
Administration	General Counsel	15	29	435
Administration	Executive Director	2	44	88
Administration	Deputy Director	2	38	76
Administration	DP Manager	5	25	125
SF Operations	Servicing	15	20	300
SF Operations	Underwriters	2	17	34
SF Operations	Senior Underwriter	3	20	60
Development	Administrative Assistant	5	15	75
SF Operations	Administrative Assistant	5	15	75
Communications	Admin Assistant/Hotline Coord	10	15	150
Core		1	270	270
Finance	Staff	25	25	625
Administration	Executive Assistant	25	22	550
SUBTOTAL EXPENSES (Implementation)				4,885
Procedures/Printing/Mailing				15,000
TOTAL EXPENSES (Implementation)				19,885
INCOME (IMPLEMENTATION)				0
TOTAL EXPENSES (Develop/Implement)				23,489

DEVELOP HOME IMPROVEMENT LENDING PROGRAM				
EXPENSES (OPERATION: ANNUAL)				
Department	Staff Position	Hours Worked	Hourly Rate	Total
SF Operations	Underwriters	150	17	2,550
SF Operations	Senior Underwriter	38	20	760
SF Operations	Administrative Assistant	38	15	570
SF Operations	Assistant Director	20	33	660
SF Operations	Quality Control	15	22	330
SF Operations	Director	10	33	330
SF Operations	Servicing *	20	20	400
Communications	Comm Relations/Training Coord	15	37	555
Administration	DP Manager	10	25	250
Administration	Deputy Director	1	38	38
Core		1	270	270
Communications	Admin Assistant/Hotline Coord	20	29	580
Development	Development Coordinator	2	22	44
Communications	Director	3	29	87
Administration	Research Analyst	2	22	44
Administration	Research Assistant *[New]*	6	17	102
Administration	Executive Director	1	44	44
Finance	Staff	20	25	500
TOTAL EXPENSE (Annual)				8,259

*Does not include staff time to service loans

INCOME: ANNUAL

$1.2 million in loans x 1.50 = (avg. balance $720,000) 10,800

Year 1 = 10,800
Year 2 = 28,800
Year 3 = 46,800
Year 4 = 64,800
Year 5 = 82,800

TOTAL 234,000

STRATEGIC PLANNING
COST/INCOME ANALYSIS

B.1 PROVIDE FINANCING/LEASING OF [LIMITED EQUITY] COOP HOUSING

Cooperative housing (COOPs) provides a form of homeownership to very low-income individuals. Through this financing program VHFA would:

A. Provide construction and permanent financing (blanket mortgages) for the development of limited equity cooperative housing units;
B. Provide construction and permanent financing (blanket mortgages) for the development and/or conversion of mobile home parks into COOP mobile home parks;
C. Provide share loans to tenant stockholders.

Demand for cooperative housing appears to be higher than supply in Chittenden County, but is not documented for the rest of Vermont.

<u>List of Assumptions</u>

1. VHFA assumes that COOP housing units/COOP mobile home parks developed will have sufficient cash flow to carry some amortizing debt (for this analysis we estimated one-third of the total development costs).
2. Total development costs estimated at $80,000 per unit.
3. Share loans would be delivered by local nonprofit housing organizations and then sold to VHFA. VHFA would service the loans (SF Operations).
4. Blanket mortgages would be originated by and serviced by VHFA (MF Management).
5. A source of funds is available for COOP blanket mortgages and share loans to tenant stockholders (e.g. taxable bond sales, FHLB advances).
6. *First Year Activity:*

    2 Projects—20 units developed—VHFA provides construction financing of $535,000 at 8 percent—permanent loan will close in year two of the program.

    Second Year Activity:

    20 share loans (average loan size $2,000)—100 basis point spread between cost of funds and share loan note rate (share loans provided to shareholders of units developed in the first year of the program).

    2 Projects—20 units developed—VHFA provides permanent loan (construction loan originated in year one).

    3 projects—30 units developed—VHFA provides construction financing of $750,000 at 8 percent—permanent loan will close in year three of the program.

7. Revenue projections assume that construction from general funds now generate net revenue of 3 percent over alternative short term investments. Permanent loans generate 1 percent net revenue based on a spread of 100 basis points between our cost of borrowing and the loan rate.

<u>Time Period for Implementation</u>

Development/Implementation - Six months
Operations - next two years

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PROVIDE FINANCING/LEASING OF [LIMITED EQUITY] COOP HOUSING				
EXPENSES (DEVELOPMENT/IMPLEMENTATION: COOP HOUSING; 6 MONTHS)				
Department	Staff Position	Hours Worked	Hourly Rate	Total
Administration	Executive Director	6	44	264
Administration	Deputy Director	2	38	76
Administration	General Counsel	20	29	580
Finance	Director	25	38	950
MF Management	Director	15	29	435
Development	Director	35	29	1,015
Development	MF Underwriter	25	22	550
Development	Development Assistant	15	17	255
Development	Administrative Assistant	10	15	150
SF Operations	Director	15	33	495
SF Operations	Assistant Director	15	22	330
Development	Coordinator	15	22	330
SF Operations	Servicing	10	20	200
Finance	Staff	10	25	250
Communications	Training Coordinator	5	37	185
SUBTOTAL EXPENSE (Develop/Implement COOP Housing)				6,065
Travel Mileage		200	.29	58
TOTAL EXPENSE (Develop/Implement COOP Housing)				6,123
INCOME (DEVELOPMENT/IMPLEMENTATION COOP HOUSING)				
TOTAL INCOME (Develop/Implement COOP Housing)				0

PROVIDE FINANCING/LEASING OF [LIMITED EQUITY] COOP HOUSING				
EXPENSES (ANNUAL OPERATION: COOP HOUSING, First Year)				
Department	Staff Position	Hours Worked	Hourly Rate	Total
Administration	Executive Director	4	44	176
Administration	General Counsel	60	29	1,740
Administration	Admin Asst. (Legal)	15	15	225
Finance	Director	10	38	380
Finance	Staff	10	25	250
Communications	Director	2	29	58
MF Management	Director	2	29	58
MF Management	Staff	10	22	220
Development	Director	25	29	725
MF Management	Underwriter	60	22	1,320
Development	Assistant	20	17	340
Development	Admin Asst.	6	15	90
SF Operations	Director	4	33	132
SF Operations	Asst. Director	8	22	176
SF Operations	Underwriters	20	17	340
SF Operations	Senior Underwriters	5	20	100
SF Operations	Admin. Asst.	5	15	75
SF Operations	Servicing	10	20	200
Development	Coordinator	8	22	176
Communications	Community Rel/Training Coord.	15	37	555
SUBTOTAL EXPENSE (COOP Housing First Year)				7,336
Travel		500	.29	145
TOTAL EXPENSE (COOP Housing First Year)				7,481
INCOME (OPERATION: COOP HOUSING FIRST YEAR)				
Origination Fees 1% (Construction loan)				5,350
Interest Income				
Construction Loan (Avg. balance $214,000 @ net profit of 3%/year)				6,420
TOTAL INCOME (COOP Housing First Year)				11,770

PROVIDE FINANCING/LEASING OF [LIMITED EQUITY] COOP HOUSING				
EXPENSES (ANNUAL OPERATION: COOP HOUSING Second Year)				
Department	Staff Position	Hours Worked	Hourly Rate	Total
Administration	Executive Director	4	44	176
Administration	General Counsel	90	29	2,610
Administration	Legal Admin. Assistant	24	15	360
Finance	Director	15	38	570
Finance	Staff	15	25	375
Communications	Director	2	29	58
MF Management	Director	3	29	87
MF Management	Staff	15	22	330
Development	Director	30	29	870
Development	Assistant	30	17	510
Development	MF Underwriter	80	22	1,760
Development	Admin. Assistant	9	15	135
SF Operations	Director	4	33	132
SF Operations	Assistant Director	4	22	88
SF Operations	Underwriters	30	17	510
SF Operations	Senior Underwriters	4	20	80
SF Operations	Admin. Assistant	4	15	60
SF Operations	Servicing	15	20	300
Development	Coordinator	8	22	176
Communications	Comm Rela/Training Coord.	15	37	555
SUBTOTAL EXPENSE (COOP Housing Second Year)				9,742
Travel Mileage		500	.29	145
TOTAL EXPENSE (COOP Housing Second Year)				9,887
INCOME (OPERATION COOP HOUSING: SECOND YEAR)				
Origination Fees 1% ($535,000 permanent loan)				5,350
Origination Fees 1% ($750,000 construction loan)				7,500
Interest Income				
Construction Loan (Avg. balance $300,000 @ net profit of 3%/Year				9,000
Permanent Loans ($535,000 @ 1%)				5,350
Share Loans ($40,000 @ 1%)				400
TOTAL INCOME (COOP Housing Second Year)				27,600

STRATEGIC PLANNING
COST/INCOME ANALYSIS

B.4 CONTINUE TO PARTICIPATE IN PUBLIC/PRIVATE PARTNERSHIPS TO CREATE AFFORDABLE HOUSING

VHFA would participate as a development partner only when necessary to produce affordable housing that would not otherwise be developed as affordable housing.

1. **LIST OF ASSUMPTIONS FOR DISCUSSIONS**
   a. VHFA would participate in partnerships that seek to provide affordable housing in the form of rental housing, owner-occupied housing, or mobile home parks.
   b. VHFA would participate in partnerships with either nonprofit or for-profit development organizations.
   c. VHFA might participate beginning at various stages of the development process to facilitate the process and reduce risk to the developer. This participation could take the form of a land loan, participation in the permitting process, infrastructure or construction financing.
   d. VHFA would require a minimum $500/unit developer's fee.
   e. Construction Inspection would be paid as a project expense. VHFA would consider increasing capacity by creating a construction inspector position if construction lending activity significantly increases. Fees to cover costs would be charged to projects.
   f. Revenue projections assume that construction loans from general funds would generate net revenue of 3 percent over alternative short-term investments, and that permanent loans would generate 1 percent net revenue based on a spread of 100 basis points between our cost of borrowing and the loan rate.

   MULTI-FAMILY ASSUMPTIONS:
   a. VHFA would participate in one partnership a year.
   b. Partnership would develop a 40-unit development each year with an average unit cost of $80,000.
   c. For purposes of revenue projections we are assuming that each project would support 1/3 of development cost in senior debt, revenues will increase if more senior debt is possible.
   d. In addition to developer's fee, construction interest and fees, multi-family partnerships would generate income through permanent loan fees (assume VHFA provides financing).

   SINGLE FAMILY ASSUMPTIONS:
   a. VHFA would participate in two partnerships a year.
   b. Partnerships would develop two 20-unit developments each year with an average unit cost of $80,000 to $90,000.
   c. VHFA would provide a construction loan for 90 percent of development cost.

MOBILE HOME PARK ASSUMPTIONS:

a. VHFA would participate in one partnership a year.

b. Partnerships would develop one 40-unit development with an average unit cost of $15,000 each year.

c. For purposes of revenue projections we are assuming that each project would support 1/3 of development cost in senior debt. Revenues will increase if more senior debt is possible, as in market rate developments.

d. In addition to developer's fee, construction interest and fees, mobile home partnerships would generate income through permanent loan fees (assume VHFA provides financing).

2. **TIME PERIOD FOR IMPLEMENTATION**

Assume initial six month program development and implementation. Assume that time required by the Finance and Development Departments to form, underwrite and assess partnerships will decrease in Year Two.

3. **COST TO VHFA** (See attached)

4. **INCOME/REVENUES TO VHFA** (See attached)

5. **CONCLUSION**

Subject to the accuracy of assumptions and of cost and revenue estimates, this activity may provide an opportunity to realize profits because of new activity in construction and (with multi-family partnerships) permanent lending. Revenues might be significantly enhanced if multi-family partnerships focused on mixed income developments and VHFA provided the construction and permanent financing for a higher percentage of project costs.

Based on the current lending environment, the assumption of at least one partnership a year may be optimistic. For the program to be financially viable, VHFA would only enter into partnerships where it has been agreed that VHFA will provide construction financing; the income generated from VHFA's developer's fee is not sufficient to cover the risk VHFA would take on by becoming involved early in the development process.

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CONTINUE TO PARTICIPATE IN PUBLIC/PRIVATE PARTNERSHIPS TO CREATE AFFORDABLE HOUSING

EXPENSES (Development/Implementation: Multi-Family, 6 Months)

Department	Staff Position	Hours Worked	Hourly Rate	Total
Administration	Executive Director	8	44	352
Administration	General Counsel	15	29	435
Finance	Director	8	38	304
Administration	Deputy Director	2	38	76
Development	Director	40	29	1,160
Development	MF Underwriter	20	22	440
Development	Development Assistant	40	17	680
Development	Administrative Assistant	20	15	300
Administration	Admin Asst (Legal)	5	15	75
MF Management	Director	5	29	145
MF Management	1 Staff Member	5	22	110
Communications	Director	2	29	58
Core		1	270	270
Loan Review	Committee	1	243	243
SUBTOTAL EXPENSE (Develop/Implement Multi-Family, 6 Mos.)				4,546
Travel Mileage		250	.29	73
TOTAL EXPENSE (Develop/Implement Multi-Family, 6 Mos.)				4,619
INCOME (Development/Implementation Multi-Family, 6 Mos.)				
TOTAL INCOME (Develop/Implement Multi-Family, 6 Mos.)				0

CONTINUE TO PARTICIPATE IN PUBLIC/PRIVATE PARTNERSHIPS TO CREATE AFFORDABLE HOUSING

EXPENSES (Annual Operation: Multi-Family, First Year)				
Department	Staff Position	Hours Worked	Hourly Rate	Total
Administration	Executive Director	8	44	352
Administration	General Counsel	50	29	1,450
Finance	Director	8	38	304
Administration	Deputy Director	1	38	38
Communications	Director	4	29	116
Development	Director	30	29	870
Development	MF Underwriter	60	22	1,320
Development	Development Assistant	30	17	510
Development	Administrative Assistant	8	15	120
Administration	Admin Assistant (Legal)	5	15	75
MF Management	Director	5	29	145
MF Management	1 Staff Member	5	22	110
Core		1	270	270
Loan Review	Committee	1	243	243
SUBTOTAL EXPENSE (Multi-Family, First Year)				5,923
Travel		250	.29	73
TOTAL EXPENSE (Multi-Family, First Year)				5,996

INCOME (Operation: Multi-Family, First Year)	
Developer's Fee	20,000
Construction Loan Origination Fee	10,667
Construction Interest based on 3% net profit over alternatives	12,800
Permanent Loan Origination Fee	10,667
TOTAL INCOME (Multi-Family First Year)	54,134

CONTINUE TO PARTICIPATE IN PUBLIC/PRIVATE PARTNERSHIPS
TO CREATE AFFORDABLE HOUSING

EXPENSES (Annual Operation: Multi-Family, Second Year)				
Department	Staff Position	Hours Worked	Hourly Rate	Total
Administration	Executive Director	6	44	264
Administration	General Counsel	50	29	1,450
Finance	Director	6	38	228
Administration	Deputy Director	1	38	38
Communications	Director	4	29	116
Development	Director	25	29	725
Development	MF Underwriter	50	22	1,100
Development	Development Assistant	25	17	425
Development	Administrative Assistant	6	15	90
Administration	Admin Assistant (Legal)	5	15	75
MF Management	Director	1	29	29
MF Management	Staff	9	22	198
MF Management	Support	2	17	34
Core		1	270	270
Loan Review	Committee	1	243	243
SUBTOTAL EXPENSE (Multi-Family, Second Year)				5,285
Travel Mileage		500	.29	145
TOTAL EXPENSE (Multi-Family, Second Year)				5,430
INCOME (Operation Multi-Family, Second Year)				
Developer's Fee				20,000
Construction Loan Origination Fee				10,667
Construction Interest				12,800
Permanent Loan Origination Fee				10,667
Permanent Loan Interest				10,667
TOTAL INCOME (Multi-Family, Second Year)				64,801

CONTINUE TO PARTICIPATE IN PUBLIC/PRIVATE PARTNERSHIPS TO CREATE AFFORDABLE HOUSING

EXPENSES (Develop/Implement: Single Family, 6 Months)				
Department	Staff Position	Hours Worked	Hourly Rate	Total
Administration	Executive Director	8	44	352
Administration	General Counsel	15	29	435
Finance	Director	8	38	304
Administration	Deputy Director	2	38	76
Development	Director	40	29	1,160
Development	Coordinator	20	22	440
Development	Development Assistant	40	17	680
Development	Administrative Assistant	20	15	300
Administration	Admin Asst (Legal)	5	15	75
Communications	Director	2	29	58
SF Operations	Director	4	33	132
Core		1	270	270
Loan Review	Committee	1	243	243
SUBTOTAL EXPENSE (Develop/Implement: Single Family, 6 Mos.)				4,525
Travel Mileage		250	.29	73
TOTAL EXPENSE (Develop/Implement: Single Family, 6 Mos.)				4,598
INCOME (Develop/Implement: Single Family, 6 Months)				
TOTAL INCOME (Develop/Implement: Single Family, 6 Mos.)				0

CONTINUE TO PARTICIPATE IN PUBLIC/PRIVATE PARTNERSHIPS TO CREATE AFFORDABLE HOUSING

EXPENSES (Annual Operation: Single Family, First Year)				
Department	Staff Position	Hours Worked	Hourly Rate	Total
Administration	Executive Director	8	44	352
Administration	General Counsel	80	29	2,320
Finance	Director	16	38	608
Administration	Deputy Director	1	38	38
Communications	Director	8	29	232
Development	Director	50	29	1,450
Development	Coordinator	120	22	2,640
Development	Development Assistant	60	17	1,020
Development	Administrative Assistant	16	15	240
Administration	Admin Assistant (Legal)	10	15	150
SF Operations	Director	4	33	132
Core		1	270	270
Loan Review	Committee	1	243	243
SUBTOTAL EXPENSE (Single Family, First Year)				9,695
Travel		400	.29	116
TOTAL EXPENSE (Single Family, First Year)				9,811

INCOME (Annual Operation: Single Family, First Year)	
Developer's Fee	20,000
Construction Loan Origination Fee	32,400
Construction Interest @ 3% net profit over alternatives	97,200
Permanent Loan Origination Fee	0
TOTAL INCOME (Single Family, First Year)	149,600

CONTINUE TO PARTICIPATE IN PUBLIC/PRIVATE PARTNERSHIPS TO CREATE AFFORDABLE HOUSING

EXPENSES (Annual Operation: Single Family, Second Year)				
Department	Staff Position	Hours Worked	Hourly Rate	Total
Administration	Executive Director	6	44	264
Administration	General Counsel	80	29	2,320
Finance	Director	12	38	456
Administration	Deputy Director	1	38	38
Communications	Director	8	29	232
Development	Director	40	29	1,160
Development	Coordinator	100	22	2,200
Development	Development Assistant	60	17	1,020
Development	Administrative Assistant	12	15	180
Administration	Admin Assistant (Legal)	10	15	150
SF Operations	Director	4	33	132
Core		1	270	270
Loan Review	Committee	1	243	243
SUBTOTAL EXPENSE (Single Family, Second Year)				8,665
Travel Mileage		500	.29	145
TOTAL EXPENSE (Single Family, Second Year)				8,810
INCOME (Operation: Single Family, Second Year)				
Developer's Fee				20,000
Construction Loan Origination Fee				32,400
Construction Interest @ 3% net profit over alternatives				97,200
Permanent Loan Origination Fee				0
TOTAL INCOME (Operation: Single Family, Second Year)				149,600

CONTINUE TO PARTICIPATE IN PUBLIC/PRIVATE PARTNERSHIPS TO CREATE AFFORDABLE HOUSING				
EXPENSES (Develop/Implement: Mobile Home Park, 6 MONTHS)				
Department	Staff Position	Hours Worked	Hourly Rate	Total
Administration	Executive Director	8	44	352
Administration	General Counsel	15	29	435
Finance	Director	8	38	304
Administration	Deputy Director	2	38	76
Development	Director	40	29	1,160
Development	MF Underwriter	20	22	440
Development	Development Assistant	40	17	680
Development	Administrative Assistant	20	15	300
Administration	Admin Asst (Legal)	5	15	75
MF Management	Director	3	29	87
MF Management	1 Staff Member	3	22	66
Communications	Director	2	29	58
SF Operations	Director	4	33	132
Core		1	270	270
Loan Review	Committee	1	243	243
SUBTOTAL EXPENSE (Develop/Implement: MHP, 6 Mos.)				4,660
Travel Mileage		250	.29	73
TOTAL EXPENSE (Develop/Implement: MHP, 6 Mos.)				4,733
INCOME (DEVELOPMENT/IMPLEMENTATION)				
TOTAL INCOME (Develop/Implement MHP, 6 Mos.)				0

CONTINUE TO PARTICIPATE IN PUBLIC/PRIVATE PARTNERSHIPS TO CREATE AFFORDABLE HOUSING				
EXPENSES (Annual Operation: Mobile Home Park, First Year)				
Department	Staff Position	Hours Worked	Hourly Rate	Total
Administration	Executive Director	8	44	352
Administration	General Counsel	50	29	1,450
Finance	Director	8	38	304
Administration	Deputy Director	1	38	38
Communications	Director	4	29	116
Development	Director	30	29	870
MF	Underwriter	60	22	1,320
Development	Development Assistant	30	17	510
Development	Administrative Assistant	8	15	120
Administration	Admin Assistant (Legal)	5	15	75
MF Management	Director	5	29	145
MF Management	1 Staff Member	5	22	110
SF Operations	Director	4	33	132
Core		1	270	270
Loan Review	Committee	1	243	243
SUBTOTAL EXPENSE (Annual Operation: MHP, First Year)				6,055
Travel		250	.29	73
TOTAL EXPENSE (Annual Operation: MHP, First Year)				6,128
INCOME (Annual Operation: MHP, First Year)				
Developer's Fee				20,000
Construction Loan Origination Fee				2,000
Construction Interest @ 3% net profit over alternatives				6,000
Permanent Loan Origination Fee				2,000
TOTAL INCOME (Annual Operation: MHP, First Year)				30,000

CONTINUE TO PARTICIPATE IN PUBLIC/PRIVATE PARTNERSHIPS TO CREATE AFFORDABLE HOUSING

EXPENSES (Annual Operation: Mobile Home Park, Second Year)

Department	Staff Position	Hours Worked	Hourly Rate	Total
Administration	Executive Director	6	44	264
Administration	General Counsel	50	29	1,450
Finance	Director	6	38	228
Administration	Deputy Director	1	38	38
Communications	Director	4	29	116
Development	Director	25	29	725
MF Management	Underwriter	50	22	1,100
Development	Assistant	25	17	425
Development	Administrative Assistant	6	15	90
Administration	Admin Assistant (Legal)	5	15	75
MF Management	Director	1	29	29
MF Management	Staff	9	22	198
MF Management	Support	2	17	34
SF Operations	Director	4	33	132
Core		1	270	270
Loan Review	Committee	1	243	243
SUBTOTAL EXPENSE (Annual Operation: MHP, Second Year)				5,417
Travel Mileage		500	.29	145
TOTAL EXPENSE (Annual Operation: MHP, Second Year)				5,562

INCOME (Annual Operation: MHP, Second Year)

Developer's Fee	20,000
Construction Loan Origination Fee	2,000
Construction Interest	6,000
Permanent Loan Origination Fee	2,000
Permanent Loan Interest	2,000
TOTAL INCOME (Annual Operation: MHP, Second Year)	32,000

STRATEGIC PLANNING
COST/INCOME ANALYSIS

B.5 COLLABORATE TO DEVELOP PROGRAMS FOR SUPPORT AND SPECIAL NEEDS

Programs for "Support and Special Needs" in general require collaboration among agencies and organizations that serve special populations. VHFA's focus would be service provision to projects within our portfolio ("enriched management") and on developing new housing to serve special needs populations. The focus of this cost/benefit analysis is on financing assisted living units for the elderly.

1. LIST OF ASSUMPTIONS FOR DISCUSSIONS

   a. "Support and Special Needs Programs" could include such projects as assisted living developments for the elderly, child care centers in housing developments, housing for the developmentally disabled, and supportive services in traditional elderly and family housing units.

   b. Housing production could include owner-occupied as well as rental units.

   c. Collaboration with social services providers and funding sources to obtain their expertise and financial resources for service provision is essential to meeting the needs of the populations to be served.

   d. Collaboration with other State housing agencies is essential to providing the subsidies to reduce housing costs for the populations to be served.

   e. Cost/Income analysis would focus on financing of assisted living units for the elderly.

   f. For purposes of projecting revenue, we assume that VHFA would finance 30 percent of total housing development cost; the construction loan would earn 3 percent over alternative General Fund investments for 12 months, plus 1 point at closing; and that the permanent loan would earn 100 basis points over VHFA's cost of funds and 1 point at closing. Mixed income developments might be able to support more debt and create higher revenues for VHFA.

   g. Construction inspection and other project specific costs not listed would be charged to the projects.

2. TIME PERIOD FOR IMPLEMENTATION

   a. Nine month period for program development and implementation, including reaching necessary agreements with other state housing and services agencies and obtaining any necessary agreement or waivers from US Department of Health and Human Services.

b. First year of operation: 1 development of 30 units @ $75,000 per unit total development cost.

c. Second year of operation: 2 developments of 30 units each @ $75,000 per unit total development cost.

3. CONCLUSION

Financing of Assisted Living developments might be a profitable undertaking for VHFA if the State and its service and housing agencies commit to developing and implementing an Assisted Living program. Subsidies would be required for both housing and service provision for low income people. (Mixed income developments might generate some internal subsidy for lower income residents.) Start-up costs are estimated to be high as a result of the extensive planning and coordination necessary. Operating costs are estimated to be higher than a generic multifamily rental program because of the complexity of the underwriting issues and sources of funds. Savings would presumably come with experience.

COLLABORATE TO DEVELOP PROGRAMS FOR SUPPORT AND SPECIAL NEEDS				
EXPENSES (Develop/implement: 9 MONTHS)				
Department	Staff Position	Hours Worked	Hourly Rate	Total
Administration	Executive Director	16	44	704
Administration	General Counsel	40	29	1,160
Finance	Director	16	38	608
Administration	Deputy Director	4	38	152
Development	Director	60	29	1,740
Development	MF Underwriter	24	22	528
Development	Development Assistant	40	17	680
Development	Administrative Assistant	24	15	360
Administration	Administrative Asst (Legal)	8	15	120
MF Management	Director	8	29	232
MF Management	Staff	8	22	176
Communications	Director	8	29	232
	Consultant	20	40	800
CORE		2	270	540
Loan Review	Committee	2	243	486
Staff Training &	Travel			1,000
SUBTOTAL EXPENSE (Special Needs Housing)				9,491
Travel Mileage		400	.29	116
TOTAL EXPENSE (Special Needs Housing)				9,607
INCOME (DEVELOPMENT/IMPLEMENTATION SPECIAL NEEDS HOUSING)				
TOTAL INCOME (Develop/Implement Special Needs Housing)				0

COLLABORATE TO DEVELOP PROGRAMS FOR SUPPORT AND SPECIAL NEEDS				
EXPENSES (ANNUAL OPERATION: First Year)				
Department	Staff Position	Hours Worked	Hourly Rate	Total
Administration	Executive Director	2	44	88
Administration	General Counsel	40	29	1,160
Administration	Admin Asst. (Legal)	16	15	240
Finance	Director	8	38	304
Finance	Staff	4	22	88
Administration	Deputy Director	2	38	76
Communications	Director	4	29	116
Development	Director	40	29	1,160
Development	MF Underwriter	80	22	1,760
Development	Assistant	40	17	680
Development	Administrative Asst.	16	15	240
MF Management	Director	4	29	116
MF Management	Staff	8	22	176
Loan Review	Committee	2	243	486
SUBTOTAL EXPENSE (Special Needs Housing First Year)				6,690
Travel		500	.29	145
TOTAL EXPENSE (Special Needs Housing First Year)				6,835
INCOME (OPERATION: SPECIAL NEEDS HOUSING FIRST YEAR)				
Construction Loan Origination Fee				6,750
Construction Loan Interest				8,100
Permanent Loan Origination Fee				6,750
TOTAL INCOME (Special Needs Housing First Year)				21,600

COLLABORATE TO DEVELOP PROGRAMS FOR SUPPORT AND SPECIAL NEEDS

EXPENSES (ANNUAL OPERATION: Second Year)

Department	Staff Position	Hours Worked	Hourly Rate	Total
Administration	Executive Director	2	44	88
Administration	General Counsel	80	29	2,320
Administration	Legal Admin. Assistant	16	15	240
Finance	Director	8	38	304
Finance	Staff	8	22	176
Administration	Deputy Director	2	38	76
Communications	Director	4	29	116
Development	Director	40	29	1,160
Development	MF Underwriter	120	22	2,640
Development	Assistant	60	17	1,020
Development	Administrative Asst.	16	15	240
MF Management	Director (applications)	4	29	116
MF Management	Staff (applications)	12	22	264
MF Management	Support (applications)	4	17	68
MF Management	Director (servicing)	2	29	58
MF Management	Staff (servicing)	6	22	132
MF Management	Support (servicing)	2	17	34
Loan Review	Committee	4	243	972
SUBTOTAL EXPENSE (Special Needs Housing Second Year)				10,024
Travel Mileage		1,000	.29	290
TOTAL EXPENSE (Special Needs Housing Second Year)				10,314

INCOME (OPERATION SPECIAL NEEDS HOUSING: SECOND YEAR)

Construction Loan Origination Fee	13,500
Construction Loan Interest @ 3% net over alternatives	16,200
Permanent Loan Origination Fee	13,500
Net Permanent Interest Income	6,750
TOTAL INCOME (Special Needs Housing Second Year)	49,950

STRATEGIC PLANNING
COST/INCOME ANALYSIS

C.1 FINANCING HOUSING INFRASTRUCTURE

Financing housing infrastructure could include sewer, water, drainage, utilities, and roads for new or existing conventional housing as well as mobile home parks. The focus of this analysis is on financing for mobile home park infrastructure, primarily because a clear need for this has been indicated. In addition, staff capacity is limited, and would require sophisticated engineering capacity (beyond that currently available at VHFA) to pursue additional options. A study group consisting of representatives from the Agency of Natural Resources, Environmental Protection Agency, and other organizations could be assembled to look at financing and considerations with respect to financing options for additional failing or inadequate housing infrastructure needs.

1. LIST OF ASSUMPTIONS FOR DISCUSSION

   a. VHFA would finance infrastructure improvements to existing mobile home parks, either as part of a refinancing or a sale. VHFA could finance infrastructure as part of the overall financing for a newly constructed park as well.

   b. The average loan for infrastructure improvements in an existing park would be $10,000 per pad. For a new park the estimated total development cost per pad is $15,000. The estimated average park size is 30 pads.

   c. VHFA would provide amortizing loans secured by a first mortgage at 100 basis points over our cost of funds. Loans would only be made on parks with debt that is small enough so that the park could afford the additional VHFA loan debt service while maintaining affordable rents to residents. Source of funds would generally be taxable bonds or FHLB funds.

   d. For purposes of revenue projection, we have assumed that of the $10,000 per lot cost of improvements, VHFA debt could pay for approximately one third. CDBG, VHCB, or other soft second financing is essential and is assumed to be available to fund the balance of the required improvements while maintaining affordability of the pad rents.

   e. Construction inspection would be a project expense. Most of the systems wwould be engineered and would need to be inspected by the engineer.

   f. Loan activity would be two average-sized parks in the first year, three parks in the second year.

   g. Loans would be closed only when final plans and specifications have been completed. Testing, pilot studies, and other open-ended evaluations would not be funded under this program.

h. Both for profit and non-profit park owners are eligible borrowers. Tenant cooperatives are eligible.

2. TIME PERIOD FOR IMPLEMENTATION

VHFA already has loan documents that are adaptable for this program. It should take an estimated three months for developing the underwriting standards and the physical park standards, and three months to publish information and market the program, for a total of six months.

3. COST TO VHFA (see attached)

Costs of the program charged to the project would be limited to inspection services. All other costs to VHFA (i.e. staff time and overhead) are detailed on the attached sheet.

4. INCOME/REVENUE TO VHFA (see attached)

VHFA would charge one point as a loan origination fee for a refinancing or an acquisition/rehabilitation. For a newly constructed park the fee would be one point for construction and one point for permanent financing.

5. CONCLUSION

While this program would serve a housing need of low income households by correcting health and safety problems that have arisen (or are imminent), the program would not pay for itself because of the limited loan size and fee structure. One solution to this would be to develop more newly constructed parks that are larger than the assumed average size of 30 pads. In theory a very large volume of loans would increase staff familiarity with the process and reduce the numbers of hours per loan needed, which could also make the program more financially viable.

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FINANCING HOUSING INFRASTRUCTURE				
EXPENSES (Develop/Implement: 6 mos.)				
Department	Staff Position	Hours Worked	Hourly Rate	Total
Administration	Executive Director	4	44	176
Administration	General Counsel	8	29	232
Finance	Director	8	38	304
Administration	Deputy Director	1	38	38
Development	Director	24	29	696
Development	MF Underwriter	40	22	880
Development	Development Assistant	16	17	272
Development	Administrative Assistant	16	15	240
Administration	Admin. Asst (Legal)	2	15	30
MF Management	Director	3	29	87
MF Management	Staff	3	22	66
Communications	Director	8	29	232
CORE		1	270	270
Loan Review	Committee	2	243	486
SUBTOTAL EXPENSE (Financing MHP Infrastructure)				4,009
Travel Mileage		160	.29	46
TOTAL EXPENSE (Financing MHP Infrastructure)				4,055
INCOME (DEVELOPMENT/IMPLEMENTATION FINANCING MHP INFRASTRUCTURE)				
TOTAL INCOME (Develop/Implement Financing MHP Infrastructure)				0

FINANCING HOUSING INFRASTRUCTURE				
EXPENSES (Annual Operation: First Year)				
Department	Staff Position	Hours Worked	Hourly Rate	Total
Administration	Executive Director	2	44	88
Administration	General Counsel	64	29	1,856
Administration	Admin Asst. (Legal)	16	15	240
Finance	Director	6	38	228
Finance	Staff	6	22	132
Administration	Deputy Director	2	38	76
Communications	Director	2	29	58
Development	Director	32	29	928
Development	MF Underwriter	80	22	1,760
Development	Assistant	40	17	680
Development	Administrative Asst.	16	15	240
MF Management	Director	10	29	290
MF Management	Staff	10	22	220
Loan Review	Committee	2	243	486
SUBTOTAL EXPENSE (Financing MHP Infrastructure First Year)				7,282
Travel		500	.29	145
TOTAL EXPENSE (Financing MHP Infrastructure First Year)				7,427
INCOME (OPERATION: FINANCING MHP INFRASTRUCTURE FIRST YEAR)				
Permanent Loan Origination Fee				2,000
TOTAL INCOME (Financing MHP Infrastructure First Year)				2,000

FINANCING HOUSING INFRASTRUCTURE				
EXPENSES (Annual Operation: Second Year)				
Department	Staff Position	Hours Worked	Hourly Rate	Total
Administration	Executive Director	2	44	88
Administration	General Counsel	64	29	1,856
Administration	Legal Admin. Assistant	16	15	240
Finance	Director	6	38	228
Finance	Staff	6	22	132
Administration	Deputy Director	2	38	76
Communications	Director	2	29	58
Development	Director	32	29	928
Development	MF Underwriter	80	22	1,760
Development	Assistant	40	17	680
Development	Administrative Asst.	16	15	240
MF Management	Director	2	29	58
MF Management	Staff	16	22	352
MF Management	Support	2	17	34
Loan Review	Committee	2	243	486
SUBTOTAL EXPENSE (Financing MHP Infrastructure Second Year)				7,216
Travel Mileage		750	.29	217
TOTAL EXPENSE (Financing MHP Infrastructure Second Year)				7,433
INCOME (OPERATION FINANCING MHP INFRASTRUCTURE: SECOND YEAR)				
Permanent Loan Origination Fee				3,000
Interest Income: Year One				2,000
TOTAL INCOME (Financing MHP Infrastructure Second Year)				5,000

STRATEGIC PLANNING
COST/INCOME ANALYSIS

C.2 EXPAND ENERGY PROGRAMS

Providing loan funds for the purposes of making property improvements to enhance energy efficiency is of benefit both to the homeowner and society. VHFA currently lends for the purpose of making energy improvements in circumstances where the property value supports the amount to be loaned and where the savings derived by the improvements are sufficient to pay the debt service on the loan.

Under the program referenced here, VHFA would expand its promotion of energy conservation activities by requiring that borrowers obtaining down payment assistance mortgages subject the property being purchased to an energy audit and make cost effective improvements to achieve a minimum four star energy rating or, as an alternative, significant energy cost savings.

<u>List of Assumptions</u>

1. VHMGB would provide loan guarantees for loan amounts inclusive of energy improvement costs.

2. A suitably accurate methodology for valuing the energy improvements and the related energy cost savings would be determined.

3. The contemplated program enhancement under the program considered, any participant in the down payment assistance program would be required to receive an energy rating and upgrade in the most cost effective and efficient manner available any property which did not receive a minimum four star rating.

4. Costs to improve the property would be included in the mortgage amount.

5. Heavy demand for down payment assistance mortgages would continue in spite of this requirement.

6. Property inspections of all subject properties would also be required of all properties participating in this program.

7. No additional revenues are shown for this program because funds loaned would come from existing mortgage programs.

8. The program would result in additional energy conservation and economic stimulation.

EXPAND ENERGY PROGRAMS				
EXPENSES (DEVELOPMENT/IMPLEMENTATION: 6 MONTHS)				
Department	Staff Position	Hours Worked	Hourly Rate	Total
SF Operations	Director	30	33	990
SF Operations	Assistant Director	30	22	660
SF Operations	Administrative Assistant	15	15	225
Development	Development Coordinator	30	22	660
Finance	Director	10	38	380
Administration	General Counsel	5	29	145
Administration	DP Manager	5	25	125
Communications	Director	10	29	290
Communications	CRC/TC/ADM/HL	5	66	330
Overhead	Guides, printing, etc.			2,000
CORE		2	270	540
SUBTOTAL EXPENSE (Develop/Implement)				6,045
Travel Mileage		700	29	203
TOTAL EXPENSE (Develop/Implement)				6,248
INCOME (DEVELOPMENT/IMPLEMENTATION: 6 MONTHS)				
TOTAL INCOME (Develop/Implement)				0
EXPENSES (OPERATION: FIRST YEAR)				
TOTAL EXPENSE (First Year)				0
INCOME (OPERATION: FIRST YEAR)				
TOTAL INCOME (Develop/Implement)				0
EXPENSES (OPERATION: SECOND YEAR)				
TOTAL EXPENSE (Second Year)				0
INCOME (OPERATION: SECOND YEAR)				
TOTAL INCOME (Second Year)				0

STRATEGIC PLANNING
COST/INCOME ANALYSIS

C.3 FINANCE PROGRAM FOR ENVIRONMENTAL HAZARD MANAGEMENT

NOTE: This activity could be incorporated into A.5 (Develop Home Improvement Lending Program), thus achieving efficiencies in program development

VHFA's environmental hazard management program would provide loan funds to qualified single family and multi-family owners requiring capital to address environmental hazards (for example, lead paint, asbestos, radon, or other toxic pollutants). VHFA has already committed to making up to $1 million available for environmental hazard lending in conjunction with the VHCB-administered HUD lead hazard abatement program. Under that arrangement, funds would be loans at an 8 percent rate on 5 to 10 year terms with an interest write-down being provided through the HUD program. The program referred to here considers making an additional $500,000 available to borrowers ineligible for the HUD sponsored program seeking to address lead or other environmental hazards.

ASSUMPTIONS

1. Borrowers must demonstrate an ability to repay the loan.
2. Loans would be offered at a rate of 8 percent with terms ranging between 5-10 years.
3. Source of funds would be VHFA General Fund reserves—income benefit to VHFA is estimated at 3 percent (incremental increase over assumed 5 percent earning rate).
4. Approximately 375 units would be addressed at a per unit cost of an average $4,000 per unit.
5. Both owner-occupied units and investment units would be eligible.
6. Borrowers would be responsible for providing evidence of the existence of an environmental hazard as well as a professionally approved plan for eliminating the hazard. VHFA would verify the validity of the plan, utilizing consultants in a desk review process. property, to obtain a management plan for addressing the hazard and to submit that plan as part of the application package. VHFA would utilize appropriate certified consultants to verify that the management plan satisfactorily addresses the problem through a desk audit rather than a field review.

C.3. Finance Program for Environmental Hazard Management.				
EXPENSES (DEVELOPMENT/IMPLEMENTATION: 6 MONTHS)				
Department	Staff Position	Hours Worked	Hourly Rate	Total
Administration	Executive Director	20	44	880
Administration	Deputy Director	40	38	1,520
Administration	General Counsel	10	29	290
Administration	Executive Assistant	20	22	440
Finance	Director	8	38	304
Finance	Staff	10	25	250
Development	Director	24	29	696
Development	Staff	40	25	1,000
Communications	Director	8	29	232
Communications	CommRela/TC/Hotline	12	66	792
SF Operations	Director	4	33	132
SF Staff	Staff	8	20	160
Consulting	Environmental Hazards	20	50	1,000
Overhead	Materials, Printing, Adv			2,500
SUBTOTAL EXPENSE (Develop/Implement)				9,904
Travel Mileage				300
TOTAL EXPENSE (Develop/Implement)				10,496
INCOME (DEVELOPMENT/IMPLEMENTATION: 6 MONTHS)				
TOTAL INCOME (Develop/Implement)				0

C.3. Finance Program for Environmental Hazard Management.				
EXPENSES (OPERATION: FIRST YEAR)				
Department	Staff Position	Hours Worked	Hourly Rate	Total
Administration	Executive Director	15	44	660
Administration	Deputy Director	25	38	950
Finance	Staff	30	25	750
Development	Director	8	29	232
Development	Staff	20	25	500
Communications	Director	5	29	145
Communications	CR/TC/H	15	66	990
Administration	General Counsel	10	29	290
SF Operations	Director	10	33	330
SF Operations	Staff	50	20	1000
SUBTOTAL EXPENSE (First Year)				5,847
Consulting	Management Verification		4500	4,500
Miscellaneous	Overhead, etc.		1500	1,500
TOTAL EXPENSE (First Year)				11,847
INCOME (OPERATION: FIRST YEAR)				
Fee Income	187 units @ $50 per			9,350
Interest Income	*Avg. daily balance of $375k @ 3% (8% loan rate vs. 5% invest rate)*			$11,250
TOTAL INCOME (Develop/Implement)				$20,600

C.3. Finance Program for Environmental Hazard Management.				
EXPENSES (OPERATION: SECOND YEAR)				
Department	Staff Position	Hours Worked	Hourly Rate	Total
Administration	Executive Director	10	44	440
Administration	Deputy Director	20	38	760
Administration	General Counsel	15	29	435
Finance	Staff	50	25	1,250
Development	Director	6	29	174
Development	Staff	20	25	500
SF Operations	Director	10	33	330
SF Operations	Staff	40	25	1,000
Communications	Director	5	29	145
Communications	CR/TC/H	25	66	1,650
Consulting	Management Verification			4,500
Miscellaneous	Overhead			1,500
SUBTOTAL EXPENSE (Second Year)				12,684
Travel Mileage				0
TOTAL EXPENSE (Second Year)				12,684
INCOME (OPERATION: SECOND YEAR)				
Fee Income	187 units @ $50 per			9,350
Interest Income	*Avg. daily balance of $1 million @ 3%*			30,000
TOTAL INCOME (Second Year)				39,350

STRATEGIC PLANNING
COST/INCOME ANALYSIS

D.3 PROMOTE HOMEOWNERSHIP THROUGH EXPANSION OF HOME BUYER EDUCATION

In order to promote homeownership through the expansion of home buyer education, two new basic approaches would be adopted. New "VHFA's Introduction to Homeownership" workshops would be developed to generate VHFA loans among specific targeted audiences who may not be aware that homeownership is a viable option at the present time. The second approach is to conduct "Successful Homeowners" workshops for first-time VHFA borrowers to learn about the basics of homeownership. This approach would provide necessary information to VHFA borrowers about the importance of budgeting and protecting their investments, planning for repairs and maintenance, and other considerations associated with owning a house. The pre-purchase workshops, a requirement for down payment assistance and HOUSE borrowers, should result in fewer properties going into foreclosure, reducing the necessity of resale by VHFA.

Approach #1: "VHFA's Introduction to Homeownership" Workshops

LIST OF ASSUMPTIONS FOR DISCUSSIONS

- Small group workshop format (20 or under)
- Goal is to enhance viability of VHFA programs *today* and generate loans
- Groups targeted via workshops: older "empty-nesters" wanting to get back into homeownership; new young workforce; persons living in publicly assisted housing; refugees; special circumstance tenants (e.g., farm worker tenants)
- Areas targeted: Major population centers (Burlington, Rutland, etc.); VHFA family rental properties; rural areas (perhaps in conjunction with UVM Extension System)
- Homeownership counseling program needed (one-on-one counseling)—to be provided by organizations other than VHFA
- VHFA Down Payment Assistance must be available
- VHFA staff would offer homeownership counseling training to organizations providing that service ("training the trainers")
- Staff would create annual workplan to establish plan for visiting different areas of state annually
- Staff would develop a general presentation and associated materials specific to target audiences
- As with all outreach efforts, these workshops would result in loans being generated for VHFA—however, measurable results would be difficult to monitor successfully so no income is included in this analysis

TIME PERIOD FOR IMPLEMENTATION

- Program Development Phase - Three to six months to ascertain interest among local groups for providing homeownership counseling
- Program Implementation Phase - Two months to hire ½ time coordinator
- Operation Phase - to commence immediately after hiring coordinator

Approach #2: "Successful Homeowners!" Homeownership Education for VHFA Borrowers (Pre-Purchase)

LIST OF ASSUMPTIONS FOR DISCUSSIONS

- Target audience: VHFA homeownership program borrowers (Year One of Operation would start with down payment assistance and HOUSE borrowers)
- Requirement for first-time VHFA borrowers (in Down Payment Assistance and HOUSE Programs, at least initially) and optional for non-first-time borrowers
- Small group workshop format (20 or under) required before purchase is completed
- Covers areas such as: budgeting for house repairs and regular maintenance—to protect their investment (and VHFA's); common areas needing repair; how to seek professional help to repair problems; working with lender if financial difficulties arise; what to do if you get into trouble; how stepped rate works (HOUSE borrowers)
- "Enhanced Servicing" intervention program for borrowers falling behind in VHFA loan payments would be created and administered by Single Family Operations Department

TIME PERIOD FOR IMPLEMENTATION

- Program Development Phase - Three to six months to prepare internally and notify lenders regarding new requirement
- Program Implementation Phase - Two months to hire 1/2 time coordinator
- Operation Phase - to commence immediately after hiring coordinator

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PROMOTE HOMEOWNERSHIP THROUGH EXPANSION OF HOME BUYER EDUCATION									
Approach # 1: "VHFA's Introduction to Homeownership" Workshops					Approach # 2: "Successful Homeowners!" Homeownership Education for VHFA Borrowers (Pre-Purchase)				
EXPENSES (PROGRAM DEVELOPMENT/IMPLEMENTATION PHASES)									
Department	Staff Position	Hours Worked	Hourly Rate	Total	Department	Staff Position	Hours Worked	Hourly Rate	Total
Communications	Comm Director	10	29	290	Communications	Comm Director	10	29	290
Communications	CommRela/TrainCoord	20	37	740	Communications	CommRela/TrainCoord	20	37	740
Administration	Exec Director	3	44	132		CORE	1/2	270	135
	CORE	1/2	270	135	SF Operations	SF Oper Director	3	33	99
TOTAL EXPENSES (DEVELOP/IMPLEMENT)				1,297	TOTAL EXPENSES (DEVELOP/IMPLEMENT)				1,264
INCOME (DEVELOPMENT/IMPLEMENTATION PHASES)									
				0					0
EXPENSES (PROGRAM OPERATION: ANNUAL COST)									
Department	Staff Position	Hours Worked	Hourly Rate	Total	Department	Staff Position	Hours Worked	Hourly Rate	Total
Communications	Educa Coor *[New]*	975	17	16,575	Communications	Educa Coor *[New]*	975	17	16,575
Communications	CommRela/TrainCoord	25	37	925	Communications	CommRela/TrainCoord	25	37	925
Communications	Director	20	29	580	Communications	Comm Director	20	29	580
					SF Operations	SF Oper Director	10	33	330
Travel (mileage, parking, etc.)		5,000	.29	1,450	Travel (mileage, parking, etc.)		5,000	.29	1,450
Printing, Mailing				400	Printing, Mailing				400
TOTAL EXPENSES (OPERATION PHASE)				19,930	TOTAL EXPENSES (OPERATION)				20,260
INCOME (OPERATION PHASE: ANNUAL INCOME)									
Would reduce number of REOs (Assume that each REO results in loss to VHFA of $13,000 and 2 fewer REOs result during year)				26,000	Would reduce number of REOs (assume that each REO results in loss to VHFA of $13,000 and 4 fewer REOs would result during year)				52,000
TOTAL INCOME (OPERATION PHASE)				26,000	TOTAL INCOME (OPERATION PHASE)				52,000

There may be additional income during the operation phase, based on the number of loans actually generated by the "Introduction to Homeownership" workshop.

STRATEGIC PLANNING
COST/INCOME ANALYSIS

D.5 ADDRESS HOMELESSNESS

VHFA does not have any financing mechanism available for housing individuals who, for all practical purposes, are unable to pay rent. Funding for facilities to house the homeless typically is generated via grants or debt-free money, options which currently are not available through VHFA. Therefore, the focus of this analysis is on research and public education. Public awareness of homelessness is primarily limited to shelterless individuals living on the streets. While data are anecdotal, the problem of homelessness is much broader, with substantial numbers of Vermonters living either temporarily or permanently with family and friends, tenting in the summer, or residing in unoccupied seasonal camps. Twice each year, the State Economic Opportunity Office conducts a survey of *shelters* in Vermont. However, additional research needs to be done in order to define the nature and extent of the problem. Sharing results of the research with the public is critical to garner support for ongoing efforts to finance initiatives to house appropriately Vermont's homeless population.

LIST OF ASSUMPTIONS FOR DISCUSSIONS

- VHFA can assist by providing research in the areas of: programs developed in other rural states to address issue; funding sources; federal initiatives, etc.
- Public education is key to fostering support for efforts to finance new homeless shelters, vouchers, etc. through press conferences, press releases, fact sheets, and other approaches (collaboration with other agencies).
- Current VHFA financing mechanisms cannot be used to finance facilities or other non-debt approaches to creating shelter for homeless persons
- No new staff would be needed, probably re-prioritization of research analyst and development assistant workload
- Meets mission of Agency to promote efforts to provide safe and decent affordable housing

TIME PERIOD FOR IMPLEMENTATION: FOUR MONTHS

- Program Development/Implementation Phase: Gather existing data and reports; review and prepare for public education activities.
- Operation Phase: Begins immediately after completion of the development/ implementation phase; ongoing public education and program research efforts.

OTHER CONSIDERATIONS (Not yet analyzed)

- A comprehensive study of the problem of homelessness in Vermont needs to be completed and is not included in the costs of this initiative.

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ADDRESS HOMELESSNESS			
EXPENSES (DEVELOPMENT/IMPLEMENTATION: 6 MONTHS)			
Staff Position	Hours Worked	Hourly Rate	Total
Research Analyst	100	22	2,200
Comm Director	10	29	290
CommRela/TrainCoord/Hotline	15	66	990
Development Assistant	20	17	340
Printing, advertising			50
SUBTOTAL EXPENSE (Develop/Implement)			3,870
Travel Mileage	300 mi	.29	87
TOTAL EXPENSE (Develop/Implement)			3,957
INCOME (DEVELOPMENT/IMPLEMENTATION: 6 MONTHS)			
No income			0
TOTAL INCOME (Develop/Implement)			0
EXPENSES (OPERATION: Ongoing Research/Public Education)			
Research Analyst	30	22	660
Exec Director	10	44	440
Development Assistant	30	17	510
Comm Admin Assistant	20	15	300
Comm Director	30	29	870
Printing, advertising			100
SUBTOTAL EXPENSE (Ongoing)			2,780
Travel Mileage	200 mi	.29	58
TOTAL EXPENSE (Ongoing)			2,838
INCOME (Operation: Ongoing Research/Public Education)			
No income expected to be generated			0
TOTAL INCOME (Ongoing)			0

STRATEGIC PLANNING
COST/INCOME ANALYSIS

E.3 EXPLORE EXPANDING TO FINANCE RELATED NON-HOUSING

OVERVIEW

One of the strengths that has been attributed to VHFA is our expertise in securing tax-exempt debt. Drawing on that strength, a natural extension of our business might be to issue tax-exempt debt for other organizations that could utilize it. Some other State HFA's have moved into other areas of non-housing activity, especially in the economic development arena. This initiative assumes keeping the existing Boards of Authority intact and would administer/manage the programs of the organizations similar to the model now being utilized for the Vermont Home Mortgage Guarantee Board.

1. **LIST OF ASSUMPTIONS FOR DISCUSSIONS**
   a. VHFA would need legislative approval to expand our authority to be the agency to issue tax-exempt debt for the State.
   b. VHFA would issue debt for the Municipal Bond Bank and for the Educational and Health Financing agencies.
   c. Substantial liaison work with the Legislature would need to be completed during the development/implementation phase to ensure legislative approval.

2. **TIME PERIOD FOR IMPLEMENTATION**
   a. Development/Implementation: Would take place during the 1995 Legislative session.
   b. Operation: The earliest that legislative change could be enacted would be in early 1995. It would seem that based on that date, program operation could not commence before 07/01/95 and more than likely would occur at least one year later.

3. **COST TO VHFA (FOR EACH PHASE)** *[See Attached]*

4. **INCOME/REVENUES TO VHFA** *[See Attached]*

5. **OTHER AREAS OF CONSIDERATION** *(Not Yet Analyzed)*
   a. One of the unknown factors is how aggressive the current organizations are in trying to generate activity.
   b. Being outside the mainstream of bonding activity for municipalities and college and health organizations, the potential market is difficult to determine at this time.

E.3: EXPLORE EXPANDING TO FINANCE-RELATED, NON-HOUSING				
EXPENSES (Develop/Implement: Explore Expand To Finance-Related Non-housing; 1 Yr)				
Department	Staff Position	Hours Worked	Hourly Rate	Total
Administration	Executive Director	30	44	1,320
Administration	General Counsel	30	29	870
Finance	Director	40	38	1,520
Communications	Director	8	29	232
CORE		1	270	270
SUBTOTAL EXPENSE (Financing Non-Housing)				4,212
Travel Mileage		400	.29	116
TOTAL EXPENSE (Financing Non-Housing)				4,328
INCOME (DEVELOPMENT/IMPLEMENTATION FINANCING NON-HOUSING)				
TOTAL INCOME (Develop/Implement Financing Non-Housing)				0
EXPENSES (Annual Operation: Finance-Related Non-housing, First Year)				
Administration	Executive Director	15	44	660
Administration	General Counsel	40	29	1,160
Finance	Director	8	38	304
Finance	Program Manager *[New]*	1,950	29	56,550
Finance	Admin. Support *[New]*	1,950	15	29,250
Advertising				5,000
Equipment (office furniture and computers: $5,000 for 2 employees)				10,000
Bond Computer Software				50,000
Training				1,500
SUBTOTAL EXPENSE (Financing Non-Housing First Year)				153,874
Travel		17,241	.29	5,000
TOTAL EXPENSE (Financing Non-Housing First Year)				158,874
INCOME (OPERATION: FINANCING NON-HOUSING FIRST YEAR)				
Loan Origination Fee (1 point on $20 million per year)				200,000
TOTAL INCOME (Financing Non-Housing First Year)				200,000

E.3: EXPLORE EXPANDING TO FINANCE-RELATED, NON-HOUSING

Department	Staff Position	Hours Worked	Hourly Rate	Total
EXPENSES (Annual Operation: Finance-Related Non-Housing, Second Year)				
Administration	Executive Director	10	44	440
Administration	General Counsel	40	29	1,160
Finance	Director	8	38	304
Finance	Program Manager	1,950	29	56,550
Finance	Admin. Support	1,950	15	29,250
Advertising				5,000
Bond Computer Software (maintenance contract)				10,000
Training				1,500
CORE		1	270	270
SUBTOTAL EXPENSE (Financing Non-Housing Second Year)				104,474
Travel Mileage		10,000	.29	2,900
TOTAL EXPENSE (Financing Non-Housing Second Year)				107,374
INCOME (OPERATION FINANCING NON-HOUSING: SECOND YEAR)				
Loan Origination Fee (1 point on $20 million per year)				200,000
Annual Income (Bond surplus-1%)				125,000
TOTAL INCOME (Special Needs Housing Second Year)				325,000

STRATEGIC PLANNING
COST/INCOME ANALYSIS

F.5 DIRECT SERVICING OF LOANS and/or REDUCTION OF LENDER SERVICING FEE

Background Information

Historically, participating lenders have originated mortgages for sale to VHFA based on parameters outlined in the VHFA Loan Origination Procedural Guide. Over the last few years, VHFA has taken over responsibility for certain functions, such as foreclosure process and handling of REO's, which the participating lenders had previously done. Thus, either the servicing fee paid to lenders should be reduced or VHFA should purchase existing servicing at market prices and on new programs purchase mortgage loans with servicing released.

Assumptions

1. Income generating function (used by other HFA's)
2. Natural extension of current mission
3. VHFA would have to increase staff by 5 people (700 loans serviced by each full time collector)
4. Would purchase servicing from existing lenders or alternatively cut existing fees (from current .375% to .25%
5. If servicing fee is reduced from .375 to .25 point, a savings of $500,000 would be realized, based on current portfolio.
6. If all servicing is taken over without regard to original cost, assume that approximately 50% earnings would be realized from gross fees.
7. Market rate purchase of servicing would approximate $3.6 million.

Other Areas of Consideration

1. How this initiative would impact future lender participation in VHFA programs.
2. Late fees may be an additional revenue generating source, not currently available.
3. Volume level for break-even has not been calculated.

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DIRECT SERVICING OF LOANS &/or REDUCTION OF LENDER SERVICING FEE				
EXPENSES (DEVELOPMENT/IMPLEMENTATION: 6 MONTHS)				
Department	Staff Position	Hours Worked	Hourly Rate	Total
SF Operations	Director	50	33	1,650
Finance	Director	50	38	1,900
Administration	Executive Director	10	44	440
Administration	General Counsel	20	29	580
Communications	CommRela/TrainCoor/Hotline	10	66	660
Finance	Lender Accounting Coord	20	22	440
SF Operations	Servicing	50	20	1,000
Core		5	270	1,350
SUBTOTAL EXPENSE (Develop/Implement)				8,020
Travel Mileage		600	.29	174
TOTAL EXPENSE (Develop/Implement)				8,194
INCOME (DEVELOPMENT/IMPLEMENTATION: 6 MONTHS)				
TOTAL INCOME (Develop/Implement)				0

DIRECT SERVICING OF LOANS &/or REDUCTION OF LENDER SERVICING FEE				
EXPENSES (OPERATION: FIRST YEAR)				
Department	Staff Position	Hours Worked	Hourly Rate	Total
SF Operations	Servicing (5 positions)	9,375	20	187,500
Finance	Accounting Input Personnel	1,875	20	37,500
SF Operations	Director	500	33	16,500
SUBTOTAL EXPENSE (First Year)				241,500
Travel Mileage		5,000	.29	1,450
Office and Miscellaneous				2,000
TOTAL EXPENSE (First Year)				244,950
INCOME (OPERATION: FIRST YEAR)				
Servicing Fee Reduction				600,000
TOTAL INCOME (First Year)				600,000
EXPENSES (OPERATION: SECOND YEAR)				
Department	Staff Position	Hours Worked	Hourly Rate	Total
SF Operations	Servicing (8 positions)	15,000	20	300,000
Finance	Accounting input	3,750	20	75,000
SF Operations	Director	700	33	23,100
SUBTOTAL EXPENSE (Second Year)				398,100
Travel Mileage		8,000	.29	2,320
TOTAL EXPENSE (Second Year)				400,420
INCOME (OPERATION: SECOND YEAR)				
Servicing fee income reduction				1,200,000
TOTAL INCOME (Second Year)				1,200,000

vhfa
VERMONT HOUSING FINANCE AGENCY

August 9, 1994

Ms. Marie Carpenter
Department of Administration
Secretary of Administration's Office
Pavilion Office Building
109 State Street
Montpelier, VT 05602

Dear Ms. Carpenter:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Thursday, August 18, at 1:30 p.m., in the Office of the Commissioner of Banking, Insurance and Securities, 89 Main Street, Montpelier, Vermont.

If you have any questions, please do not hesitate to contact me at 864-5743, ext. 255.

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Cathleen Gent, Interim Director of Communications CG

DATE: July 29, 1994

RE: Strategic Planning Options - Your Rankings

There were several points requiring clarification as the discussion on strategic planning ended yesterday at the Board meeting. Additional materials will be forwarded to you shortly as staff completes some of its additional work.

You can utilize a number of sources for the strategies as you determine your rankings of the options VHFA should employ to carry out its mission, goals, and objectives:

- Strategic Planning Advisory Committee List of Opportunities - January 25, 1994 *[See attached list. This shows all topics developed through their brainstorming sessions.]*
- Vermont Housing Finance Agency Strategic Planning Advisory Committee Staff Review of and Determination of Objectives as Defined at February 4, 1994 Meeting *[This is included in my June 17 packet to you]*
- Strategic Planning Advisory Committee Top "10" Recommended Options - Adopted May 9, 1994 *[The revised list is included in my July 22 packet to you: this version actually has 13 items, including coop housing]*
- Any activity or strategy which you believe has been omitted from the discussion thus far and should be part of the final document

Also, consider the central question "Where does VHFA want to be in the next five years?" in your deliberations. Think of the strategic planning process as a pyramid with the mission statement at the top, the five (originally four, fifth added 7/28) overall goals on the next level, the objectives by content area on the lower level, and the strategies on the base level. How will the strategies enable VHFA to meet our objectives which, in turn, will reflect the overall goals and mission? Looking at it in this way might clarify which strategies you recommend in your rankings.

You can reach me at extension 224, should you have any questions about the ranking. Please call me with your rankings by Friday, 8/5.

Thank you for your attention.

Strategic Planning Advisory Committee
List of Opportunities
January 25, 1994

A. **Role as Single Family Lender**

Expand MCC to all eligible (regardless of need for MCC to qualify)
Self Help Program - for people to work on homes themselves
Expand # of loans in Down Payment Assistance Programs
Create a Lease Purchase Program targetted to REOs
Direct Single Family Lending (also under F.)
Home improvement rehab financing

B. **Role as Multi Family Lender**

Finance 2-4 owner occupied rental (small units)
Financing of cooperative housing - providing blanket mortgage for coop housing
Revamp loan making/structure to increase ease of use
Home loan bank/Tax credit leverage - providing taxable financing to permit use of 9% tax credit
Assisted living - for elderly and special needs groups
Housing with Human Service model - linking service component with lower income housing
Program to develop and finance SRO
Address homelessness
Reevaluation of emphasis on 30% and below income target (CHAS)

C. **Mobile Homes**

Development and financing of mobile home parks
Financing of mobile home park infrastructure
Providing single family financing for mobile home individual purchases

D. **Environmental Area**

Providing financing for single family and multi family lead paint hazard management
Explore "safe and decent" part of legislative mandate (incorporate into more of what we do)
Consider providing financing for environmental projects of varying types (also under F.)

E. Information and Public Education

Act as information resource
Promote affordable housing
Home buyer education
Develop guide to financing affordable housing for private and non-profit developers
Develop capacity to lead developers through process of identifying funding sources which exist beyond VHFA
Public education about housing
Comprehensive housing needs and inventory Data Bank

F. Financing Structure

Pool money and risk - loan consortium program with banks
Restore 200 basis point advantage single-family programs (eg. HOME subsidies)
Take resources and invest in other organizations (eg. Vermont Community Loan Fund)
Consider providing financing for environmental projects of varying types (also under D.)
Provide infrastructure financing (eg. highways, schools, water systems, dormitories)
Consolidation with municipal bond board, Higher Education & Health Authority, VEDA
Mortgage banking function for non-conventional loans (eg. Sugar Mae)
Refinance VHFA mortgages

G. Organizational Structure

Enter Private/Public partnership (eg. Dalton Drive)
Collaborate with other entities (already doing it?)
Broader economic stimulus (eg. raise upper limit on new construction to Federal limit)
Service own loans to generate additional income
Housing "super agency" - consolidation of all housing agencies under 1 roof
Program consolidation (not structural consolidation) within VHFA and other agencies
Abandon lender of last resort model
Direct single family lending (also under A.)
Pare down to core program
Lobby legislature
Reverse mortgages

Ideas which did not fit any category:
- Spend $12 million
- Maintain strong housing focus

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

ASH

FROM: Allan S. Hunt, Executive Director

DATE: August 12, 1994

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:30 p.m. Thursday, August 18, at the Office of the Commissioner of Banking, Insurance and Securities, 89 Main Street, Montpelier, Vermont.

Attached is the agenda and Board packet. The master copy of the Board minutes kept on file here at the Agency includes any attachments that may be referenced in the minutes; copies will be made available should any Board members be interested in reviewing them.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier at 1:30 August 18!

REMINDER: *The next Strategic Planning session will be held September 12, in the Burlington area. Exact location has not yet been determined.*

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VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA
Vermont Housing Finance Agency
Office of the Commissioner of Banking, Insurance and Securities
89 Main Street
Montpelier, Vermont

Thursday, August 18, 1994 at 1:30 p.m.

1. Review and approval of minutes of June 23, 1994

2. Review and approval of minutes of July 28, 1994

3. Development
   - ⌂ Letter of Commitment
     Burlington Scattered Sites — **[Jenkins/Erdelyi//Encl.]**
   - ⌂ Resolution of Interest and Commitment
     Olde Windsor Village — **[Jenkins/Erdelyi//Encl.]**
   - ⌂ St. Johnsbury Housing Partnership — **[Jenkins/Erdelyi//Encl.]**
   - ⌂ Westgate and Applegate Update — **[Jenkins/Cummings//Encl.]**
   - ⌂ Single Family Programs
     New Income Limit Recommendations — **[Jenkins/Crady//Encl.]**

4. Operations
   - ⌂ MOVE/Mortgage Plus Updates/
     Delinquency Report — **[Lothrop//Enclosure]**

5. Communications
   - ⌂ FY95 Marketing Plan — **[Gent//Enclosure]**
   - ⌂ Community Outreach Activities — **[Gent//Enclosure]**

6. Administration
   - ⌂ Executive Director's Report — **[Hunt]**

7. Annual Meeting and Election of Officers — **[Jarrett//Enclosure]**

8. Other old or new business to come before the Board

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vhfa

VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
Burlington Community Boat House
College Street, at Lake Champlain
Burlington, Vermont

Thursday, June 23, 1994

PRESENT: Commissioners White, Seelig, Randall, Candon (designee of Costle), Bradley (designee of Shouldice), Rockford (designee of Ruse),

Agency Staff: Mr. Hunt, Mr. Schoenbeck, Mr. Jarrett, Mr. Lothrop, Mrs. Parker, Ms. Gent, Mr. Cummings

Guests: Mr. Cole (AG Edwards); Mr. Glassberg (Housing Vermont); Ms. Houghton (Burlington Community Land Trust)

The meeting was called to order at 12:10 p.m. by Chairman White, who noted that Mr. Hunt was expected to join the meeting following his release from the hospital. Due to Mr. Hunt's illness, the Strategic Planning session will need to be rescheduled. Deferring substantive discussion of specific options until the Board's next discussion of the topic, Ms. Gent brought the Board up to date on the Advisory Group's activities. Beginning her remarks, Ms. Gent noted that the Strategic Planning effort began in July 1993 as a three-phased approach as described in the matrix developed July 23, 1993 and distributed to the Board. Since so much progress has been made in this area already, and due to budget constraints, staff is recommending that the FY95 budget not include the cost to hire a consulting firm to assist in completing this process. Various documents detailing the Strategic Planning process were again distributed to the Board or made available for review.

Ms. Gent asked the Board to examine the Summary of Findings and the List of Opportunities to determine if there are any topics included that could be considered inappropriate, or if there are any topics missing that should be added; a full discussion of the Board's findings will occur at the next Strategic Planning session. Mr. Candon asked for a review of the Agency's policy regarding mobile home parks and individual mobile homes, in order to allow the Board to fully understand the related issues. At Mr. Seelig's suggestion, staff agreed to prepare a brief, two- or three-page review of the considerations for mobile homes and mobile home parks, to include a scenario of a park that actually had been sold and the difficulties encountered during the process.

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The Board was then asked to review Ms. Gent's "Strategic Planning Update" memo of June 17, included in the Board packet, as well as the income and cost evaluation "prototypes" attached to that memo. Ms. Randall noted that neither the Agency's mission statement nor the goals determined by the Advisory Group reference the employees and the environment they are expected to work within, and suggested that the Board and staff should consider how to include that topic within the Strategic Planning effort. Mr. Seelig noted that the determination of the "top ten" strategies was not achieved through a scientific process, and that many other considerations need to be made when reviewing the prototypes, such as how reducing costs may affect employees and their ability to perform their tasks. Concurring, Chairman White observed that the selection of the "top ten" for further review was made without any financial analyses having been performed. It was pointed out by Ms. Gent that staff had created the prototypes included in the Board packet to demonstrate potential costs or income related to each topic, and the remainder of the "top ten" would be presented in the same format. The prototypes are meant to stimulate active discussion; staff does not expect the Board to agree with all of the suggestions made.

Although no formal action was taken, the Board directed staff to proceed with preparing information on the remaining "top ten" topics in the same manner as presented in the prototypes. However, Mr. Seelig observed that cooperative housing does not appear on the "top ten" list. As he plans to bring it up at the next Strategic Planning session, Mr. Seelig asked staff to analyze the issue, where it would fit in the Strategic Plan, and what could be done to make cooperative housing more of an option for people who would not qualify for conventional housing financing. Mr. Francis reminded the Board that cooperative housing does appear in the Business Plan as an item to be analyzed, and suggested that Ms. Jenkins (who was not present) would be willing to do the analysis in time for the next meeting. The Board then reviewed the other tasks remaining in Phases II and III of the Strategic Planning matrix and asked that, at the appropriate time, staff develop a list of items for the Board to review as the "developing strategy" segment. Another Board request was for staff to prepare and present occasional updates of the items determined in the finalized Strategic Plan, similar to what is prepared for the Board regarding the Business Plan. Ms. Gent emphasized the importance of this approach and observed that staff is already working hard on topics presently in the Business Plan; the Board needs to review the Strategic Planning proposals in concert with the Business Plan to determine what should be implemented and what existing activity may need to be suspended, primarily due to time, staff and/or financial constraints.

{The meeting was then adjourned for a brief break and reconvened at 1:25 p.m.}

Upon a motion made by Mr. Seelig and seconded by Mr. Candon, the minutes of the May 19 meeting were accepted as written.

Chairman White noted with sadness the death of former Commissioner Richard A. Myette, Jr., who had served as Chairman from 1974 to 1977, and as a commissioner until earlier this year. A Resolution honoring Mr. Myette's efforts on behalf of the Agency and its clients had been adopted at an earlier meeting and was presented to him by Mr. Hunt. At the specific request of Mr. Hunt, flowers were sent on behalf of the Agency, and the family asked that consideration be given to making a contribution to the Visiting Nurse Association or the Vermont Respite House. No formal action was taken, but staff was directed to present a check for $50.00 to each of the referenced organizations in memory of Mr. Myette.

The Board then turned its attention to items scheduled on the agenda. After introducing himself as the Agency's Development Assistant, Mr. Cummings reviewed the memo of June 17, included in the Board packet, entitled "June 1994 Low Income Housing Tax Credit [LIHTC] Reservations." Chairman White noted that he would abstain from voting on this issue as he is a member of the board for the Northern Community Investment Corporation, which is related to the Northern Community Housing Corporation. As Mr. Cummings explained to the Board, the allocation plan under which the applications were made requires approval from the Joint Tax Credit Committee. At the April 21 Board meeting a Resolution was adopted agreeing with a staff recommendation that the Board consider and approve staff recommendations on specific LIHTC project reservations after such recommendations had been presented to and considered by the Committee. Mr. Seelig described the Joint Tax Credit Committee as an interagency task force, with representation from the Agency, the Governor's Office of Policy Research and Coordination, the Vermont Housing and Conservation Trust Fund (HCTF), and the Agency of Development and Community Affairs (DCA). According to Mr. Jarrett, there is a memorandum of understanding between the Agency and DCA, showing that the actual allocations of credits are to be made by the Agency, with the Joint Tax Credit Committee functioning in an advisory capacity. After some further discussion, a motion was made by Mr. Rockford and seconded by Ms. Bradley to adopt the "Resolution Regarding Low Income Housing Tax Credit Project Reservations" as attached to these minutes. This motion carried, with Chairman White and Mr. Seelig abstaining.

The "HUD Preservation Technical Assistance Grant Program" was reviewed next by Mr. Cummings, as further discussion of his memo of June 17, included in the Board packet. This grant program provides predevelopment and resident capacity grants to nonprofit organizations involved in the preservation of housing under Title VI of the 1990 National Affordable Housing Act (the "Low Income Housing Preservation and Resident Homeownership" [LIHPRHA] Act). Mr. Cummings explained that pre-development grants would allow for the organization of resident groups through paid consultants; this process would make residents aware that they can access and utilize the preservation program. The "preservation" referred to in this grant would be to avoid conversion from rental housing to condominium ownership, as well as from affordable to market rate housing. Mr. Seelig expressed surprise that the application for this grant had not been previously discussed with other housing organizations throughout the state. Another concern expressed by Mr. Seelig was the staff's previous lack of involvement in field organization of this type; although the Agency and staff have been instrumental in determining and providing financing mechanisms to preserve affordable housing, resident organization has not appeared to have been a focus of those efforts. Mr. Cummings explained that it is staff's expectation that a local nonprofit organization would apply to the Agency to access these funds, which would provide a more streamlined approach than having the nonprofit apply to HUD (rather than a Vermont entity). As Mr. Francis noted, the Agency's role would be to accept those applications and make determinations as to the worthiness of the nonprofit's proposed activity. Mr. Francis further pointed out that the Board could direct that applications from nonprofits be considered by the Board, in some fashion, to ensure that collaborative interests are addressed.

During the previous discussion, Mr. Hunt arrived. According to Mr. Hunt, the Agency was asked by HUD to apply for these grant funds; although the deadline for submission has passed, the Agency could withdraw the grant application or assign it to another Vermont entity. Mr. Hunt also explained that it was his understanding that Ms. Jenkins had already discussed the grant application with other Vermont housing organizations. However, Mr. Seelig advised against having the application assigned or withdrawn; instead, he suggested that the Housing Council, or some other group represented by the various housing organizations in the state, discuss the application further. A motion was then made by Mr. Seelig and seconded by Ms. Bradley to delegate to Chairman White the decision whether or not to authorize this "Resolution Regarding HUD Preservation Technical Assistance Grant Program," as attached to these minutes, *following* a discussion between Mr. Hunt and Chairman White; this motion carried unanimously.

Next, Mr. Cummings reviewed the "Burlington Scattered Sites—Letter of Interest" as described in Ms. Jenkins' memo of June 17, included in the Board packet. Housing Vermont (HVT) and the Burlington Community Land Trust (BCLT) are planning to form a partnership to purchase, construct and rehabilitate a 20-unit project in seven buildings located on scattered sites in Burlington's Old North End. BCLT has an option to purchase the properties, all of which are currently owned by Scott Mansfield. According to Mr. Cummings, an additional condition of the financing, which is not referenced in the Resolution of Interest, would be the abatement of all known hazards on the sites. Mr. Glassberg, of Housing Vermont, noted that 14 of the units were appraised in "as is" condition, while six were appraised on an "as-completed" basis; there are two other units which have not yet been constructed, and the remaining four require considerable rehab. One unusual aspect of this project is the seller's involvement in the rehab of the properties; according to Mr. Glassberg, BCLT had negotiated the terms of this acquisition and then began discussions with HVT, which requested the ability to monitor the work, in order to have control over the quality of the finished units. Mr.

Seelig noted that the HVT partnership appears to have done as well as possible on the appraisal, but a more difficult problem is how to structure the partnership with the developer; Mr. Seelig also stated that he would not encourage a similar structure for future projects. After a motion by Mr. Seelig, which was seconded by Ms. Randall, the "Resolution of Interest re: Burlington Community Land Trust Scattered Site Development (Burlington)" was unanimously adopted as attached to these minutes. Following the vote, Ms. Houghton and Mr. Glassberg left the meeting.

Mr. Hunt began his Executive Director's report with a review of his recent trip to The Netherlands, which was made at the invitation of a housing organization there, which had offered to pay all of Mr. Hunt's ground expenses. The housing organization, Smallingerland, has approximately 6,000 units under their ownership or management and is interested in exporting their housing knowledge to the United States, using Vermont as a pilot state. Their philosophy is not to isolate the elderly, single parents, low income families, and so forth; during a visit to Boston, they were shocked to see the isolation typical in certain sizes and types of housing. Another visit to the U.S. is planned for October, when they would like to meet with local nonprofits and may also meet with the Board.

Continuing his report, Mr. Hunt noted the finalization of the legislation for VHMGB, granting authority to increase the amount of guarantees outstanding, as well as the deeper mortgage insurance coverage required for participation by Freddie Mac and Fannie Mae. Unfortunately, the requested increase in fees was not approved. The consolidation of staff has been completed, and the Agency's computer system is now capable of providing guarantees and loan approvals simultaneously. While the work level has been heavy, the turnaround time for guarantees has dropped to one day, which is a significant improvement over past years. Thus far there have been no negative comments from lenders; encouragingly, several positive remarks have been made by lenders and realtors.

Mr. Hunt explained that the original plan for the consolidation was to create a Loan Underwriting/Guarantee department and a separate department for Loan Servicing and Quality Control. Upon further analysis, it was decided not to create two departments, but rather to create a new position of Assistant Director of Single Family Operations, with that position responsible for overall direction of underwriting and guarantees. An Underwriting Supervisor will be hired for day-to-day supervision.

The "Fiscal Year June 1995 Budget" was reviewed by Mr. Schoenbeck, as further discussion to his memo of June 17, included in the Board packet. After netting out expenses related to the consolidation with VHMGB, the overall budget has been decreased by 6.9%, which exceeded the staff's goal of decreasing the budget by at least 5%. During the discussion that followed, Mr. Seelig requested that the Board be provided with information on the Agency's salaries and benefits, comparing them with other public or private entities. Ms. Randall concurred, noting that a flat 2.5% salary increase, with no recognition for merit, does not offer encouragement for employees to perform beyond standard expectations; the reward factor is important to retain valued employees. Mr. Francis pointed out that in making a merit-based determination, comprehensive consideration must be given to such factors as salary, benefits, etc. A motion to approve the FY95 budget as presented was made by Mr. Candon and seconded by Ms. Randall; this motion carried unanimously.

Mr. Schoenbeck reviewed the considerations for the Agency's fund balance retention. The financial study conducted by Evensen Dodge offered several suggestions for these fund balances. In order to have any restrictions in place for FY95, it will be necessary to have Board action on record to be included in the year-end audit. Issues to be considered and discussed include the creation of a loan loss reserve fund to show that fund balances should be constrained to cover potential losses, such as those on foreclosed properties; another consideration would be to state bond restrictions on the financial statements. The Evensen Dodge suggestion that surplus fund balances be moved to the General Fund has not yet been acted upon. Any discussion of this type would not affect the Agency's ability to "close the books" on FY94 financial activity, as any Board action taken after the close of FY94 could probably be included in the FY94 financial statements.

The monthly single family mortgage activity was reviewed by Mr. Lothrop, who noted that MOVE activity is up slightly since last month's report, with the majority of the activity in the zero-point option (not the two-point option). Reservations are at $21.1 million, within $500,000 of activity at the same time in 1992, and within $1 million of May 1993's activity. Only $11.8 million remains available for reservations, and it is possible that these funds would be reserved by the end of August, which would lead to another bond issue. However, staff has been considering using recycled funds, available at 8.3% from 1990 Series 1-2-3; nearly $5 million in prepayments has been received. Should conventional mortgage rates rise slightly, these recycled funds would be attractive and competitive. Mr. Hunt noted that many borrowers are able to utilize the no down payment program, as having down payment funds available does not preclude a borrower from qualifying. Ms. Randall suggested that staff consider allowing a borrower to be pre-approved, retain that pre-approval for 90 days, and allow the borrower to buy a home that's reasonable, rather than one that is not truly affordable (due to commuting distance, limited housing units available in that price range or in that locale, high maintenance costs, etc.). Mr. Hunt also suggested that a home inspection could be required for no down payment loans, to avoid having borrowers purchase a property that would need a substantial amount of repairs. Although no formal Board action was taken, staff was directed to proceed with the use of recycled funds once the Series 5 funds have been used.

Mr. Lothrop then reviewed the status of delinquencies and real estate now owned by the Agency as a result of foreclosures (REOs). The number of properties in this category has dropped (from 41 to 35); four are under contract and one offer is being negotiated. Alternative methods to speed the sale of REO properties are being considered. No Board action was necessary.

A "Discussion of Property Taxes and REOs" followed, with Mr. Lothrop referencing his memo of June 17, included in the Board packet. As Mr. Lothrop noted, in February 1984 the Agency obtained a ruling from the office of the Attorney General of the State of Vermont, indicating that the Agency is not required to pay property taxes for properties owned as of the assessment date of April 1 of each year. However, a decision to resume payment of property taxes was made because of concerns about relationships with municipalities and local governing boards, as well as concern for the adverse effects on local tax bases and the limited number of properties owned by the Agency. As the number of REOs increased, the amount of taxes paid has risen proportionately. No formal Board action was taken, but staff was directed to continue paying property taxes.

Next, the "Tax Credit Compliance Monitoring Options" listed in Mr. Falzone's memo of June 14, included in the Board packet, were addressed by the Board. Upon a motion made by Mr. Rockford and seconded by Mr. Candon, the Board unanimously approved the implementation of a Tax Credit Compliance Monitoring program within the Agency's Multi-Family Management department, including a commitment to increase staff's technical capacity through increased attendance at tax credit workshops and training sessions. This motion carried unanimously.

Mr. Jarrett then reviewed the "Conflict of Interest Policy" as attached to his memo of June 16, included in the Board packet. This policy is intended to include both staff and the Board, as well as any other representatives of the Agency. A motion was made by Mr. Candon to amend paragraph (4) to include the phrase *"to induce"* and delete the phrase *"in connection with."* After being seconded by Mr. Rockford, the Board voted unanimously to adopt the policy as amended.

The "Amendment to the Agency's Condominium Policy," as described in his memo of June 16, included in the Board packet, was reviewed by Mr. Jarrett. A motion was made by Ms. Bradley and seconded by Ms. Randall; the Board then voted unanimously to adopt the "Condominium Eligibility Procedures" as attached to these minutes.

In other business, Mr. Francis informed the Board that the City of Burlington is attempting to finalize an "enterprise community" application to HUD. This application had previously been discussed at the May 19 Board meeting. The City of Burlington would like to have as many contributing organizations as possible sign on as participating entities. To support this effort, a motion was made by Mr. Seelig and seconded by Mr. Rockford authorizing the Executive Director to take whatever actions are necessary to show the Agency as a participating entity for purposes of this application.

Ms. Randall then asked staff to prepare an update for the Board to review at its next meeting, indicating the change in focus from Westgate to Applegate as the next of the "Gates" projects. This update should include any financial exposure or risk that may be involved.

The next meeting was scheduled for Thursday, July 21, in Burlington, to be held in the morning, prior to the annual picnic. *{This meeting was later cancelled; the next regular Board meeting was then scheduled for August 18.}* A Strategic Planning session was also scheduled, to be held in Burlington at 1:30 on Thursday, July 28. There being no further business and following a motion duly made and seconded, a motion was made by Mr. Candon and seconded by Ms. Bradley to enter Executive Session for the purpose of an evaluation of personnel. After a motion made by Mr. Seelig and seconded by Mr. Candon, the Board came out of Executive Session; a motion was then made by Mr. Candon and seconded by Mr. Rockford to approve a salary increase of 2.5% for the Executive Director; this motion carried unanimously. The meeting adjourned at 4:00 p.m.

Respectfully submitted,

Allan S. Hunt

Allan S. Hunt,
Secretary

RESOLUTION REGARDING
LOW INCOME HOUSING TAX CREDIT
PROJECT RESERVATIONS

WHEREAS, on November 18, 1993 the Board agreed with a staff recommendation that the Board consider and approve staff recommendations on specific Low Income Housing Tax Credit (LIHTC) project reservations after such recommendations had been presented to and considered by the Joint Tax Credit Committee (JTCC); and

WHEREAS, the JTCC met on June 16, 1994 and considered recommendations for a total of $720,331 in reservations of tax credits for nine proposed projects; and

WHEREAS, the Agency staff recommended six of the projects to the JTCC for reservations and the JTCC accepted the staff's recommendations on each of the projects; and

WHEREAS, staff has prepared a memorandum dated June 16, 1994 containing descriptions of the nine projects (the "Memorandum");

NOW, THEREFORE, it is hereby RESOLVED:

1. The Board has considered the nine projects discussed in the Memorandum.

2. The Agency approves the reservations for the six projects recommended by staff for reservations in the Memorandum and accepted by the JTCC, subject to the payment of applicable reservation fees, as well as carryover allocations subject to the conditions discussed in the Memorandum.

3. The Agency staff may increase or decrease LIHTC allocations by up to five percent, if appropriate, based upon changes in development costs.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on June 23, 1994.

Allan S. Hunt
Executive Director and Secretary
Vermont Housing Finance Agency

RESOLUTION OF INTEREST RE: BURLINGTON COMMUNITY LAND TRUST SCATTERED SITE DEVELOPMENT (BURLINGTON)

WHEREAS, a proposal has been presented to the Agency by the Burlington Community Land Trust and Housing Vermont (who, together with any subsidiary of the foregoing or any general or limited partnership in which one or more of the foregoing or a subsidiary thereof is a general partner, is the "Housing Sponsor") involving the financing of 20 rental units located in several locations in the Old North End of Burlington, as referenced in a staff memorandum dated June 17, 1994 (the "Development"); and

WHEREAS, a to-be-formed partnership including the Housing Sponsor is expected to qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible; therefore

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.

2. The acquisition and construction costs incurred by the Housing Sponsor are for housing development costs within the meaning of the Act.

3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.

4. The Housing Sponsor undertaking the Development will increase and maintain the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income.

5. The security value of the Development will equal at least the amount of the VHFA loan.

WHEREFORE, it is hereby RESOLVED:

1. The Vermont Housing Finance Agency hereby declares its interest in providing a first mortgage loan for acquisition and rehabilitation in an amount not to exceed $203,250, for the Development.

2. This Resolution of Interest is not a commitment to make a loan or to otherwise finance the Development and is expressly conditional upon the satisfaction by the Sponsor of all requirements of the Act, the applicable

regulations of the Agency and such further requirements as the Agency may establish, including, but not limited to, the following:

(a) the availability of funds to the Agency for such purpose from the Federal Home Loan Bank;

(b) the furnishing to the Agency, with form and content satisfactory to the Agency, of the following:

(i) detailed plans and work specifications;
(ii) a copy of a current appraisal of the Development;
(iii) figures showing the square footage of the units;
(iv) tenant income verifications;
(v) documentation of operating and development costs;
(vi) a detailed operating budget;
(vii) an independent cost estimate for the construction work that will not be bid competitively;
(viii) a revised project schedule;
(ix) reconciliation of the purchase price (and construction cost, where applicable) with the market price; and
(x) environmental assessments and satisfactory plan to remediate deficiencies.

3. The maximum amount of the loan will be $203,250. The loan will be amortized over a period of 30 years, but all principal and interest will be due approximately 20 years from the date of the loan. If Federal Home Loan Bank funds are used, the interest rate will be 100 basis points above the effective interest rate paid by the Agency on the advance from the Federal Home Loan Bank. The loan origination fee will be one percent.

4. The Executive Director is authorized to deliver a copy of this resolution to the Housing Sponsor. This Resolution of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on June 23, 1994.

Allan S. Hunt

Allan S. Hunt
Executive Director and Secretary
Vermont Housing Finance Agency

Vermont Housing Finance Agency

Condominium Eligibility Procedures

Approved by Board of Commissioners
December 14, 1988

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on June 23, 1994.

Allan S. Hunt
Executive Director and Secretary
Vermont Housing Finance Agency

Revised 6/9~~0~~4

TABLE OF CONTENTS

PREFACE

The VHFA is dedicated to providing affordable housing to Vermont's low-and moderate-income families. Traditionally, condominiums have provided one of the most affordable types of homeownership for two main reasons: one, the land cost is shared by all condominium owners, and two, the maintenance on the buildings and common elements is shared by all owners.

A major consideration in providing housing is the balance between available affordable rental units and homeownership opportunities. Part of this process is to protect tenants in rental units from being displaced by the conversion of rental units to homeownership.

The VHFA condominium procedures presented here are designed to provide guidance for obtaining eligibility of individual condominium projects for financing, while at the same time encouraging an appropriate balance between homeownership opportunities and affordable rental units.

VHFA recognizes that housing is a dynamic marketplace. These procedures will be reviewed periodically to assure that they are consistent with the goals of VHFA and the Housing Policy of the State of Vermont.

DEFINITIONS

New Condominium Project

This type of project consists of the following:

1. The construction of a new discrete structure or structures;
2. A new addition to an existing residential structure which, when completed, will at least double the total number of dwelling units currently existing; and
3. The conversion of a non-residential structure or structures into residential units.

Existing Condominium Project

This type consists of projects which were built as condominiums and sold to individual purchasers as condominiums. VHFA eligibility was not applied for or not granted at time of construction.

Conversion Condominium Project

This type consists of projects that were built as rental units or as condominium units and have been or are in the process of being converted to homeownership units. Date of conversion will be the date the first written notice of the conversion is given to the occupants of the units.

GENERAL POLICIES

1. Fees:

The application fee for eligibility of a condominium project will be $275.00.

2. Documents needed in support of the Application for eligibility request:

All documents requested on VHFA Form #S-270 "Documentation Required for Multi-Unit Project Eligibility Request" as it is amended from time to time.

3. Other:

Condominium documents for projects of six units or less must contain a dispute resolution procedure acceptable to VHFA.

As a rule VHFA will consider financing up to 30% of the total number of the completed units of a project, as long as the project and phase in which they were built is eligible. The percentage of units on which VHFA will allow financing may be adjusted at the sole discretion of VHFA, based on such considerations as financial stability of the project, age of the project, percent of units in the project which are owner occupied, the size of the project, and other pertinent considerations.

If applicable, projects must obtain a land use permit pursuant to Chapter 151 of Title 10, Vermont Statutes Annotated, and any other State or local permits as required.

VHFA reserves the right to withdraw this condominium eligibility at any time if, in its judgment, there are material deficiencies in the project, financial condition of the condominium/homeowners association, or the physical condition of the project. Among the reasons that withdrawal of eligibility might occur would include, without limitation, lawsuits, liens, and attachments. Withdrawal of eligibility will not cancel loan commitments previously issued by VHFA.

Project may be subject to a possible site inspection.

4. Advertising:

Eligibility for financing by VHFA allows a developer to advertise that the units are "VHFA Eligible". Under no circumstances may a developer, its agent or any other seller or its agent advertise or represent that a unit or units are approved by VHFA. Any such advertising or representations may result in VHFA withdrawing eligibility for financing.

New Condominium Project

This type of project consists of the following:

1. The construction of a new discrete structure or structures;

2. A new addition to an existing residential structure which, when completed, will at least double the total number of dwelling units presently existing; and

3. The conversion of a non-residential structure or structures into residential units.

Requirements:

1. VHFA Energy Conservation Standards must be met.

2. All requirements listed under General Policies must be met.

3. If FreddieMac/FannieMae approved the following will apply or are required:

   A. Fee will be reduced to $100.00.

   B. In addition to required documentation an unconditional letter of approval by FreddieMac or FannieMae must be provided.

Existing Condominium Project

This type consists of projects which were built as condominiums and sold to individual purchasers as condominiums and VHFA eligibility was not applied for or not granted at time of construction.

Requirements

1. Reason for previous denial, if any, has been corrected.

2. All requirements listed under General Policies must be met.

3. List of owners and addresses along with an indication of which units are owner occupied.

4. Certification from the Association that to the best of their knowledge there are no circumstances which would subordinate a recorded first mortgage on any unit or that they anticipate any such action.

5. Certification from the Association that there are no substantive problems with the developers' warranties, that there is no anticipated phasing of additional units, and that all common elements and units are complete.

6. A report of delinquent Association dues.

7. Certification from the Association that the entire project was new when developed and was not any type of rental unit conversion project.

8. If FreddieMac/FannieMae approved the following will apply or are required:

    A. Fee will be reduced to $100.00.

    B. In addition to required documentation a conditional letter of approval by FreddieMac or FannieMae must be provided.

Conversion Condominium Project

This type consists of projects that were built as rental units or as condominium units and have been or are in the process of being converted to homeownership units. Date of conversion will be the date the first written notice of the conversion is given to the occupants of the units.

Requirements

A. Projects that have been converted.

1. Projects in this category must have been under control of the Homeowners Association for a period of two years.

2. The conversion process was in compliance with Chapter 15 of Title 27, Vermont Statutes Annotated, if the declaration was filed on or after July 1, 1986.

3. All requirements listed under General Policies must be met.

4. List of owners and addresses along with an indication of which units are owner occupied.

5. Certification from the Association that to the best of their knowledge there are no circumstances which would subordinate a recorded first mortgage on any unit or that they anticipate any such action.

6. Certification from the Association that there are no substantive problems with the developers' warranties, that there is no anticipated phasing of additional units, and that all common elements and units are complete.

7. A report of delinquent Association dues.

8. If FreddieMac/FannieMae approved the following will apply or are required:

    A. Fee will be reduced to $100.00.

    B. In addition to required documentation an unconditional letter of approval by FreddieMac or FannieMae must be provided.

B. Projects in the process of conversion or recently converted.

1. VHFA will consider financing only for tenants who: were given written notice of conversion; wish to purchase their units; are eligible for VHFA financing; and through the financing will avoid displacement. Applicants may request a waiver from this restriction on financing only based on the circumstances surrounding the conversion. Such a request will be decided on a case-by-case basis by the VHFA Board of Commissioners. When considering a request for such a waiver, steps taken to avoid displacement and/or assist in relocation will be considered by the VHFA.

2. Conversion process was in compliance with Chapter 15 of Title 27, Vermont Statutes Annotated.

3. All requirements listed under General Policies must be met.

4. If FreddieMac/FannieMae approval is being sought and is obtained the following will apply or are required:

   A. Fee will be reduced to $100.00.

   B. In addition to required documentation an unconditional letter of approval by FreddieMac or FannieMae must be provided.

DRL/kale

Revised 07/94

BOARD MINUTES
Vermont Housing Finance Agency
Cathedral Square
3 Cathedral Square
Burlington, Vermont

Thursday, July 28, 1994

PRESENT: Commissioners White, Seelig, Randall, Candon (designee of Costle), Grimes (designee of Shouldice)

Agency Staff: Mr. Hunt, Mr. Francis, Mr. Lothrop, Mrs. Parker, Ms. Gent, Ms. Santerre, Mr. Falzone, Ms. Mattoon, Ms. Crady, Ms. Jenkins, Mr. Gandini

The meeting was called to order at 1:50 p.m. by Chairman White. As this meeting was scheduled to be a discussion of the Strategic Planning process, minutes from the June 23 meeting were not available for review.

As the first order of business, Chairman White noted that a purchase and sale agreement had been signed by the Executive Director for a building located at the corner of King Street and St. Paul Street in Burlington, known as "Venture Place." This transaction was described further in Mr. Hunt's memo of July 22, "Proposed Purchase of Office Space", which was included in the Board packet. The agreement was signed contingent upon Board approval of Mr. Hunt's actions. Several members of the Board had toured Venture Place prior to the meeting. Mr. Hunt noted that during the past year the Board and staff had discussed buying a building, rather than continuing to rent. The commercial buildings at Dalton Drive had also been considered. The building at Venture Place has been on the market for awhile; last year, Mr. Hunt and staff viewed the building, but as the asking price was $1 million, no purchase had been recommended. When Mr. Hunt was approached a month ago, the asking price had been lowered considerably and he toured the building again, with Chairman White. Plans were made to discuss purchase of the building with the Board; however, due to some interest expressed by another potential buyer, Mr. Hunt and Chairman White agreed that it would be best to sign a purchase and sale agreement, contingent upon the Board's approval of this action, thus allowing the entire Board to discuss the purchase at the next meeting. The agreement, as signed, is also contingent upon a complete structural and mechanical review of the building, as well as an environmental assessment of the property. A budget of $100,000 is projected to cover renovations and relocation costs. Mr. Schoenbeck's memo of July 22, "Venture Place Purchase," included in the Board

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packet, did not reflect the current monthly lease cost of $12,000. It is expected that the Agency would occupy the second and third floors, while the first floor would be leased for rental income.

Mr. Francis reported that he had spoken with the Commissioner of Buildings this morning, who referenced a price of $475,000 that the State of Vermont paid for a half-acre lot on Cherry Street for the Court building. The Commissioner of Buildings estimated a cost of $60-100 per square foot for renovated office space, and observed that this building appears to be a good buy.

According to Ms. Randall, her organization had considered the building; a primary concern was customer access due to the parking limitations, as well as the logistical problems inherent in creating two office locations. The property appears to be a good value, including storage opportunities, although there are some concerns with rotting window sills and some minor repair work that would be required. Ms. Randall suggested that the annex, which is a wooden structure, could be torn down to create a small side parking lot. As there are heating zones for each floor of the building, it should not be too difficult to share in maintenance costs for the building with a first floor tenant. Although a solution to the parking problem had not been pursued, it might be possible to negotiate for parking spaces from the City's adjacent lot in consideration of payments in lieu of taxes to the City of Burlington.

Reviewing problems with the Agency's current office location, Mr. Hunt noted that the ventilation system did not provide a comfortable work environment, especially during the change of seasons; there has also been general poor management and maintenance of the building. While the location is more than adequate, construction is planned on the parking lot which the Agency currently leases. The commercial buildings at Dalton Drive are also still on the market. There has been some discussion with a potential purchaser of Building 600, who is interested in creating a large daycare center there. The combined square footage of Buildings 600 and 504 at Dalton Drive (including the unattractive annex on Building 600) is roughly equivalent to the single building at Venture Place which is under consideration. The buildings both need much renovation work, which is projected to cost $80 per square foot. The cost to the Agency of renovating those buildings would be roughly twice as much as the cost of purchasing and renovating Venture Place. Governor Dean also had sent a letter to Mr. Hunt recommending that the Agency's offices remain in a downtown location. Mr. Hunt pointed out that other buildings in Burlington had also been considered, but either had no parking available, were much more expensive, or had inadequate office space.

The Agency's current lease expires in July of 1995. A mid-September closing is contemplated, which would leave the Agency with an obligation on two properties. The Agency could reduce first-year costs for a new tenant occupying the current space, which may facilitate an early relocation. The tax issue has not yet been discussed with the City of Burlington, but the City is prepared to discuss either leasing spaces in the existing parking lot (rather than the 10-hour meters that are there now), or exploring the addition of another parking level to the City's current parking lot; this may be of interest to the Howard Bank, as they have offices nearby. A permanent parking solution should be sought. Mr. Seelig noted that staff should consider the building's compliance with the Americans with Disabilities Act, as well as the true marketability of the first floor space. A motion was then made by Mr. Seelig and seconded by Ms. Grimes authorizing staff to proceed with the purchase of the building, including all inspections as specified in the purchase and sale agreement; this motion further authorized the Executive Director to execute any and all documents pertaining to the purchase of this building; the motion also required the preparation of a document to become part of the Agency's permanent records indicating that other properties had been considered before this purchase and sale agreement was entered into, and this document should also specify that the Agency is, in fact, authorized to purchase any property. The motion was adopted, with Mr. Candon abstaining.

As another item of business, Chairman White noted that the Agency's Certificate of Deposit with the Vermont Development Credit Union (VDCU) is renewed each year, and is currently due for renewal. The Agency has had $100,000 on deposit with VDCU, for the past three years at below market rates. Mr. Seelig expressed some concern as to the financial condition of VDCU, as there had been some procedural and administrative issues. However, Mr. Candon assured the Board that these problems have been addressed and VDCU's performance has improved significantly. A motion was then made by Mr. Candon to renew the Certificate of Deposit at 3%; after being seconded by Ms. Grimes, the motion carried unanimously.

The Board then began a lengthy review of the Strategic Planning process, during which several revisions to the Agency's Mission Statement were proposed and discussed. No Board action was necessary.

The next meeting was scheduled for Thursday, August 18, in Montpelier. A Strategic Planning session was also scheduled, to be held in Burlington at 1:30 on Monday, September 12. There being no further business and following a motion duly made and seconded, the meeting adjourned at 4:35 p.m.

Respectfully submitted,

Allan S. Hunt,
Secretary

vhfa
VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Irene D. Jenkins, Director of Development
Joseph A. Erdelyi, Multifamily Development Underwriter

DATE: August 10, 1994

RE: BURLINGTON SCATTERED SITES - LETTER OF COMMITMENT

THE DEVELOPMENT

1. General Description

Housing Vermont (HVT) and the Burlington Community Land Trust (BCLT) have formed a partnership to purchase, construct, and rehabilitate a 20 unit project in seven buildings located on scattered sites in Burlington's Old North End (see attached site map). BCLT has purchased the properties.

The sponsors have received a reservation of Low Income Housing Tax Credits ("Tax Credits") and have received funding commitments from the Vermont Housing and Conservation Board (VHCB) and from the City of Burlington's HOME funds. The sponsors have requested debt financing from VHFA in the amount of $203,250, at a rate of up to ten

percent, with a 30 year amortization schedule and a 20 year term. (We expect to be able to provide funds at a rate less than ten percent.) This debt would be secured by a first mortgage on all of the properties and would be the only amortizing debt.

BCLT intends to preserve affordability by maintaining ownership of the land and providing the partnership with a long-term lease. It is BCLT's intention to establish a leasing cooperative that would consist of residents of the six units located at 310 - 328 Manhattan Drive. At the end of the Tax Credit compliance period the cooperative would purchase the buildings from the partnership.

A summary of sources and uses of funds, rents, operating expenses, and financial projections is attached.

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2. Projected Funding Sources

VHFA debt	$203,250	13.92%
VHCB Grant	367,000	25.14%
HOME deferred debt	242,812	16.49%
CDBG debt (assumed)	28,000	1.92%
Tax Credit Equity	631,016	42.85%
Total	$1,472,078	100.00%

3. Unit Breakdown and Rents

The completed project will include 20 total units; the breakdown is a follows:

	# of Units	Monthly Rent
Studio	1	240
One bedroom	6	330 - 360
Two Bedroom	7	410 - 480
Three Bedroom	3	580
Four Bedroom	2	600
Five Bedroom	1	650
TOTALS:	20	

At this time information on the square footage of the buildings but not the units has been submitted. Seven of the units are currently occupied by households with tenant-based Section 8 rental assistance; the sponsors and we have not reflected this in the pro forma operating budget because tenants who move would take the assistance with them. There is no project-based rental assistance.

4. Site/Location

The buildings are located at the following addresses in the Old North End (see attached map):

33-39 Murray Street	5 units
11-11 1/2 Cedar Street	4 units
267 North Winooski Avenue	2 units
43-45 Manhattan Drive	3 units
310-328 Manhattan Drive	6 units

There are six existing buildings with 18 units; 16 of these units are currently habitable, and two of these units will be finished in a vacant building. One building with two units is being newly constructed.

5. Renovation Plan

Staff have visited the buildings and have inspected the interior of the units. The buildings cover a wide spectrum of physical conditions. Some units have had minor rehabilitation done previously, from 1989 to 1991. The proposed renovation will include: abatement of environmental hazards, interior finish surfaces (i.e. painting, new flooring), heating and weatherization improvements, new siding, and some roof and porch repair. Some of the buildings will have structural repairs such as partial sill replacement. Temporary tenant relocation will be required because of the level of rehabilitation and the potential for lead poisoning. The building to be newly constructed has received local approvals. Fourteen of the units will have the rehabilitation competitively bid. For the six units at 310 - 328 Manhattan Drive, the option agreement that was signed included a provision that the seller, Scott Mansfield, do the construction for a set price. Construction is underway on these six units. The sponsor has had an independant cost estimate prepared for this work and this estimate supports the contract amount.

6. Loan to Value

The appraisals completed for the Bank of Vermont, which is providing short term financing of the acquisition, indicate values below the total acquisition cost. The acquisition price includes the assumption of $28,000 in subordinate debt remaining from minor rehabilitation that was done in previous years from CDBG and Rental Rehabilitation Funds. The acquisition cost of the 14 units to be rehabilitated equals the "as-is" appraised values. The "as-completed" appraised value of the six units located on Manhattan Drive (including the two new units) is $300,000, well below the total acquisition and construction cost of $452,267 for the completed units.

Because the total loan amount is small relative to the total appraised values (approximately 27%), the issue of concern is not whether VHFA would have sufficient value to cover its investment, but whether VHFA should endorse the use of public funds to pay more than market value for these properties.

The debt service coverage ratio in the first year's operating budget is approximately 1.25 to 1. The cash flow projection indicates that the principal balance of the loan due in year 20 would be $135,000. The sponsor is trending the rents at a two percent increase per year and the expenses at three and one half percent per year. The effect of these trending rates is that in year 14 the project no longer positively cash flows. However, there is sufficient cash accumulated that the project can subsidize the operating expenses for the last six years.

7. Management

BCLT will be the property manager in addition to being a general partner; BCLT currently manages approximately 85 similar rental units and their offices are located within walking distance from the sites. VHFA has only recently made a small loan to BCLT and has therefore had little experience with BCLT as a property manager.

8. Market Demand

All 16 of the habitable units are occupied. The sponsors have submitted data on the market rents and household incomes in the Old North End. Both the City of Burlington's Comprehensive Housing Affordability Strategy (CHAS) and a 1990 market analysis were submitted. These buildings are located where the highest concentration of low income households and the highest concentration of poor quality units exist in the city. An estimated 80% of very low income households in Burlington pay on average more than 30% of income on housing costs. In Burlington in 1990 there were an estimated 362 vacant units for rent out of a supply of 8,773 units, a vacancy rate of 4.1%. BCLT has historically seen a vacancy rate in its portfolio of two to three percent. The proposed rents are 15% - 25% below the rents currently being charged for the units. There seems to be a need for the rehabilitated and new units this project would provide.

9. Environmental Concerns

The sponsors have submitted a Level I Environmental Site Assessment done on all the properties. The assessment included testing for lead paint, asbestos, and lead in soils. Specific locations where lead paint is present were identified in the report. Locations of suspected friable asbestos were identified, but further testing may show less present than suspected. (Very little if any asbestos is present.) Because of its proximity to the Gracie Roofing site, the property at 267 North Winooski Avenue had soils testing for lead, and an elevated lead level was found in all samples. The rehabilitation plan calls for abatement of all known hazards. The buildings at 310-328 Manhattan Drive are adjacent to the Intervale, the site of a former city landfill. The Intervale is ringed with monitoring wells to measure methane gas, including one such well on this site. At the present time the proximity to the landfill appears to have no adverse impacts on the proposed project. The assessment does recommend, among other things, that the owner execute a boundary line adjustment with the city of Burlington. The city has recommended this lot line adjustment, which would reduce BCLT's liability since the current lot line extends into the landfill. This adjustment has not yet been made.

DISCUSSION

Strengths

a) The project is expected to have a very low loan to value ratio, around 27%. With a first mortgage, VHFA would have a good security position.

b) BCLT is a community based, "hands-on" property manager and owner. With Housing Vermont as partner, the ownership entity will have substantial experience and capacity.

c) After completion of the rehabilitation the units will be decent, safe, and sanitary, and all of them will be in better condition than at present. The rehabilitation and new construction will contribute to the ongoing neighborhood revitalization in the Old North End.

d) The unit rents would be lowered from the current levels, increasing the affordability; this affordability would be maintained at least for the term of the mortgage. There is a Housing Subsidy Covenant restricting the use of the properties to affordable housing because of both the tax credits and the VHCB funding. The VHCB funding requires that the Covenant provide the units remain affordable housing in perpetuity (i.e., the useful economic life of the buildings).

Weaknesses

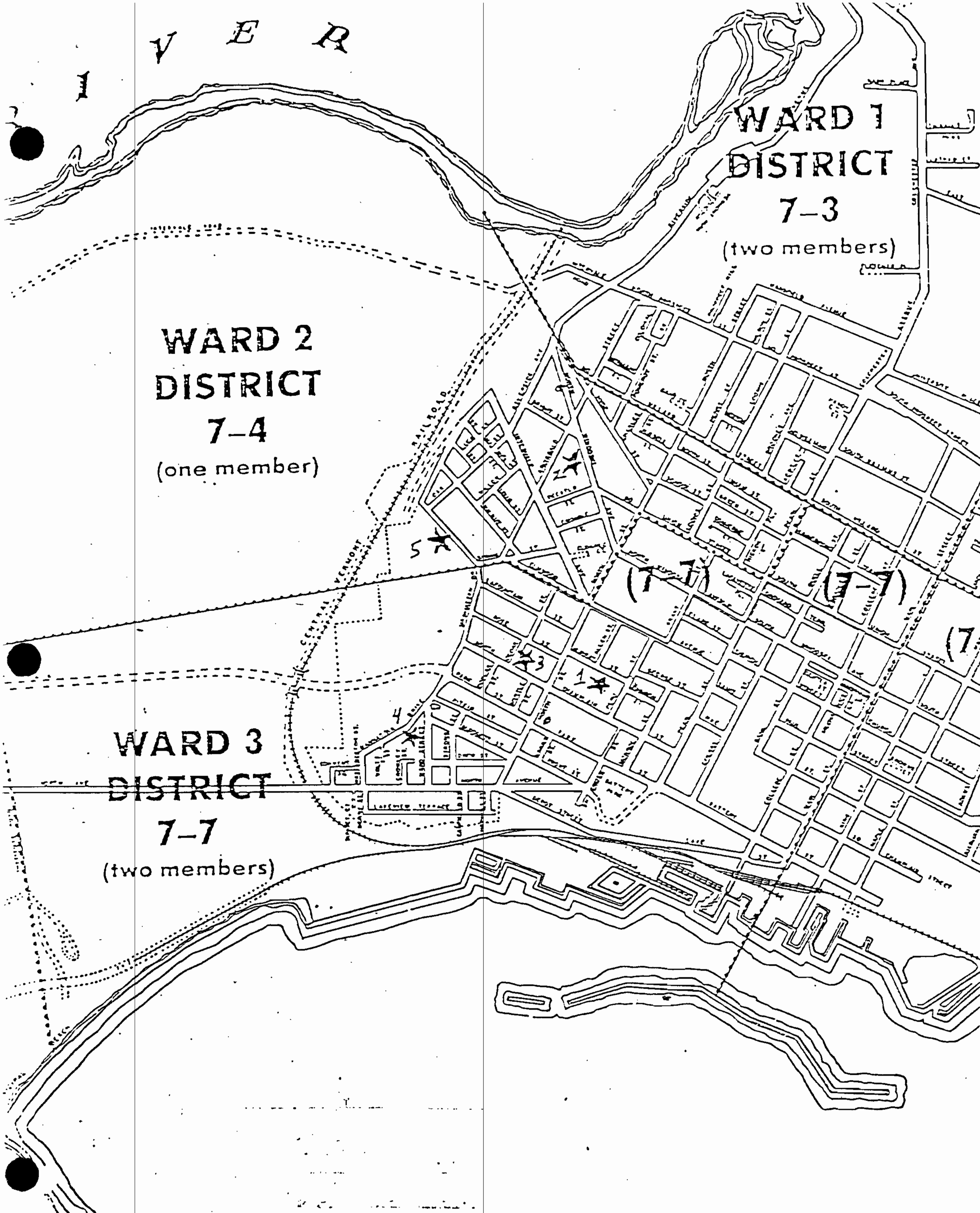
a) The price paid for the properties at 310-328 Manhattan Drive ($150,000) exceeds the tax assessed value ($114,800). The "as completed" appraised value of the properties ($300,000) is substantially below the total cost ($509,865). It is common for total cost to exceed appraised value due to closing costs and environmental and construction standards which funding sources require but which do not always add value. In this project, however, this discrepancy is due in part to the sponsor paying more for these properties than they are worth.

b) The units are located in a very low income neighborhood and do not have project based rental assistance, making the project's ability to pay debt service and other expenses more sensitive to fluctuations in market rent conditions.

c) In year 14 of the cash flow projection the project's expenses are estimated to exceed revenues. However, the cumulative cash balance from previous years' operation is projected to carry the project through the remaining term of the mortgage.

RECOMMENDED BOARD ACTION

Staff recommends Board approval of issuance of a Letter of Commitment for a permanent loan not to exceed $210,000, at a rate not to exceed 10% (final rate to be determined by the FHLB lending rate) with a 30 year amortization and a 20 year term. The proposed source of funds is the Federal Home Loan Bank (FHLB) funds. The Sponsors will provide VHFA with detailed plans and work specifications, evidence that the recommendations in the Environmental Site Assessments for testing and abatement of all environmental hazards as well as other construction issues identified by VHFA have been incorporated into the work specifications, satisfactory resolution of the boundary line adjustment for 310 - 328 Manhattan Drive as outlined in the Environmental Site Assessment, information on the square footage of the units, documentation of operating and development costs, and a revised project schedule.



1	2 BUILDINGS	5 UNITS
2	1 BUILDING	2 UNITS
3	2 BUILDINGS	4 UNITS
4	1 BUILDING	3 UNITS
5	2 BUILDINGS	4 UNITS (REHAB)
	1 BUILDING	2 UNITS (NEW CONSTRUCTION)

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Project:	Burlington Scattered Site	RUN DATE:	10-Aug-94
Total Residential Units:	20	Increase LIHTC	2.00%
Restricted Units:	20	Increase Market	2.00%
Percent Restricted:	100.00%	Expense increase:	3.50%
Avg Net Monthly Rent:	428	Vacancy Rate:	5.00%
Total Dev Costs	1,472,716	Partner's Tax Rate:	34.00%
TDC/Unit	73,636	Depreciation Schedule:	27.5

Total Credit Amount	90,896
Net Syndication	631,016
LIHTC - 9%	8.48%
LIHTC - 4%	3.63%

FINANCING SOURCES

	Amount	% of TDC	Interest	Amortizati
VHFA Debt	203,250	13.80%	10.00%	30
CDBG Deferred debt	28,000	1.90%	3.00%	0
HOME Deferred debt	242,812	16.49%	6.75%	0
VHCB Grant	367,000	24.92%	N/A	N/A
Tax Credit Equity	631,016	42.85%	N/A	N/A
Gap	638	0.04%		
	1,472,716	100.00%		

		Budget	Per Unit	Per s.f.
ACQUISITION & CONSTRUCTION				
Land		127,600	6,380	6.02
Purchase of Building(s)		467,400	23,370	22.05
Demolition			0	0.00
Rehabilitation		548,544	27,427	25.87
New Buildings			0	0.00
APPLIANCES		10,320	516	0.49
Sitework			0	0.00
General Requirements	0.00%		0	0.00
Contractor Overhead	0.00%		0	0.00
Contractor Profit	0.00%		0	0.00
Construction Contingency	11.42%	63,850	3,193	3.01
Construction Bond Fee			0	0.00
Subtotal		1,217,714	60,886	57.44
PROFESSIONAL SERVICES				
Architect Fee - Design		2,200	110	0.10
Architect Fee - Supervision			0	0.00
Attorney		10,000	500	0.47
Legal - Title & Recording		1,943	97	0.09
Subtotal		14,143	707	0.67
INTERIM COSTS				
Construction Insurance			0	0.00
Construction Interest		27,911	1,396	1.32
Construction Loan Origination Fee		5,000	250	0.24
Taxes			0	0.00
Subtotal		32,911	1,646	1.55
OTHER SOFT COSTS				
Property Appraisal		6,000	300	0.28
TEMPORARY RELOCATION		7,400	370	0.35
Environmental Report		6,300	315	0.30
Tax Credit Fees		2,859	143	0.13
Marketing		15,000	750	0.71
Subtotal		37,559	1,878	1.77
FINANCING FEES & EXPENSES				
Credit Report			0	0.00
ACQUISITION LOAN INTEREST		907	45	0.04
Credit Enhancement			0	0.00
Cost of Issuance			0	0.00
Title & Recording			0	0.00
PERMITS/FEES		5,600	280	0.26
SOFT COST CONTINGENCY		5,882	294	0.28
Subtotal		12,389	619	0.58
SYNDICATION COSTS				
Organizational (Partnership)			0	0.00
Bridge Loan Fees & Expenses			0	0.00
Tax Opinion			0	0.00
Subtotal		0	0	0.00
DEVELOPER'S FEES				
Developer's Overhead & Profit	9.41%	125,000	6,250	5.90
Consultant Fees (clerk)		13,000	650	0.61
Subtotal		138,000	6,900	6.51
PROJECT RESERVES				
Rent-up (Deficit Escrow) Reserve			0	0.00
Replacement Reserve			0	0.00
Working Capital		20,000	1,000	0.94
Operating Reserve/Sinking Fund			0	0.00
Subtotal		20,000	1,000	0.94
TOTAL DEVELOPMENT COSTS		1,472,716	73,636	69.47

INCOME

RENTS

Restricted Units Bedrooms	Type	Sq.Feet	Number	Rent	Tenant-paid Utilities	Total Annual Rent
Studio	VLI		1	240	41	2,880
1 Bedroom	VLI		2	330	59	7,920
1 Bedroom	VLI		2	350	59	8,400
1 Bedroom	VLI		2	360	59	8,640
2 Bedroom	LI		2	410	74	9,840
2 Bedroom	LI		2	480	74	11,520
2 Bedroom	LI		3	440	74	15,840
3 Bedroom	LI		3	580	89	20,880
4 Bedroom	LI		2	600	103	14,400
5 Bedroom	LI		1	650	116	7,800
	Totals	21,200	20	4,440		108,120

Market Rate Units Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
1 Br			0	0		0
2 Br			0	0		0
3 Br			0	0		0
	Totals	0	0	0		0
All Units						
	Grand Totals	21,200	20	4,440		108,120

Less Vacancy	5.00%	(5,406)
NET RENT		102,714

OTHER INCOME

Interest Income	0
Laundry	0
Parking	0
Total Other Income	0
TOTAL INCOME	102,714

EXPENSE BUDGET			04-Aug-94
	Annual	Monthly	Per Unit Per Month
Administration			
Management Fee	9,600	800	40
Marketing		0	0
Audit/Accounting	4,080	340	17
Legal	1,200	100	5
Office Expense		0	0
Telephone		0	0
Office Payroll		0	0
INVESTOR SERVICING	1,140	95	5
Compliance Monitoring	480	40	2
Other	480	40	2
TOTAL ADMINISTRATIVE	16,980	1,415	71
Utilities			
Water/Sewer	8,400	700	35
Electric	960	80	4
Fuel		0	0
Other		0	0
TOTAL UTILITIES	9,360	780	39
Maintenance			
Maintenance Payroll		0	0
Supplies	240	20	1
Trash Removal	3,600	300	15
Snow	1,200	100	5
Grounds	1,200	100	5
Paint/Decorating	2,160	180	9
Exterminating		0	0
Repairs / Maintenance	14,400	1,200	60
Equipment Debt		0	0
Service Lease		0	0
Other		0	0
TOTAL MAINTENANCE	22,800	1,900	95
Taxes	18,000	1,500	75
Insurance	3,360	280	14
Replacement Reserves	5,406	451	23
Other		0	0
Total	75,906	6,326	294

04-Aug-94 Burlington Scattered Site PRO FORMA

Year	1	2	3	4	5	6	7	8	9	10	11
Residential Rent	108,120	110,282	112,488	114,738	117,033	119,373	121,761	124,196	126,680	129,213	131,798
Less Res Vacancy	(5,406)	(5,514)	(5,624)	(5,737)	(5,852)	(5,969)	(6,088)	(6,210)	(6,334)	(6,461)	(6,590)
Plus Other Income	0	432	883	1,351	1,836	2,338	2,856	2,909	3,417	3,935	4,460
Total Actual Income	102,714	105,201	107,747	110,352	113,017	115,743	118,529	120,895	123,763	126,687	129,668
Less Operating Expense	70,500	72,968	75,521	78,165	80,900	83,732	86,663	89,696	92,835	96,084	99,447
Less Replacement Reserves	5,406	5,514	5,624	5,737	5,852	5,969	6,088	6,210	6,334	6,461	6,590
Net Operating Income	26,808	26,719	26,601	26,450	26,265	26,042	25,778	24,990	24,594	24,143	23,631
Less Debt Service	21,404	21,404	21,404	21,404	21,404	21,404	21,404	21,404	21,404	21,404	21,404
Cash Flow	5,404	5,315	5,197	5,046	4,861	4,638	4,374	3,586	3,190	2,739	2,227
Oper Subsidy	0	0	0	0	0	0	0	0	0	0	0
Net Cash	5,404	5,315	5,197	5,046	4,861	4,638	4,374	3,586	3,190	2,739	2,227
DCR	125.25%	124.83%	124.28%	123.58%	122.71%	121.67%	120.44%	116.75%	114.90%	112.79%	110.40%
Cumulative Cash Flow	5,404	10,719	15,916	20,962	25,824	30,462	34,836	38,422	41,612	44,351	46,577

12	13	14	15	16	17	18	19	20
134,434	137,122	139,865	142,662	145,515	148,426	151,394	154,422	157,510
(6,722)	(6,856)	(6,993)	(7,133)	(7,276)	(7,421)	(7,570)	(7,721)	(7,876)
4,991	5,046	5,543	6,044	6,571	7,125	7,707	8,318	8,959
132,703	135,312	138,414	141,573	144,811	148,129	151,531	155,019	158,594
102,928	106,530	110,259	114,118	118,112	122,246	126,525	130,953	135,536
6,722	6,856	6,993	7,133	7,276	7,421	7,570	7,721	7,876
23,054	21,925	21,162	20,322	19,423	18,462	17,437	16,345	15,183
21,404	21,404	21,404	21,404	21,404	21,404	21,404	21,404	21,404
1,650	521	(242)	(1,082)	(1,981)	(2,942)	(3,967)	(5,059)	(6,221)
0	0	242	1,082	1,981	2,942	3,967	5,059	6,221
1,650	521	0	0	0	0	0	0	0
107.71%	102.44%	98.87%	94.94%	90.74%	86.26%	81.47%	76.36%	70.93%
48,227	48,749	48,507	47,424	45,443	42,501	38,534	33,475	27,254

RESOLUTION PERTAINING TO COMMITMENT LETTER
RE: BURLINGTON COMMUNITY LAND TRUST
SCATTERED SITE DEVELOPMENT (BURLINGTON)

WHEREAS, a proposal has been presented to the Agency by the Burlington Community Land Trust and Housing Vermont (who, together with any subsidiary of the foregoing or any general or limited partnership in which one or more of the foregoing or a subsidiary thereof is a general partner, is the "Housing Sponsor") involving the financing of 20 rental units located in several locations in the Old North End of Burlington, as referenced in a staff memorandum dated August 10, 1994 (the "Development"); and

WHEREAS, a partnership including the Housing Sponsor is expected to qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible; therefore

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.

2. The acquisition and construction costs incurred by the Housing Sponsor are for housing development costs within the meaning of the Act.

3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.

4. The Housing Sponsor undertaking the Development will increase and maintain the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income.

5. The security value of the Development will equal at least the amount of the VHFA loan.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a Commitment Letter (the "Commitment Letter") to provide a loan for acquisition, rehabilitation and construction of the Development, in an amount to be determined by the Executive Director, but not to exceed $210,000.

2. The Commitment Letter shall be issued to Housing Vermont and the Burlington Community Land Trust.

3. The commitment of the Agency shall be subject to receipt, on or before the date of the closing, of a commitment fee in an amount equal to one percent (1.0%) of the principal amount of the loan.

4. The Commitment Letter shall provide that the interest rate to be charged on the mortgage loan shall be as set by the Agency. The maximum amount of the loan will be $210,000. The loan will be amortized over a period of 30 years, but all principal and interest will be due approximately 20 years from the date of the loan. If Federal Home Loan Bank funds are used, the interest rate will be 100 basis points above the effective interest rate paid by the Agency on the advance from the Federal Home Loan Bank.

5. The Commitment Letter shall require the Developer to demonstrate to the satisfaction of the Executive Director that a combination of equity and deferred loan funds are available in an amount at least equal to the difference between the total development cost as accepted by the Agency and the amount of the financing commitment.

6. The Commitment Letter shall be conditioned on the satisfaction by the Developer of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the following documents that must be submitted in form and content acceptable to the Agency:

   (a) Documentation of operating and development costs.

   (b) Rehabilitation plans and specifications and cost estimates

   (c) Evidence that recommendations in the environmental site assessments for testing and abatement of all environmental hazards, as well as other construction issues identified by the Agency, have been incorporated into the work specifications

   (d) Evidence that there has been a satisfactory resolution of a boundary line question for 310-328 Manhattan Drive

   (e) Appraisal supporting the anticipated VHFA loan amount of $203,250

   (f) Information on the square footage of the units, as requested by the Agency

   (g) Revised project schedule

7. The Executive Director, the Deputy Director and the Director of Finance, or any of them, are authorized to take all necessary steps and execute all documents required to effectuate this loan.

vhfa
VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Irene D. Jenkins, Director of Development
Joseph A. Erdelyi, Multifamily Development Underwriter

DATE: August 10, 1994

RE: COMBINED RESOLUTION OF INTEREST AND COMMITMENT RESOLUTION - OLDE WINDSOR VILLAGE

THE DEVELOPMENT

1. General Description

Olde Windsor Village is a Section 8 Substantial Rehabilitation project located on State Street in Windsor. The project was developed prior to October 1981 under HUD regulations that entitle the owner to all of the unrestricted cash that has accrued; the owner may access these funds by refinancing or selling their project. For approximately three years the owner has endeavored to sell or refinance the project. Last year VHFA staff recommended to the owner that an attempt be made to negotiate a sale to Housing Vermont. The owner and Housing Vermont have reached agreement on a sales price, and Housing Vermont has approached VHFA with a request for an assumption of the existing mortgage, additional debt financing, and tax credits. Housing Vermont is proposing to do approximately $247,500 in rehabilitation to the property. Housing Vermont would like to close the loan by September 30, 1994, and has requested that VHFA issue a combined Resolution of Interest and Commitment Resolution.

A summary of sources and uses of funds, rents, operating expenses, and financial projections is attached.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • FAX: 802/864-5746 • TDD: 1-800/586-5832

2. Projected Funding Sources

VHFA First Mortgage - to be assumed	$2,020,506	46.32%
VHFA Second Mortgage	820,107	18.80%
Tax Credit Equity	690,000	15.82%
Unrestricted Cash Accounts	410,290	9.41%
Replacement Reserves	235,041	5.39%
Project Cost Escrow	167,507	3.84%
Tenant Security Deposits	18,834	0.43%
Total	$4,362,285	100.00%

This breaks down to a total cost per unit of $57,398. The following table summarizes the per unit costs of this project and other Section 8 acquisitions by Housing Vermont that have been financed by VHFA:

	Land & Buildings:	Rehab:	Other Soft Costs:	Total Cost:
Graystone Village	38,869	8,763	14,651	62,283
Linden Terrace	39,589	2,092	12,287	53,968
Randolph House	34,826	8,568	19,692	63,086
Olde Windsor Village	33,305	3,257	20,836	57,398

3. Unit Breakdown and Rents

There are currently a total of 76 units, 10 family and 66 elderly. Of the 76 units, 75 have project-based rental assistance with just over 24 years left on the HAP contract. The remaining unit was intended to be a resident manager's unit, but its current use is as an elderly rental unit. The sponsor is exploring the possibility of adding up to two units in space that is currently unused. The rent (including utilities) and unit size breakdown are as follows:

	# of units	square footage	rent
One Bedroom	57	652	739
Two Bedroom	8	850	803
Two Bedroom - Family	10	850	782
Two Bedroom - Unsubsidized	1	850	488

4. Site/Location

The site is a 4.6 acre parcel on State Street in Windsor. The site is well located for elderly housing, within one mile of the town center, hospital, and senior center. The terrain is flat with ample parking and well established trees and vegetation. The three buildings formerly held the Windsor State Prison before being converted to affordable housing.

5. Renovation Plan

Housing Vermont is still developing the rehabilitation scope of work. Currently the following items are under consideration: removal of a 16 year old underground storage tank, removal of two older unused underground storage tanks and/or the adjacent soil, replacement and/or weatherization upgrade of original windows in one building, lead paint abatement in a basement storage area, asbestos abatement in an unused utility building, and conversion of unused space into one or two additional housing units.

6. Loan to Value

The appraisal has been completed and is under review by staff. A condition of the new loan will be that the combined balances of the VHFA loans do not exceed 100% of appraised value. The VHFA loans comprise 65% of total development cost including cash accounts, 80% of cost excluding cash accounts.

7. Management

The property is currently managed by Peabody Properties, Inc., the general partner's management firm. The sale to Housing Vermont includes an agreement to allow Peabody to continue to manage the project for three years, after which Housing Vermont may buy out the management company for $250,000. The sources of funds for this buy-out will be $200,000 escrowed at the closing and $50,000 from the project's Working Capital account (which will be funded at $60,000 at the closing). This buyout will be subject to VHFA's Regulatory Agreement, which allows VHFA to replace the current management with its own agent "with or without cause." Should VHFA exercise this right, Housing Vermont will be required to pay an accelerated portion of the management contract in addition to the $250,000 based on a formula in the management agreement.

The current project budget includes a line item for supportive services. The sponsor is proposing a reduction in this line item, from $33,000/year to $23,000/year. The sponsor believes the current level of services can be maintained despite this reduction in the line item. The current contract is with Southwest Vermont-New Hampshire Visiting Nurse Alliance for $23,000 in calendar year 1994, and staff want to see this contract continued at least at the same level.

There are two on-site management personnel. Staff and the sponsor agree that the work they have done has been a benefit to the project and that the sponsor should make a reasonable effort to encourage the on-site management personnel to remain with the project even after the change of management company.

8. Market Demand

The project has been operating as a subsidized housing project for 16 years with negligible vacancy rates. Given the good condition of the units and the level and term of the project-based subsidy, VHFA has not requested a market study.

9. Environmental Concerns

The sponsor has commissioned a Level I Environmental Site Assessment, and any concerns raised will be addressed as part of the rehabilitation plan. There is a 5,000 gallon underground storage tank which holds fuel oil. It is approximately 16 years old and it will be pressure tested for leaks. Housing Vermont is considering replacement even if no leaks are found. There are two older underground storage tanks which formerly contained fuel oil and are now filled with sand. There was an oil leak twenty years ago which contaminated some of the soil. Housing Vermont will have further tests conducted to determine the extent of the clean-up required. There appears to be a minimal amount of lead paint and asbestos, both in areas that are not usually accessed by tenants. Neither the sponsor nor VHFA is unaware of any other environmental hazards at this time. Any materials which pose a hazard to tenants will be abated.

DISCUSSION

Strengths

a) Housing Vermont's purchase will provide for affordability of the units for the useful economic life of the property and retention of the loan in VHFA's portfolio.

b) VHFA's familiarity with this project provides a strong basis for evaluation of the costs and underwriting assumptions that are being proposed by the sponsor.

c) The condition of the property and the subsidies available to it make the loan relatively secure, provided that HUD approves additional required amendments to the Section 8 contract.

Weaknesses

a) The sponsor's projections anticipate a one percent increase in rents annually. While this not greater than previous increases in the project's history, staff are concerned that HUD may not continue to allow increases at this rate. The Annual Contributions Contract which funds the HAP payments will run out of funds by 2005 if one percent increases are taken. At that time additional funds would have to be appropriated on a federal level to continue the HAP payments through the end of the original 40 year contract. There is also a risk that at that time (if not sooner) HUD will require that the contract rents more closely reflect the market rents and will not recognize the debt service on the additional VHFA loan as a legitimate operating expense. These risks are similar to those in other Section 8 acquisitions that we have financed.

b) The developer's fee requested is approximately twice what Housing Vermont has received on similar Section 8 acquisition/rehabilitation projects in the past. Given the relatively low risk associated with this type of project the fee is high. However, Housing Vermont's position is that most of its other projects involve higher risks for which it is often not adequately compensated. Housing Vermont has agreed to set aside $100,000 of the developer's fee to provide for operating deficit guarantees to the equity investors and to cover the accelerated cost of the management contract buyout, should it be needed. If unused for these purposes, the $100,000 would go to Housing Vermont as an incentive developer's fee after the buyout and the guarantee period (at least three years).

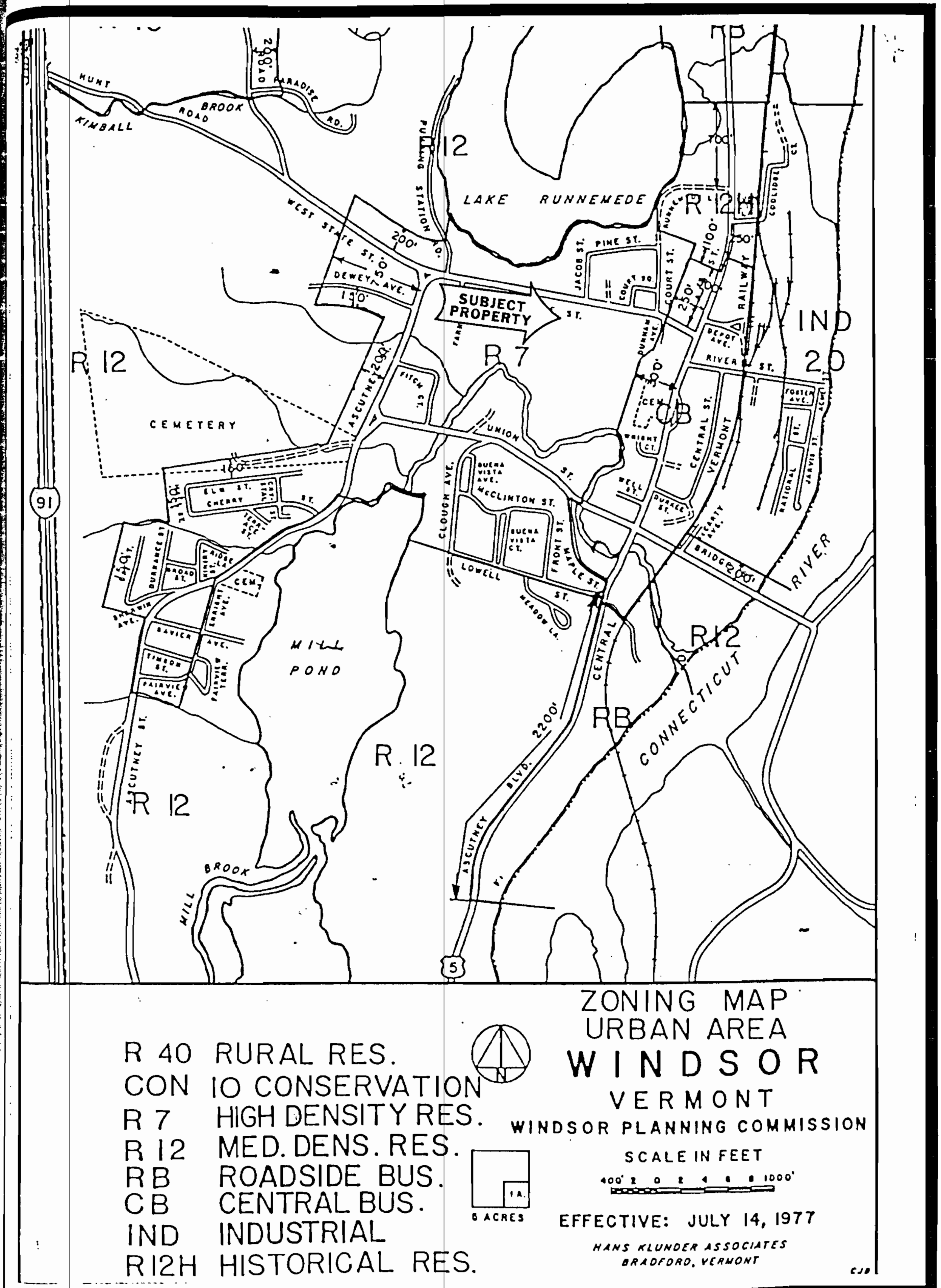
RECOMMENDED BOARD ACTION

Staff recommends approval of the attached Combined Resolution of Interest and Commitment to Finance for the assumption of the first mortgage and an additional loan. The new loan shall be coterminous with the existing first mortgage loan and will be in an amount not to exceed $830,000 at a fixed annual interest rate of 8.25%. The proposed source of funds is recycled Section 8 funds. Currently there is approximately $400,000 in Recycled Section 8 funds available. VHFA may have to provide interim financing until sufficient funds are received from Section 8 project prepayments. VHFA is anticipating prepayments of Section 8 project loans totalling $1,500,000 within the next year.

The transaction is contingent upon the sponsor providing: an appraisal satisfactory to VHFA which supports the total VHFA loan position of $2,840,613; approval from the US Department of Housing and Urban Development for the assignment of the Housing Assistance Payments contract; rehabilitation plans and specifications (such plans and specifications must receive VHFA approval prior to loan closing); a Level I

Environmental Site Assessment; a reservation of Low Income Housing Tax Credits in the amount necessary; a signed Purchase and Sales Agreement with requisite terms and amounts; if required, satisfactory Subsidy Layering Review as required by 24 CFR 911 by the US Department of Housing and Urban Development or its agent; and any other documentation VHFA may reasonably require.

Zoning Map


ZONING MAP
URBAN AREA
WINDSOR
VERMONT
WINDSOR PLANNING COMMISSION
SCALE IN FEET
EFFECTIVE: JULY 14, 1977
HANS KLUNDER ASSOCIATES
BRADFORD, VERMONT
R 40 RURAL RES.
CON 10 CONSERVATION
R 7 HIGH DENSITY RES.
R 12 MED. DENS. RES.
RB ROADSIDE BUS.
CB CENTRAL BUS.
IND INDUSTRIAL
R12H HISTORICAL RES.
5 ACRES
1 A.
SUBJECT PROPERTY
LAKE RUNNEMEDE
MILL POND
CONNECTICUT RIVER
CEMETERY
WEST STATE ST.
UNION ST.
CENTRAL ST.
BRIDGE ST.
RIVER ST.
ASCUTNEY ST.
ASCUTNEY BLVD.
KIMBALL BROOK ROAD
MILL BROOK
91
5

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Project:	Olde Windsor Village	RUN DATE: 11-Aug-94	
Total Residential Units:	76	Increase LIHTC	1.00%
Restricted Units:	70	Increase Market	1.00%
Percent Restricted:	92.11%	Expense increase:	2.50%
Avg Net Monthly Rent:	733	Vacancy Rate:	2.00%
Total Dev Costs	4,362,285	Partner's Tax Rate:	34.00%
TDC/Unit	57,398	Depreciation Schedule:	27.5

Total Credit Amount	119,662	
Net Syndication Proceeds	690,000	
LIHTC - 9%	8.68%	(July '94)
LIHTC - 4%	3.72%	

FINANCING SOURCES

	Amount	% of TDC	Interest	Term
Primary debt	2,020,506	46.32%	7.90%	24
secondary debt	820,107	18.80%	8.25%	24
Project Cost Escrow	167,507	3.84%	N/A	N/A
Replacement Reserve	235,041	5.39%	N/A	N/A
Cash	410,290	9.41%	N/A	N/A
Tenant Security Deposits	18,834	0.43%	N/A	N/A
Tax Credit Equity	690,000	15.82%	N/A	N/A
	4,362,285	100.00%		

Olde Windsor Village	DEVELOPMENT BUDGET			
			Per Unit	Per s.f.
ACQUISITION & CONSTRUCTION				
Land		455,617	5,995	8.55
Purchase of Building(s) (inc. reserves)		2,075,588	27,310	38.93
CASH & RESERVES TO BUYER		318,795	4,195	5.98
TENANT SECURITY DEPOSITS		18,834	248	0.35
Rehabilitation		225,000	2,961	4.22
Accessory Building(s)			0	0.00
Sitework			0	0.00
General Requirements	0.00%		0	0.00
Contractor Overhead	0.00%		0	0.00
Contractor Profit	0.00%		0	0.00
Construction Contingency	10.00%	22,500	296	0.42
CASH TO SELLER		494,044	6,501	9.27
Subtotal		3,610,378	47,505	67.72
PROFESSIONAL SERVICES				
Architect Fee - Design		15,000	197	0.28
Architect Fee - Supervision			0	0.00
Attorney		20,000	263	0.38
Legal - Title & Recording		5,000	66	0.09
Subtotal		40,000	526	0.75
INTERIM COSTS				
Construction Insurance			0	0.00
EQUITY BRIDGE INTEREST		20,880	275	0.39
Construction Loan Origination Fee			0	0.00
Taxes			0	0.00
Subtotal		20,880	275	0.39
OTHER SOFT COSTS				
Property Appraisal		3,500	46	0.07
Market Study			0	0.00
Environmental Report		3,000	39	0.06
Tax Credit Fees		4,050	53	0.08
PERMITS/FEES		2,000	26	0.04
Subtotal		12,550	165	0.24
FINANCING FEES & EXPENSES				
Credit Report			0	0.00
Permanent Loan Origination Fee		28,406	374	0.53
Credit Enhancement			0	0.00
Cost of Issuance			0	0.00
			0	0.00
MANAGEMENT BUYOUT		200,000	2,632	3.75
SOFT COST CONTINGENCY		10,071	133	0.19
Subtotal		238,477	3,138	4.47
SYNDICATION COSTS				
Organizational (Partnership)			0	0.00
Bridge Loan Fees & Expenses			0	0.00
Tax Opinion			0	0.00
Subtotal		0	0	0.00
DEVELOPER'S FEES				
Developer's Overhead & Profit		180,000	2,368	3.38
Guarantee Fee / Incentive Dev. Fee		100,000	1,316	1.88
Subtotal	8.72%	280,000	3,684	5.25
PROJECT RESERVES				
Rent-up (Deficit Escrow) Reserve			0	0.00
Replacement Reserve		100,000	1,316	1.88
Working Capital		60,000	789	1.13
Operating Reserve/Sinking Fund			0	0.00
Subtotal		160,000	2,105	3.00
TOTAL DEVELOPMENT COSTS		4,362,285	57,398	81.82
TDC less cash and reserves		3,708,241	48,793	

INCOME

RENTS

Restricted Units

Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
1 Br		652	52	739		461,136
2 Br		850	8	803		77,088
2 Br		850	10	782		93,840
2 Br						0
3 Br						0
	Totals	49,204	70			632,064

Market Rate Units

Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
1 Br		652	5	739		44,340
2 Br		850	1	488		5,856
3 Br			0	0		0
	Totals	4,110	6			50,196
All Units						
	Grand Totals	53,314	76			682,260

Less Vacancy	2.00%	(13,645)
NET RENT		668,615

OTHER INCOME

Interest Income	0
Laundry	3,000
Parking	0
Total Other Income	3,000
TOTAL INCOME	671,615

	Annual	Monthly	Per Unit Per Month
Administration			
Management Fee	37,800	3,150	41
Marketing		0	0
Audit/Accounting	6,000	500	7
Legal	1,000	83	1
Office Expense		0	0
Telephone		0	0
Office Payroll		0	0
Supportive services	23,000	1,917	25
Compliance Monitoring	1,680	140	2
Other	17,000	1,417	19
TOTAL ADMINISTRATIVE	86,480	7,207	95
Utilities			
Water/Sewer	24,000	2,000	26
Electric	30,400	2,533	33
Fuel	25,930	2,161	28
Fire Alarm/Emerg. Call	480	40	1
TOTAL UTILITIES	80,810	6,734	89
Maintenance			
Maintenance Payroll	57,640	4,803	63
Supplies	2,000	167	2
Trash Removal	5,860	488	6
Snow	5,000	417	5
Grounds	8,000		
Repairs	11,000	917	12
Paint/Decorating	2,000	167	2
Exterminating	1,000	83	1
Contract Maintenance	6,500	542	7
Equipment Debt		0	0
Window Cleaning	1,000	83	1
Other	3,000	250	3
TOTAL MAINTENANCE	103,000	8,583	113
Taxes	58,800	4,900	64
Insurance	12,000	1,000	13
Replacement Reserves	20,468	1,706	22
Other		0	0
Total	361,558	30,130	374

Aug-94 Olde Windsor Village PRO FORMA

	Year	1	2	3	4	5	6	7	8	9	10	11
Residential Rent		682,260	689,083	695,973	702,933	709,962	717,062	724,233	731,475	738,790	746,178	753,639
Less Res Vacancy		(13,645)	(13,782)	(13,919)	(14,059)	(14,199)	(14,341)	(14,485)	(14,630)	(14,776)	(14,924)	(15,073)
Plus Other Income - Laundry		3,000	3,030	3,060	3,091	3,122	3,153	3,185	3,216	3,249	3,281	3,314
Plus Other Income - Interest		7,800	8,034	8,275	8,523	1,279	1,317	1,357	1,398	1,439	1,483	1,527
Total Actual Income		679,415	686,365	693,389	700,489	700,164	707,191	714,290	721,460	728,702	736,018	743,408
Less Operating Expense		(341,090)	(349,617)	(358,358)	(367,317)	(376,500)	(385,912)	(395,560)	(405,449)	(415,585)	(425,975)	(436,624)
Less Management Fee		(12,308)	(12,616)	(12,931)								
Less Reserves		(20,468)	(20,673)	(20,879)	(21,088)	(21,299)	(21,512)	(21,727)	(21,944)	(22,164)	(22,386)	(22,609)
Net Operating Income		305,549	303,459	301,221	312,084	302,365	299,767	297,002	294,066	290,953	287,658	284,174
Less Debt Service 1		(187,597)	(187,597)	(187,597)	(187,597)	(187,597)	(187,597)	(187,597)	(187,597)	(187,597)	(187,597)	(187,597)
Less Debt Service 2		(78,410)	(78,410)	(78,410)	(78,410)	(78,410)	(78,410)	(78,410)	(78,410)	(78,410)	(78,410)	(78,410)
Cash Flow		39,542	37,452	35,214	46,077	36,358	33,760	30,995	28,059	24,946	21,650	18,167
Oper Subsidy		0	0	0	0	0	0	0	0	0	0	0
Net Cash		39,542	37,452	35,214	46,077	36,358	33,760	30,995	28,059	24,946	21,650	18,167
DCR		114.86%	114.08%	113.24%	117.32%	113.67%	112.69%	111.65%	110.55%	109.38%	108.14%	106.83%
Beginning Balance		0	26,928	51,704	74,174	107,833	131,482	152,454	170,580	185,680	197,575	206,075
Cash Surplus		39,542	37,452	35,214	46,077	36,358	33,760	30,995	28,059	24,946	21,650	18,167
Less ROE	2%	(13,800)	(13,800)	(13,800)	(13,800)	(13,800)	(13,800)	(13,800)	(13,800)	(13,800)	(13,800)	(13,800)
Interest	3%	1,186	1,124	1,056	1,382	1,091	1,013	930	842	748	650	545
Less Operating Subsidy		0	0	0	0	0	0	0	0	0	0	0
Ending Balance		26,928	51,704	74,174	107,833	131,482	152,454	170,580	185,680	197,575	206,075	210,987

PRO FORM 11-Aug-94

12	13	14	15	16	17	18	19	20	21	22	23	24
761,176	768,788	776,476	784,240	792,083	800,004	808,004	816,084	824,244	832,487	840,812	849,220	857,712
(15,224)	(15,376)	(15,530)	(15,685)	(15,842)	(16,000)	(16,160)	(16,322)	(16,485)	(16,650)	(16,816)	(16,984)	(17,154)
3,347	3,380	3,414	3,448	3,483	3,518	3,553	3,588	3,624	3,661	3,697	3,734	3,771
1,573	1,620	1,669	1,719	1,770	1,824	1,878	1,935	1,993	2,052	2,114	2,177	2,243
750,872	758,413	766,029	773,723	781,494	789,345	797,275	805,285	813,376	821,550	829,807	838,147	846,572
(447,540)	(458,728)	(470,196)	(481,951)	(494,000)	(506,350)	(519,009)	(531,984)	(545,284)	(558,916)	(572,889)	(587,211)	(601,891)
(22,835)	(23,064)	(23,294)	(23,527)	(23,763)	(24,000)	(24,240)	(24,483)	(24,728)	(24,975)	(25,225)	(25,477)	(25,732)
280,497	276,621	272,538	268,244	263,732	258,994	254,025	248,818	243,365	237,660	231,693	225,459	218,949
(187,597)	(187,597)	(187,597)	(187,597)	(187,597)	(187,597)	(187,597)	(187,597)	(187,597)	(187,597)	(187,597)	(187,597)	(187,597)
(78,410)	(78,410)	(78,410)	(78,410)	(78,410)	(78,410)	(78,410)	(78,410)	(78,410)	(78,410)	(78,410)	(78,410)	(78,410)
14,490	10,613	6,531	2,237	(2,276)	(7,013)	(11,982)	(17,189)	(22,642)	(28,348)	(34,314)	(40,548)	(47,058)
0	0	0	0	2,276	7,013	11,982	17,189	22,642	28,348	34,314	40,548	47,058
14,490	10,613	6,531	2,237	0	0	0	0	0	0	0	0	0
105.45%	103.99%	102.46%	100.84%	99.14%	97.36%	95.50%	93.54%	91.49%	89.34%	87.10%	84.76%	82.31%
210,987	212,111	212,430	212,626	212,693	210,417	203,404	191,423	174,234	151,592	123,244	88,930	48,382
14,490	10,613	6,531	2,237	0	0	0	0	0	0	0	0	0
(13,800)	(10,613)	(6,531)	(2,237)	0	0	0	0	0	0	0	0	0
435	318	196	67	0	0	0	0	0	0	0	0	0
0	0	0	0	(2,276)	(7,013)	(11,982)	(17,189)	(22,642)	(28,348)	(34,314)	(40,548)	(47,058)
212,111	212,430	212,626	212,693	210,417	203,404	191,423	174,234	151,592	123,244	88,930	48,382	1,324

RESOLUTION PERTAINING TO COMBINED RESOLUTION OF INTEREST AND COMMITMENT LETTER RE: OLDE WINDSOR VILLAGE (WINDSOR) DEVELOPMENT

WHEREAS, a proposal has been presented to the Agency by Housing Vermont (who, together with any subsidiary of the foregoing or any general or limited partnership in which the foregoing or a subsidiary thereof is a general partner, is the "Housing Sponsor") involving the acquisition and rehabilitation of Olde Windsor Village, a development containing 66 elderly and 10 family apartment units located on State Street in Windsor (the "Development"); and

WHEREAS, the proposal contemplates assumption of the existing mortgage on the Development and an additional loan of approximately $820,000 from recycled proceeds of tax-exempt bonds and other Agency funds; and

WHEREAS, the proposal contemplates that the Development will constitute "residential rental housing" within the meaning of section 103 of the Internal Revenue Code of 1954 and section 142(d) of the Internal Revenue Code of 1986, as amended; and

WHEREAS, Housing Vermont qualifies as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible;

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.

2. The acquisition and rehabilitation costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.

3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.

4. The housing sponsor undertaking the Development will maintain the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income.

5. The security value of the Development will equal at least the amount of the Agency's loans after the rehabilitation.

6. The sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a Commitment Letter (the "Commitment Letter") to provide an additional loan for acquisition and rehabilitation of the Development, in an amount to be determined by the Executive Director, but not to exceed $830,000.

2. The Commitment Letter shall be issued to Housing Vermont.
3. The commitment of the Agency shall be subject to receipt, on or before the date of the closing, of a commitment fee in an amount equal to one percent (1.0%) of the combined principal amount of the existing and additional loans.

4. The Commitment Letter shall provide that the interest rate to be charged on the mortgage loan shall be no more than 8.25% per annum and that the loan term will be coterminous with the existing loan on the Development, but no more than 25 years.

5. The Commitment Letter shall require the Developer to demonstrate to the satisfaction of the Executive Director that a combination of equity and deferred loan funds are available in an amount at least equal to the difference between the total development cost as accepted by the Agency and the amount of the financing commitment.

6. The Commitment Letter shall be conditioned on the satisfaction by the Developer of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the following documents that must be submitted in form and content acceptable to the Agency:

    (a) Signed purchase and sale agreement

    (b) Appraisal supporting the combined loan amount of $2,840,613

    (c) Phase I environmental assessment

    (d) Rehabilitation plans and specifications and cost estimates

    (e) All necessary approvals by HUD of proposed transfer, including subsidy layering review, if necessary

    (f) Assignment to the Housing Sponsor of the Section 8 HAP contract applicable to the Development

(g) Preservation Agreement insuring the long-term affordability of the Development

(h) Reservation of low-income housing tax credits at levels required by proposal

(i) Option or right of first refusal for local non-profit to purchase Development after initial tax credit compliance period.

7. The Executive Director, the Deputy Director and the Director of Finance, or any of them, are authorized to take all necessary steps and execute all documents required to effectuate this loan.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Irene Jenkins, Director of Development
Joe Erdelyi, Multifamily Development Underwriter

DATE: August 9, 1994

RE: St. Johnsbury Housing Partnership Loan

SUMMARY OF REQUEST

The St. Johnsbury Housing Partnership has requested that VHFA reduce the interest rate and agree to a debt service moratorium on first mortgage financing for the partnership's scattered site development. We want to update the Board on the project's problems and request authorization to renegotiate loan terms with the owner in order to provide for long-term project stability and repayment of VHFA's loan.

PROJECT AND PROBLEM DESCRIPTION

The St. Johnsbury Housing Partnership project consists of 32 units in 7 buildings located on scattered sites in St. Johnsbury. In 1990, VHFA provided first mortgage financing (at an interest rate of 8.5 percent, for a term of 15 years, on a 30 year amortization schedule) in the amount of $411,608 for the acquisition and rehabilitation of these buildings by a limited partnership, whose general partners are controlled by the Northern Community Housing Corporation (NCHC) and Housing Vermont. As of July 10, 1994, the outstanding principal balance of the loan was $402,060. Other sources of financing for the project included tax credit equity, VHCB funds, and CDBG funds; the VHCB and CDBG funds are in the form of deferred payment loans.

VHFA funded the loan by selling bonds to the Bank of Vermont, which purchased the bonds with an advance from the Federal Home Loan Bank. Our spread on the project loan is 100 basis points.

Loan payments to VHFA are current. However, operating results of the project have not met expectations in terms of either income or operating expenses. Vacancy rates have exceeded projections as a result of high turnover and slow rent-up; high turnover has increased both vacancies and maintenance costs; maintenance costs have exceeded projections as a result of fixup on turnover and other project conditions; economic conditions in St. Johnsbury are such that rents cannot be raised if the project is to compete with other rental housing in the marketplace. As part of its attempts to address these problems and similar problems of another project in St. Johnsbury on which VHFA has not made a loan, NCHC has requested that VHFA reduce the interest rate on its first mortgage loan from 8.5 percent to 7.5 percent and agree to a debt service moratorium until January, 1996.

The partners have also requested and received a reservation of additional Low Income Housing Tax Credits ($23,169) and requested additional VHCB funds ($904,000) to finance further rehabilitation in order to improve marketability and reduce operating expenses and to fund a sinking fund to pay anticipated operating deficits.

The original scope of rehabilitation work addressed major systems but generally did not upgrade interior finishes. Now the owner believes that high turnover and slow rent-up is due in part to the age and condition of the plumbing fixtures, appliances and interior floor and wall finishes. In addition, many of the initial tenants are leaving the units in very poor condition when they move out. The owner has proposed funding rehabilitation in the amount of $611,000 and a sinking fund to subsidize operations in the amount of $282,000.

We have proposed that the owner use a portion of additional financing to prepay all or part of the VHFA loan rather than to fund a sinking fund. (The sinking fund would earn less interest than the owner would pay on the VHFA loan even at a reduced interest rate.) If the proposed amount of the sinking fund were applied against the VHFA loan, the debt service payments could be reduced from $37,980 per year to $11,367 per year. This savings of $26,613 is substantially more than the owner is projecting to draw from the sinking fund in the initial years after rehabilitation. NCHC has submitted a revised proposal which includes the debt prepayment option; staff is reviewing this proposal.

A further difficulty is that VHCB has indicated its unwillingness to provide additional funding for both St. Johnsbury projects (St. Johnsbury Housing Partnership and Caledonia Housing Partnership) in one fiscal year. If such funding is not provided in 1994, then the owner will not be able to meet the tax credit carryover allocation requirement and the equity investors will be less likely to provide additional equity to work out the project's problems. The partners have given the Caledonia Housing Partnership higher priority for VHCB funding because it has no senior debt on which to get a moratorium and because the investors have more to lose if Caledonia fails than if St. Johnsbury Housing Partnership fails. We are hoping for some substantial injection of additional funds (VHCB, equity, and/or other) to prepay a portion of our loan before agreeing to an interest rate reduction and/or moratorium. We are in the process of exploring the possibilities in terms of different investment and debt reduction scenarios.

It is likely that any resolution of the project's problems will require a combination of additional equity from investors and general partners, additional VHCB loan funds, a temporary moratorium on at least a portion of the VHFA debt service, and a sinking fund or a principal reduction on the VHFA loan or both.

RECOMMENDED BOARD ACTION

In view of the large number of variables and parties and the need to negotiate a resolution in a limited time, staff recommends approval of the attached resolution authorizing the Executive Director 1) to accept full or partial prepayment of the VHFA first mortgage loan to St. Johnsbury Housing Partnership without penalty to the borrower and 2) to renegotiate the terms of any remaining loan, including rate, term, and amortization schedule, subject to staff determination that changes in the loan terms, in combination with other resources to be provided by VHCB, the partners, and/or other parties, will result in both long-term viability of the project and likely repayment of the VHFA loan on terms as advantageous as possible to VHFA.

vhfa
VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Irene D. Jenkins, Director of Development
Paul M. Cummings, Development Assistant PMC

DATE: August 11, 1994

RE: Westgate Apartments and Applegate Apartments -- Update

Westgate Apartments (Brattleboro) and Applegate Apartments (Bennington) are both HUD-insured Section 236 affordable housing projects that are eligible for participation in the Federal preservation program. Westgate was eligible for prepayment of the mortgages and conversion to market rate housing on June 26, 1993; Applegate will become eligible for prepayment on June 24, 1995. In 1989, VHFA optioned these two developments along with Northgate/Greenfield Apartments (Burlington) and Highgate Apartments (Barre) from the owner to insure their preservation as affordable housing under a Federal preservation program. Northgate and Highgate have been successfully preserved through sale to new owners under the original Federal preservation program.

Under the terms of the amended option agreement, VHFA issued six premium notes to the owner when Northgate/Greenfield were purchased. These premium notes would be forgiven if the remaining projects in the option agreement (Highgate, Westgate and Applegate) were purchased from the owner; if the purchase price exceeded the minimum price, VHFA would be eligible for a rebate of payments made on these notes. With the purchase of Highgate in 1991, four (4) premium notes currently remain. One Greenfield Premium Note ($169,165.00) and one Northgate Premium Note ($122,502.00) are tied to the purchase of both Westgate and Applegate. These notes carry a 40 year term, an interest rate of 7.085 percent and payments are made quarterly. As of June, 1994, the total amount of these premium notes for the two remaining projects in the option agreement is $576,155.46. Therefore, VHFA has a financial interest in proceeding with the preservation process as soon as possible.

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In 1992, VHFA began the preservation process for Westgate under the new Federal preservation program, the Low Income Housing Preservation and Resident Homeownership Act (LIHPRHA) administered by HUD. In accordance with our responsibilities under our amended option agreement with the owner we sought to complete the HUD-required capital needs assessment, appraisal, and determination of preservation value. VHFA also enlisted the Brattleboro Area Community Land Trust (BACLT) to assist in the Westgate preservation process by working with the Westgate tenants in order to form a nonprofit organization that would own the project on a perpetually affordable basis.

VHFA's option agreement provides for the purchase of Westgate at a minimum price of $3,234,200 ($32,342 per unit). After long delays and disagreements with HUD during the Capital Needs Assessment process and long delays in the appraisal process, the process has resulted in appraised values substantially less than the minimum price. We are currently trying to renegotiate the minimum price on the option agreement but to this point the owner has not agreed to accept a substantially lower minimum price. We are also seeking an extension of the option on Westgate Apartments from December 31, 1995 to December 31, 1998. We do not anticipate a problem in changing this deadline.

VHFA is also concerned that the Applegate minimum price of $3,893,400 ($29,949 per unit) as it stands now in the option agreement is too high. The real estate market in Vermont has significantly declined since these minimum prices were agreed upon in 1989. Therefore, we have asked the owner to consider renegotiating the minimum prices for both Applegate and Westgate. The owner is waiting for the completion of an appraisal of another project he owns in Maine before discussing changing the minimum price on either of these projects.

Because Applegate will be eligible for prepayment next June, we would like to begin the preservation process as soon as possible. We have obtained proposals from appraisers experienced with the LIHPRHA program and are ready to begin a preliminary appraisal. Based on our experience with Westgate it is unlikely that Applegate's appraised value would reach or exceed the minimum price shown in the option agreement. Staff would only start work on the preliminary appraisal for Applegate if the owner agrees to a lower minimum price; the preliminary appraisal should give us a quick estimate of Applegate's value and help us determine if we should take the next step in the preservation process.

RECOMMENDED BOARD ACTION:

Approval of the attached Resolution authorizing staff 1) to begin work on Applegate if the owner agrees to a minimum price that staff considers more realistic under current market conditions and 2) to expend up to $25,000 for appraisal and other required services without further Board authorization.

RESOLUTION PERTAINING TO PRESERVATION OF APPLEGATE APARTMENTS (BENNINGTON)

WHEREAS, the Applegate Apartments in Bennington (the "Development") is a HUD-insured Section 236 affordable housing development that is eligible for participation in the Federal preservation program, the Low Income Housing Preservation and Resident Homeownership Act (LIHPRHA) administered by HUD; and

WHEREAS, the Agency has previously secured an option on Applegate, among other developments owned by the owner of Applegate (the "Option Agreement"), and has a financial interest in proceeding with the preservation process as soon as possible; and

WHEREAS, the Development will be eligible for prepayment on June 24, 1995; and

WHEREAS, the Agency is seeking to negotiate a reduction in the option price for the Development with the owner because of changes in market conditions; and

WHEREAS, staff has prepared a memorandum to the Board dated August 11, 1994 and entitled "Westgate Apartments and Applegate Apartments--Update."

NOW, THEREFORE, it is hereby DETERMINED that preservation of Applegate Apartments in Bennington as affordable housing is consistent with the Declaration of policy and purpose contained in the Vermont Housing Finance Agency Act and is within the powers of the Agency.

WHEREFORE, it is hereby RESOLVED:

1. Staff is authorized to begin work on the preservation process under LIHPRHA if the owner agrees to a minimum purchase price that, in the opinion of the Executive Director, is more reflective of current market conditions than the price provided in the Option Agreement.

2. Staff is authorized to expend up to $25,000 for costs of appraisal and other expenses required or advisable under the LIHPRHA process.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PAC
Irene D. Jenkins, Director of Development

DATE: August 11, 1994

RE: Single Family Programs -- New Income Limit Recommendations

New median income figures for all of Vermont were released by HUD earlier this year. VHFA uses these figures to set the income limits for its financing and mortgage credit certificate programs. Due to the fact that the 1994 figures were essentially the same as the 1993 figures, staff decided not to recommend income limit changes at that time. Since that decision was made, VHFA has had a number of requests from lenders, builders, and real estate brokers to reconsider our decision and to increase income limits in Chittenden County. The Chittenden County median income of $45,700 is substantially greater than the state median income of $36,100, which VHFA uses to determine its income limits.

For the past several years, VHFA has established statewide income limits for its single family programs based on 100% of state median income for 1-2 person households, and 115% of state median income for 3+ person households. VHFA actually has the ability under current MRB regulations to implement much higher income limits in most areas of the state. Attachment #1 provides a table of the maximum income limits allowable under current MRB regulations.

In all counties except Chittenden County, the state median income ($36,100) is equal to or exceeds the county median income. In Chittenden County, the state median income is 79% of the Chittenden County median income. Staff requests approval of new income limits for VHFA's MOVE and HOUSE programs for Chittenden County. The new recommended income limits for Chittenden County are:

$39,300	1-2 person households
$45,100	3+ person households

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EQUAL HOUSING OPPORTUNITY

The new income limits coincide with the income limits for the MORTGAGE PLUS program for Chittenden County. This change will reduce the disparity between the current statewide income limits, and the actual median income of residents of Chittenden County. The recommended higher income limits for Chittenden County will give more families below median income greater access to VHFA financing. We do not believe that higher income limits in Chittenden County will have an impact on the availability of VHFA financing in other areas of Vermont. Adequate funds are available on a statewide basis for eligible home buyers. The current income limits of $36,100 for 1-2 person households and $41,500 for 3+ person households will remain in effect for all other counties in the state.

VHFA has the ability to increase limits in Chittenden County to $45,700 for 1-2 person households and $52,500 for 3+ person households; however, staff felt that those income limits were too high in relation to the maximum purchase price limits that have been established. Attachment #2 provides the maximum purchase prices affordable using the recommended income limits. If VHFA increases purchase price limits in the future, then staff will consider another review of the income limits for Chittenden County.

Staff <u>does not</u> recommend an increase to income limits for VHFA's MORTGAGE PLUS program. MORTGAGE PLUS provides Mortgage Credit Certificates to eligible buyers receiving financing from conventional lenders. The current income limits for MORTGAGE PLUS are:

<u>Addison, Bennington, Grand Isle, Windsor County</u>

$36,100	1-2 person households
$41,500	3+ person households

<u>All Other Counties</u>

$39,300	1-2 person households
$45,100	3+ person households

In past years, purchase price limits were adjusted at the same time as income limits. VHFA's purchase price limits are based on "safe harbor limits" or average area purchase prices provided by Treasury. These figures have not been released since May 1992. While VHFA currently has the ability to increase purchase price limits from its present limits of $97,000 for existing housing and $110,000 for new construction using the May 1992 data, staff is hesitant to do so without information to substantiate that purchase prices in Vermont have increased. Staff may consider a recommendation to increase purchase price limits when that information is available.

RECOMMENDED BOARD ACTION

Staff requests approval of higher income limits for VHFA's MOVE and HOUSE programs for Chittenden County of $39,300 for 1-2 person households and $45,100 for 3+ person households. The income limits for all other counties in Vermont will remain at $36,100 for 1-2 person households and $41,500 for 3+ households.

MAXIMUM INCOME LIMITS FOR MRB PROGRAMS BY COUNTY

ATTACHMENT #1

1994 Vermont Median Income -- $36,100

AREA/COUNTY	AREA MEDIAN	1&2 PERSONS	3+ PERSONS
Burlington MSA	45,700	45,700	52,555
Addison	36,100	36,100	41,515
Bennington	34,900	36,100	41,515
Caledonia*	31,100	43,320	50,540
Chittenden	45,700	45,700	52,555
Essex*	27,400	43,320	50,540
Franklin*	32,700	43,320	50,540
Grand Isle	27,400	36,100	41,515
Lamoille*	33,700	43,320	50,540
Orange*	32,300	43,320	50,540
Orleans*	27,500	43,320	50,540
Rutland*	34,100	43,320	50,540
Washington*	36,800	44,160	51,520
Windham*	33,900	43,320	50,540
Windsor	36,100	36,100	41,515

* Indicates Targeted Counties

Maximum Limits Based on Greater of Area or State Median
1 & 2 Person Households - 120%
3+ Person Households - 140%

Non-Targeted Counties

Maximum Limits Based on Greater of Area or State Median
1 & 2 Person Households - 100%
3+ Person Households - 115%

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Attachment #2

AFFORDABILITY OF HOUSING AT VARIOUS INCOME LEVELS

	Maximum Purchase Price	
Income	**Existing Housing**	**New Construction**
$36,100	$97,350	$107,400
$39,300	*$106,250**	*$117,150**
$41,500	*$112,350**	*$123,850**
$45,100	*$122,350**	*$134,850**

* *VHFA's current statewide purchase price limit for existing housing is $97,000 and for new construction is $110,000.*

Assumptions: 30% housing expense to income ratio for existing housing; 33% housing expense to income ratio for new construction; 8.60% no point mortgage; 30 year term; 5% down payment; taxes $1.64 per $100; $300 annual fire insurance. (Note: The average tax rate for the state is $1.64 per $100 -- the tax rate for most cities/towns in Chittenden County exceed the state average.)

Series 5 Statistical Report
LTV 0% To 100%
Effective as of 8/4/94
Loan Status: Committed, Underwritten and Purchased

Total Number of Loans: 375
Total Loan Amount: $23,727,381

	Amount	Percentage of Loans	
Existing:	$20,731,762	88.8%	333 Loans
New Construction:	$2,995,618	11.2%	42 Loans
New Detatched Housing:	$2,666,723	90.5%	38 Loans
New Condominium:	$328,895	9.5%	4 Loans

Total Insured or Guaranteed Loans: 374
Loans Guaranteed by VHMGB: 349

	ACED	NON-ACED	STATEWIDE
Avg Purchase Price	64,540.28	73,627.65	67,448.24
Avg Loan Amount	61,137.62	67,810.73	63,273.02
Avg Borrower Income	28,130.79	28,271.03	28,175.66
Avg Housing Debt-Income Ratio	25.29	27.53	26.00
Avg Total Debt-Income Ratio	33.50	33.42	33.48
Total Number of Loans	255	120	375
% of Total Loan Amount	65.7%	34.3%	100.0%
First Time Homebuyers	221	119	340
% Meeting Low Income Set Aside	54.1%	72.5%	60.0%

	Loans	% of Loans	$ Amount	* Households	% of Households	% Difference
ADDISON	18	4.8%	1,132,049	4,064	5.5%	-0.7%
BENNINGTON	15	4.0%	1,077,348	4,668	6.3%	-2.3%
CALEDONIA	34	9.1%	1,824,908	4,251	5.8%	3.3%
CHITTENDEN	65	17.3%	4,563,407	13,269	18.0%	-0.7%
ESSEX	4	1.1%	250,737	1,018	1.4%	-0.3%
FRANKLIN	48	12.8%	2,735,200	5,330	7.2%	5.6%
GRAND ISLE	4	1.1%	250,500	727	1.0%	0.1%
LAMOILLE	22	5.9%	1,409,098	3,001	4.1%	1.8%
ORANGE	18	4.8%	1,122,085	3,735	5.1%	-0.3%
ORLEANS	30	8.0%	1,761,495	3,774	5.2%	2.8%
RUTLAND	43	11.5%	2,895,479	8,815	12.0%	-0.5%
WASHINGTON	44	11.7%	2,899,744	7,196	9.8%	1.9%
WINDHAM	12	3.2%	691,344	6,151	8.3%	-5.1%
WINDSOR	18	4.8%	1,113,982	7,780	10.5%	-5.7%
Total :	375	100.0%	23,727,381	73,776	100.0%	

* Estimated Number of households, $15,000 to $35,000 income.
Source: CACI, 1990 Sourcebook of County Demographics.

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: June 30, 1994

Lenders	Total Loans	30	Days	60	Days	90+	Days	Auth	FCL	Total Delinq		REO	
BancBoston Mortgage Corp.	314	13	4.14%	3	0.96%	4	1.27%	1	0.32%	21	6.69%	1	0.32%
Banknorth Mortgage Co.	737	32	4.34%	9	1.22%	7	0.95%	5	0.68%	53	7.19%	6	0.81%
Bennington Co-op S&L Assoc.	38	2	5.26%	0	0.00%	0	0.00%	0	0.00%	2	5.26%	0	0.00%
Brattleboro Savings & Loan	6	1	16.67%	0	0.00%	0	0.00%	0	0.00%	1	16.67%	0	0.00%
Chittenden Bank	831	49	5.90%	19	2.29%	15	1.81%	2	0.24%	85	10.23%	4	0.48%
Citizens Savings Bank	62	2	3.23%	1	1.61%	2	3.23%	0	0.00%	5	8.06%	1	1.61%
Comfed Mortgage Co.	5	1	20.00%	0	0.00%	1	20.00%	0	0.00%	2	40.00%	0	0.00%
Community National Bank	204	9	4.41%	2	0.98%	4	1.96%	1	0.49%	16	7.84%	1	0.49%
Factory Point Nat. Bank	27	4	14.81%	0	0.00%	0	0.00%	0	0.00%	4	14.81%	0	0.00%
First Brandon Nat. Bank	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
First Northern Mortgage Corp.	3	1	33.33%	0	0.00%	0	0.00%	0	0.00%	1	33.33%	0	0.00%
Fleet Mortgage	12	3	25.00%	0	0.00%	0	0.00%	0	0.00%	3	25.00%	0	0.00%
Graystone Mortgage Company	159	10	6.29%	5	3.14%	5	3.14%	0	0.00%	20	12.58%	2	1.26%
Green Mountain Bank	185	9	4.86%	5	2.70%	4	2.16%	0	0.00%	18	9.73%	1	0.54%
Lomas & Nettleton Company	11	0	0.00%	0	0.00%	1	9.09%	0	0.00%	1	9.09%	0	0.00%
Lyndonville Savings Bank	61	4	6.56%	1	1.64%	0	0.00%	0	0.00%	5	8.20%	1	1.64%
Marble Bank	212	7	3.30%	2	0.94%	1	0.47%	0	0.00%	10	4.72%	0	0.00%
Merchants Bank	333	20	6.01%	6	1.80%	5	1.50%	0	0.00%	31	9.31%	3	0.90%
Mortgage Service Ctr. of NE	50	3	6.00%	0	0.00%	0	0.00%	0	0.00%	3	6.00%	4	8.00%
National Bank of Middlebury	62	4	6.45%	0	0.00%	1	1.61%	0	0.00%	5	8.06%	0	0.00%
New England IBM Employees FCU	50	0	0.00%	0	0.00%	1	2.00%	0	0.00%	1	2.00%	0	0.00%
Northfield Savings Bank	102	9	8.82%	0	0.00%	2	1.96%	0	0.00%	11	10.78%	1	0.98%
Passumpsic Savings Bank	163	6	3.68%	3	1.84%	2	1.23%	0	0.00%	11	6.75%	2	1.23%
Peoples Trust Co.	111	7	6.31%	2	1.80%	1	0.90%	0	0.00%	10	9.01%	0	0.00%
Randolph National Bank	52	1	1.92%	1	1.92%	0	0.00%	0	0.00%	2	3.85%	0	0.00%
Union Bank	151	3	1.99%	0	0.00%	0	0.00%	0	0.00%	3	1.99%	0	0.00%
Vermont Development CU	5	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Vermont Federal Bank	758	41	5.41%	6	0.79%	7	0.92%	3	0.40%	57	7.52%	9	1.19%
Vermont National Bank	537	21	3.91%	4	0.74%	9	1.68%	0	0.00%	34	6.33%	2	0.37%
Wells River Savings Bank	35	0	0.00%	1	2.86%	0	0.00%	0	0.00%	1	2.86%	0	0.00%
Totals June 30, 1994	5277	262	4.96%	70	1.33%	72	1.36%	12	0.23%	416	7.88%	38	0.72%
Totals Previous Month	5285	258	4.88%	75	1.42%	68	1.29%	12	0.23%	413	7.81%	35	0.66%

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Cathleen Gent, Interim Director of Communications CG

DATE: August 11, 1994

RE: FY95 Media Marketing Plan

The FY95 media marketing plan reflects certain changes, most notably a reduction to the advertising budget for FY95 and a recognition that, even with budget constraints, we can design a better targeted campaign for low- and moderate-income potential home buyers which highlights our role as a not-for-profit organization.

With an annual review of the Business Plan and strategic planning work in-progress, this is an excellent time to re-examine the purpose of media advertising, seeking input from the Board. Therefore, one of the goals this fiscal year is to re-define the purpose of our media advertising. A clearly defined purpose will help us determine how to measure our success (or lack thereof). In the last several years, numerous reasons for media advertising were given:

1) To create an overall presence (visibility) in the marketplace: keeping VHFA foremost in the public mind as the source for addressing affordable housing problems in Vermont (homeownership primarily, but our message could be broadened to include rental)
2) To mitigate the problem of negative arbitrage: this problem may be reduced with newly structured financing deals
3) To add good quality loans to VHFA's portfolio which are less likely to be prepaid
4) To keep our market share as high as possible, especially for affordably priced homes

While previous media ad campaigns have been conducted under the premise that we should be making as many loans as possible, it is important to review whether that approach remains appropriate. In light of the Evensen-Dodge report and changes in VHFA's operating environment, input from the Board of Commissioners regarding the overall goal of advertising over the next several years would be helpful. The most appropriate time for the Board to take up this discussion would be in conjunction with the final phase of the strategic planning efforts prior to October.

Notwithstanding the need to examine the long-term goals of VHFA advertising, we have developed a media marketing plan for FY95. Unlike a year ago when the marketing

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campaign was geared toward originating almost $38 million to reduce negative arbitrage, the primary goal of marketing for the next several months (at least until a new bond issue is sold) is to generate awareness of VHFA's programs among potential home buyers. This will be achieved via two major objectives: 1) increase VHFA's name recognition so that borrowers will be informed about VHFA's programs before they begin discussions with lenders and real estate professionals; 2) show potential home buyers how to go about buying.

Several specific changes are being made. A new consultant is being retained for this year, Julian Cohen of Creative Communications, Inc., who has significant experience in re-directing marketing campaigns. We intend to institute a year-round media campaign since the **process** of buying a house (preparing to buy a house) is not seasonal in nature. Also, by January 1, a cooperative advertising program will be developed with lenders and real estate professionals to multiply our media presence. (VHFA has a cooperative advertising program with local nonprofits for a similar purpose.)

Even with a reduction in budget, I believe we will be able to improve VHFA name recognition among potential home buyers and increase the number of calls to the VHFA Hotline. Previous VHFA research shows that the vast majority of Vermont renters do want to own a house: our goal is to help them achieve homeownership in the near future using VHFA products when appropriate. I am confident that planning our media campaign in conjunction with our outreach efforts with consumers, lenders, and real estate professionals will bring about very positive results.

I hope this information is useful. I will be available at the Board meeting to answer any questions you may have regarding our media marketing plan.

Recommended Board Action: That the Board take up the question of the long-term goal of VHFA media marketing as part of the September 12 Board meeting devoted to strategic planning.

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Cathleen Gent, Interim Director of Communications CG

DATE: August 11, 1994

RE: Community Outreach Activities

During the past year, numerous community-based outreach and education efforts have resulted in valuable information about VHFA programs being shared with key constituent groups. The following information shows the activity for FY94 and planned activities for FY95 in the areas of consumer education, real estate professional outreach, and lender training. It should be noted that the specific scheduling of training or outreach events is linked to particular times of the year in order to increase the numbers of attendees.

CONSUMER EDUCATION

In FY94, consumer education was devoted primarily to homeownership education through VHFA-sponsored home buyer fairs and events sponsored by organizations other than VHFA.

In FY94, consumer education activities included the following:

- 5 Home Buyer Fairs - 853 attendees
- 8 non-VHFA sponsored Events - 115 attendees

Forums for consumer education in FY95 include the following:

<u>Home Buyer Fairs</u> - provide information about the home buying process and an opportunity to meet one-on-one with lenders, real estate agents, and nonprofits to discuss financing and housing options in a free, fair-like atmosphere. This format is geared toward households planning to purchase a home in the near future (within the next 12 months).

<u>Home Buying Basics Workshops</u> - are designed to provide more in-depth information about the home buying process and is geared toward households who would like to own a home someday, but have little or no understanding of the process of home purchase. Presenters include VHFA staff, local lenders, real estate professionals, and representatives of nonprofits.

Home Buyer Basics/Fair - combination of Home Basics Workshop and Home Buyer Fair in which a shortened home buying basics workshop is presented for approximately one and one-half hours with local professionals and VHFA staff outlining the home buying process, then followed by a fair where workshop participants can meet with exhibitors (local lender, real estate agents, and nonprofits).

Non-VHFA Events Sponsored by Other Organizations - The events in which VHFA participates vary in format: some are home buyer events, others involve panel discussions or "home buyer days" (with prequalifying services and general information in a local setting).

FY95 Outreach Activity Schedule

Event	Date/Time/Location
Home Buying Basics/Fair	Wednesday, October 12 5:30 PM - 9:00 PM Elks Club, Barre
Home Buying Basics	Thursday, October 20 5:30 PM - 8:30 PM Brattleboro
Home Buying Basics	Thursday, October 27 5:30 PM - 9:00 PM Morrisville
Home Buying Basics	Thursday, November 3 5:30 PM - 8:30 PM Bennington
Home Buyer Fair	Sat., March 11 *[tentative]* 9:30 AM - 3:00 PM South Burlington
Home Buying Basics/Fair	Thursday, March 23 *[tentative]* 5:30 PM - 8:30 PM Bellows Falls
Home Buying Basics/Fair	Thursday, April 13 *[tentative]* 5:30 PM - 8:30 PM St. Johnsbury
Home Buyer Fair	May 6 or May 11 *[tentative]* time TBA Rutland

In addition to these activities, it is anticipated that VHFA will participate in approximately 12 non-VHFA sponsored events. Over the last year, the numbers of "fairs" and "basics" workshops sponsored by lenders, real estate firms, and nonprofits have increased significantly. Marcia Mattoon, our Community Relations Coordinator, has already been asked to represent VHFA at numerous events, as their popularity appears to be increasing.

Throughout the year, new endeavors in the areas of consumer education are being considered:

- Homeownership counseling - Is "catching on" in other states and in secondary markets as a measure to reduce the cost of default and foreclosure. VHFA's role in homeownership counseling may be restricted to providing education and technical assistance to other organizations which would actually carry out the counseling.
- Targeted Basics workshops - For renters in public subsidized housing, new immigrant groups, and others who may have special needs which can be addressed in specially-designed workshops.

LENDER TRAINING

Since early 1993, the lender training function has been located in the Communications Department. This position, held by Phyllis Foley, is responsible for educating lenders who participate in one or more of VHFA's homeownership programs in the areas of new programs and changes in program guidelines. Lender training dovetails with the activities of the Single Family Operations department by getting feedback from lenders regarding specific program features and by educating lenders which results in better quality loan packages received by VHFA.

In FY94, the lender trainer held 58 sessions with 477 participants.

The goals for lender training in FY95 include:

- Enhance the present training modules with hands-on activities and handouts
- Create new training modules in these areas:
  - VHMGB Guidelines and Procedures
  - Specific Underwriting Training
  - Update/Informational
  - "Refresher" (periodic update on particular loan program)
- Meet once a year with as many lender staff as possible through current and new training modules
- Schedule lender training events between October and May.

REAL ESTATE PROFESSIONAL OUTREACH

Over the years, VHFA has worked in a variety of ways with real estate professionals across Vermont. In FY94, real estate outreach was conducted in two primary ways. First, a new course was offered through Vermont Real Estate Commission with the goals of (1) contributing to the professional growth of Vermont real estate licensees and (2) provide an incentive to licensees to become well-versed in the mechanics of VHFA financing options for low- and moderate-income home buyers. This course proved to be quite popular. The other approach for reaching real estate professionals was through presentations by VHFA staff (Allan Hunt, Hollis Hope, or Carrie Höglund) at the monthly regional Real Estate Board meetings.

In FY94, outreach to real estate professionals included:
- VHFA Financing Options Course - 7 sessions held, 224 attendees
- Presentations made at 7 regional real estate Board meetings

Planned real estate professional outreach activities in FY95 follow the formats used in FY94 and include the following:
- VHFA Financing Options Course
  - December 8 - Derby/Newport
  - December 15 - Barre
  - January 12 - Middlebury
  - February 2 - St. Albans
  - February 16 - Brattleboro
- Regional Real Estate Boards - Presentations at each of the 12 Boards will be made.

I hope this information is useful. I will be available at the Board meeting to answer any questions you may have regarding our outreach plan.

RESOLUTIONS ADOPTED AT THE ANNUAL MEETING OF
VERMONT HOUSING FINANCE AGENCY, AUGUST 18, 1994

RESOLVED, In addition to the officers specified as "Authorized Officers" under particular bond resolutions of the Agency, the Deputy Director shall be an "Authorized Officer" within the meaning of any and every bond resolution of the Agency whether now existing or to exist in the future.

RESOLVED, _______________ is elected Vice Chairman of the Agency for the fiscal year commencing July 1, 1994 and until h__ successor be elected and qualified.

RESOLVED, Roger A. Schoenbeck is elected Treasurer of the Agency for the fiscal year commencing July 1, 1994 and until his successor be elected and qualified.

RESOLVED, the following persons shall be authorized to sign checks drawn against the Agency's General Fund:

Executive Director	____________________	Allan S. Hunt
Deputy Director	____________________	Jeffrey D. Francis
Director of Single Family Operations	____________________	Douglas R. Lothrop
Director of Finance	____________________	Roger A. Schoenbeck
Controller	____________________	Timothy M. Gutchell

Any check in an amount over $1,000 payable against the General Fund must be signed by at least two of the foregoing persons. Any payroll check shall be valid and negotiable when signed by any one of the foregoing persons.

RESOLVED, there is hereby created the office of Director of Single Family Operations, to replace the office of Director of Operations. In addition to the powers of the Director of Operations, as specified in the resolution of July 29, 1993, the Director of Single Family Operations shall have supervisory responsibility for the functions of the Vermont Home Mortgage Guarantee Board. All actions taken by the Director of Operations with respect to the functions of the Vermont Home Mortgage Guarantee Board are hereby ratified. The Director of Single Family Operations shall no longer be responsible for the data processing functions of the Agency. Douglas R. Lothrop is the Director of Single Family Operations for the Agency.

RESOLVED, the position of Deputy Director of Single Family Operations is hereby created. The Deputy Director of Single Family Operations shall have the same authority as the Director of Single Family Operations. Jacklyn Santerre is the Deputy Director of Single Family Operations for the Agency.

RESOLVED, that the Agency's Real Estate Disposition Specialist, Loan Servicing Specialist and Foreclosure Specialist be and hereby are authorized to execute documents of the following character for all of the Agency's single family loan programs, whether secured or unsecured:

A. Listing Agreements with real estate brokers for the sale of real estate owned by the Agency and property transfer tax returns;

B. Endorsements to property insurance claim checks pertaining to property on which the Agency holds a valid lien, in amounts up to $10,000 for the Real Estate Disposition Specialist and $5,000 for the Loan Servicing Specialist and Foreclosure Specialist;

C. Preparation and execution of claim forms to primary and pool insurers on property that the Agency holds a valid lien on;

D. Authorizations to mortgage lenders and other appropriate persons for actions of the following character:

1. Foreclosure or other acquisition of title to property on which the Agency has a valid lien;

2. Necessary repairs and improvements to real estate owned by the Agency;

3. Actions necessary to make property in which the Agency has an interest secure;

4. Forbearance agreements with delinquent borrowers; and

5. Affidavits of amounts due and other affidavits required in foreclosure actions;

F. Consent to actions of the following character:

1. Release and addition of signers of notes held by the Agency;

2. Creation of easements and rights of way and the partial release of mortgages held by the Agency for purposes of permitting the creation of easements and rights of way over property on which the Agency holds a valid lien; and

3. Acknowledgment of receipt of liens junior to the lien of the Agency.

All documents of the foregoing types heretofore executed on behalf of the Agency by the Agency's Real Estate Disposition Specialist, the Loan Servicing Specialist, or the Foreclosure Specialist are hereby RATIFIED AND CONFIRMED as the authorized acts of Vermont Housing Finance Agency.

Real Estate Disposition Specialist ______________________ Linda C. Wilson

Loan Servicing Speciaiist ______________________ Gregory Lawlor

Foreclosure Specialist ______________________ Peter Barry

RESOLVED, all actions taken in the resolution entitled "Resolutions Adopted at the Annual Meeting of the Vermont Housing Finance Agency, July 29, 1993" not inconsistent with the resolutions contained herein are deemed to be ratified and will continue in force until changed by affirmative action of the Board of Commissioners.

RESOLVED, that the following employees of Vermont Housing Finance Agency are hereby authorized to have access to all safekeeping vault boxes of the Agency for the purposes of safekeeping and retrieving any and all books, papers and documents of the Agency:

Director of Finance: ______________________________
(Signature)

Controller: ______________________________
(Signature)

Lender Accounting Coordinator: ______________________________
(Signature)

Portfolio Accountant: ______________________________
(Signature)

Investment/Portfolio Assistant: ______________________________
(Signature)

The names of all personnel of the Agency listed herein are included only for purposes of identification. The power to appoint persons to these or other positions within the Agency belongs to the Executive Director.

VT Housing Finance Agency Obtains FHLB Credit Line for Special Initiatives

The Vermont Housing Finance Agency (VHFA) has been approved as a nonmember borrower of the Federal Home Loan Bank of Boston. VHFA's approval came in late 1993 with the establishment of a $2 million credit line to finance affordable housing and specialized housing facilities in Vermont.

VHFA will use its FHLB credit resource for a variety of housing initiatives that cannot be financed with the agency's traditional funding sources and for which conventional financing is unavailable at suitable rates and terms. The agency has slated its initial FHLB credit line for five key uses:

■ construction and permanent financing for affordable rental developments;

■ community-care facilities, to include small group homes for the developmentally disabled, intermediate-care facilities for individuals needing higher levels of services, and other group-home facilities under both nonprofit and for-profit entities;

■ acquisition and renovation of existing mobile-home parks, as well as development of new parks to help meet the demand for this low-cost alternative to traditional single-family housing;

■ energy-conservation loans for rental units under a program of the Vermont Energy Investment Corporation (VEIC), a nonprofit corporation; and

■ a second-mortgage program to assist VHFA borrowers with down payments.

VHFA is one of a small number of state housing finance agencies nationwide and the third New England state housing finance agency to gain approval as a nonmember borrower. The Massachusetts Housing Finance Agency was approved to borrow in May 1993, and in 1992, the Rhode Island Housing and Mortgage Finance Corporation became the first HFA borrower in the history of the Federal Home Loan Bank System.

VHFA made its application under Section 10(b) of the Federal Home Loan Bank Act, which authorizes borrowing by nonmembers that are chartered under law, subject to the supervision of a governmental agency, and primarily engaged in mortgage lending. It underwent a credit analysis by the FHLB, and its borrowing will be fully collateralized.

The FHLB is forming partnerships with HFAs for the first time in the history of the Federal Home Loan Bank System. FHLB and HFA staffs are working to develop innovative programs and funding structures to meet the needs of the moderate- to low-income families being served by HFAs. TH

Coastal Maine CDC Chalks Up Successes

A singularly successful community development corporation (CDC) has been serving the mid-coast region of Maine for over 15 years. Its comprehensive approach to community development is one other CDCs may want to consider.

Coastal Enterprises, Inc. (CEI) began in 1977 in Wiscasset, Maine, with the aim of promoting specific sectors of the local economy and organizing small producers in those sectors. Aquaculture, sheep farming, and forestry are examples of sectors CEI sought to serve. CEI's activities included developing an open-display fish auction and setting up farmers' markets.

By the early 1980s, CEI was taking a more active role in supporting "value-added" producers by lending and investing in small businesses. At the same time, CEI's focus on community and economic development that helps low-income people was becoming more explicit. Two CEI funds, the Development Fund and the Venture Capital Fund, began using agreements expressly stating that the businesses receiving the loans and investments would support low-income people.

Today, the mission of Coastal Enterprises, Inc., is a broad one: to direct economic and human resources to help Maine people with low incomes reach an adequate and equitable standard of living, working,

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VERMONT HOUSING FINANCE AGENCY

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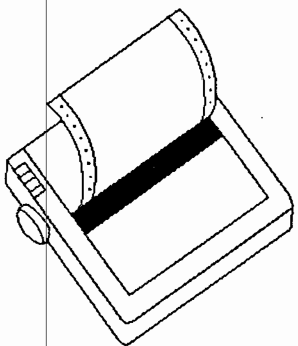

Sent By ______

Date ______

Time ______

DATE 8/30/94

TIME 9:30

TO NAME Rutland Herald

ORGANIZATION ______

TITLE/DEPT ______

FAX PHONE NUMBER (802) 775-2423

FROM NAME Glenn Jarrett

TITLE/DEPT 864-5743, ext. 226

FAX PHONE NUMBER: (802) 864-5746

DOCUMENT CONSISTS OF 2 PAGES INCLUDING COVER SHEET.

REMARKS: Please call if questions.

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VERMONT HOUSING FINANCE AGENCY

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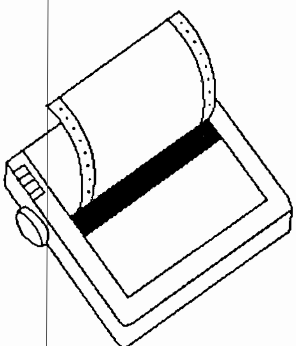

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DATE 8/30/94

TIME 9:30

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ORGANIZATION ______

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FAX PHONE NUMBER (____) 658-6300 ext 140

FROM NAME Glenn Jarrett

TITLE/DEPT 864-5743 ext. 226

FAX PHONE NUMBER: (802) 864-5746

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EQUAL HOUSING OPPORTUNITY

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VERMONT HOUSING FINANCE AGENCY

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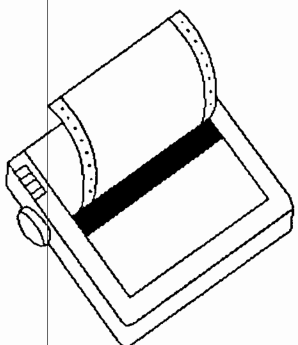

Sent By	
Date	
Time	

DATE 8/30/94

TIME 9:30

TO NAME Burlington Free Press

ORGANIZATION Newsroom

TITLE/DEPT

FAX PHONE NUMBER (____) 660-1802

FROM NAME Glenn Jarrett, ext. 226

TITLE/DEPT 864-5743

FAX PHONE NUMBER: (802) 864-5746

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REMARKS: Pls. call if questions

IF YOU EXPERIENCE ANY PROBLEMS IN RECEIVING THIS TRANSMISSION, PLEASE CALL SENDER AT (802) 864-5743

NOTICE OF SPECIAL MEETING

The Board of Commissioners of the Vermont Housing Finance Agency will meet via telephone conference call on Wednesday, August 31, 1994, at 11:30 a.m. to consider (1) amending the income limits and purchase price limits applicable to the Agency's mortgage revenue bond and mortgage credit certificate programs, and (2) the Agency's IORTA no downpayment program, as well as any other matters properly before the meeting. The public may attend the meeting at the Agency's offices at One Burlington Square, Burlington, Vermont 05401.

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8/31 11:30

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, ~~Executive~~ Asst Director

DATE: August 26, 1994

RE: Special Board Meeting

We are currently trying to schedule a special board meeting via conference call. The available times are Tuesday, August 30th at 11:00 a.m. or 1:00 p.m. and on Wednesday, August 31st between 10:00 a.m. and 12:00 noon. We will be contacting you on Monday, August 29th to determine you availability. The meeting is expected to last approximately a half an hour. Please see enclosures for discussion topics.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY
MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Irene D. Jenkins, Director of Development

DATE: August 25, 1994

RE: Single Family Programs -- Purchase Price Limits, Income Limits, and Downpayment Assistance

Purchase Price Limits

We have received new average area purchase prices from the US Treasury Department that are effective for use in the MRB programs on September 6, 1994. MRB regulations require that VHFA purchase price limits not exceed 90% of the appropriate average area purchase price in non-targeted counties (Addison, Bennington, Chittenden, Grand Isle and Windsor) and 110% of the appropriate average area purchase price in targeted counties (Caledonia, Essex, Franklin, Lamoille, Orange, Orleans, Rutland, Washington and Windham). Attachment #1 provides information on the maximum purchase price limits that are allowable for each area/county in Vermont.

VHFA's current purchase price limits are:

	MOVE/HOUSE	MORTGAGE PLUS
Existing -- one & two family	$97,000	$99,000
New construction	$110,000	$115,000

Based on the new average area purchase prices, the maximum purchase price allowable for existing residences is $92,389 in areas of Chittenden County that are not included in the Burlington MSA (Westford, Bolton, Underhill and Buels Gore) and in Addison, Bennington, Grand Isle and Windsor Counties. **Regulations require VHFA to lower its purchase price limits no later than December 5, 1994 for commitments made on existing housing in the areas/counties included above. We want to implement this change as soon as possible and then work with those lenders who have reservations for home buyers who will be affected by this change to ensure that those loans are committed by December 5, 1994.**

As a result of our analysis of the regulatory income and purchase price limits and with consideration for how the VHFA programs operate statewide, we are planning to

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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recommend changes in the existing and new construction purchase price limits for all areas of the state. Specifically, we will be recommending that the existing limit for MOVE be raised to $99,000 in all areas of the state except those counties described above, where the limit must be decreased to $92,389. This would bring the MOVE/HOUSE limits into line with the Mortgage Plus limits. For existing housing, we will also be recommending separate limits for two-family houses; currently, the VHFA limit is the same for two-family as for one-family houses, despite the former's higher average cost. For new construction, we are planning to recommend a higher purchase price limit that would be the same for MOVE and Mortgage Plus. This recommendation will be based upon an analysis of property transfer records that is underway. We are not recommending these changes at this time because the VHMGB mortgage limit is $105,000 and we want to coordinate any increase in the VHFA new construction limit with an increase in the VHMGB mortgage limit. (The VHMGB Board has agreed to an increase to $109,250, which coordinates with the current $115,000 Mortgage Plus limit, but this change has not yet been approved by the Joint Fiscal Committee of the Legislature; any increase in the VHFA limit beyond $115,000 would require a further increase in the VHMGB mortgage limit.) We will recommend the proposed increases in the existing and new construction purchase price limits at the same time.

Therefore, at this time, we are recommending approval only for the required reduction in the existing price limit for MOVE/HOUSE and Mortgage Plus to $92,300 for Addison, Bennington, Grand Isle, Windsor, and Chittenden (outside the Burlington MSA) counties.

Income Limits

At the August Board meeting, we recommended and the Board approved an increase in the income limits for MOVE/HOUSE in Chittenden County from $36,100 to $39,300 for 1-2 person households and from $41,500 to $45,100 for 3+ person households. These new limits would coincide with the current Mortgage Plus income limits for Chittenden County.

We made this recommendation before receiving the revised purchase price data, which requires us to reduce the existing purchase price limit in that part of Chittenden County that is outside the Burlington MSA. We do not think that it makes sense to increase the income limits where we are forced to decrease the purchase price limit; in view of the fact that we will be recommending an **increase** in the existing purchase price limits in the Burlington MSA, we think it makes most sense to increase the income limits in the Burlington MSA and to leave them at the current level in the excluded part of Chittenden County.

At the same time, we are recommending a **decrease** in the Mortgage Plus income limit in the excluded part of Chittenden County to $36,100 for 1-2 person households and $41,500 for 3+ person households, which are the limits in Addison, Bennington, Grand Isle, and Windsor counties. The result of this change will be coordination of the lower existing purchase price limit with the lower income limits in Addison, Bennington, Grand Isle, Windsor, and Chittenden counties for both MOVE/HOUSE and Mortgage Plus.

Attachment #2 shows the income and purchase price limits that would be effective for MOVE/HOUSE and Mortgage Plus if these recommendations are approved and implemented.

No Downpayment Program

In the Spring of 1994, we decided to delay release of this year's IORTA no downpayment program until the Fall. We have run out of funds from our last bond issue and are using recycled funds from previous bond issues at higher rates. At the same time, the realtor and lender communities have been anticipating release of the downpayment assistance and are pressuring us to proceed with it. Therefore, although it unfortunately coincides with an increased interest rate, we think that this is a good time to release the no downpayment program.

We want to announce on September 1 that the no downpayment program will be available for reservations starting on October 1. This will allow people who need the assistance to queue up. We would make up to 165 reservations for the IORTA program, using recycled funds; we would offer a one point option and a two point option, not a zero point option.

This announcement would be coordinated with the income and purchase price changes described above.

RECOMMENDED BOARD ACTION

Staff requests approval of the reduced purchase price limit of $92,300 for existing housing in Addison, Bennington, Grand Isle, Windsor, and Chittenden (outside the Burlington MSA) counties, as required by US Treasury regulation.

Staff requests approval of the higher income limits of $39,300 for 1-2 person households and $45,100 for 3+ person households for VHFA's MOVE and HOUSE programs in the Burlington MSA and of the lower income limits of $36,100 for 1-2 person households and $41,500 for 3+ person households for the Mortgage Plus program in that part of Chittenden County that is excluded from the Burlington MSA.

Staff requests approval for release of the IORTA no downpayment program, with notification to lenders on September 1 and reservations beginning on October 1.

Attachment #1

MAXIMUM PURCHASE PRICE LIMITS FOR MRB PROGRAMS

AREA/COUNTY	MAXIMUM PURCHASE PRICE LIMITS		
	NEW	EXISTING ONE FAMILY	EXISTING TWO FAMILY
Burlington MSA[1]	129,136	115,242	129,762
Addison	129,136	92,389	104,029
Bennington	129,136	92,389	104,029
Caledonia	157,832	112,919	127,146
Chittenden[2]	129,136	92,389	104,029
Essex	157,832	112,919	127,146
Franklin	157,832	112,919	127,146
Grand Isle	129,136	92,389	104,029
Lamoille	157,832	112,919	127,146
Orange	157,832	112,919	127,146
Orleans	157,832	112,919	127,146
Rutland	157,832	112,919	127,146
Washington	157,832	112,919	127,146
Windham	157,832	112,919	127,146
Windsor	129,136	92,389	104,029

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[1]Burlington MSA includes: Burlington, Charlotte, Colchester, Essex, Hinesburg, Jericho, Milton, Richmond, St. George, Shelburne, So. Burlington, Williston and Winooski in Chittenden County; Georgia, Fairfax, St. Albans City, St. Albans Town, and Swanton in Franklin County; Grand Isle and South Hero in Grand Isle County.

[2]Chittenden County towns not included in the Burlington MSA are: Westford, Bolton, Underhill and Buels Gore.

Attachment #2

INCOME LIMIT AND PURCHASE PRICE LIMIT RECOMMENDATIONS

MOVE AND HOUSE PROGRAMS

Area/County	Income Limits 1-2 Persons	3+ Persons	Purchase Price Limits Existing	New Construction
Burlington MSA (1)	$39,300	$45,100	$97,000	$110,000
Addison, Bennington, Grand Isle, Chittenden and Windsor (2) (3)	$36,100	$41,500	$92,300	$110,000
Caledonia, Essex, Franklin, Lamoille, Orange, Orleans, Rutland, Washington, Windham (3)	$36,100	$41,500	$97,000	$110,000

MORTGAGE PLUS

Area/County	Income Limits 1-2 Persons	3+ Persons	Purchase Price Limits Existing	New Construction
Burlington MSA (1)	$39,300	$45,100	$99,000	$115,000
Addison, Bennington, Grand Isle, Chittenden and Windsor (2) (3)	$36,100	$41,500	$92,300	$115,000
Caledonia, Essex, Franklin, Lamoille, Orange, Orleans, Rutland, Washington, Windham (3)	$39,300	$45,100	$99,000	$115,000

(1) Burlington MSA includes: Burlington, Charlotte, Colchester, Essex, Hinesburg, Jericho, Milton, Richmond, St. George, Shelburne, So. Burlington, Williston and Winooski in Chittenden County; Georgia, Fairfax, St. Albans City and St. Albans Town and Swanton in Franklin County; Grand Isle and South Hero in Grand Isle County.

(2) Chittenden includes the towns of Bolton, Buels Gore, Underhill & Westford; other cities/towns in Chittenden County are included in the Burlington MSA.

(3) Franklin County towns of Georgia, Fairfax, St. Albans City, St. Albans Town and Swanton are located in the Burlington MSA. Grand Isle towns of South Hero and Grand Isle are located in the Burlington MSA.

vhfa
VERMONT HOUSING FINANCE AGENCY

September 12, 1994

Ms. Marie Carpenter
Department of Administration
Secretary of Administration's Office
Pavilion Office Building
109 State Street
Montpelier, VT 05602

Dear Ms. Carpenter:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Tuesday, September 20, at 1:30 p.m., here at the office of the Vermont Housing Finance Agency, One Burlington Square, Burlington, Vermont.

If you have any questions, please do not hesitate to contact me at 864-5743, ext. 255.

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • FAX: 802/864-5746 • TDD: 1-800/586-5832

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

ASH

FROM: Allan S. Hunt, Executive Director

DATE: August 31, 1994

RE: CONFIRMING UPCOMING (SEPTEMBER) BOARD MEETING AND STRATEGIC PLAN REVIEW

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The *Board* meeting will be held at 1:30 p.m. on Tuesday, September 20 in Burlington. The agenda and Board packet will be mailed to you by September 13.

The next *Strategic Planning* meeting will be held at 1:30 p.m. Monday, September 12, at Whitney Hill. Directions will be sent to you under separate cover, along with information pertinent to that meeting.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to meeting with you at both of these meetings!

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408

802/864-5743 • 1-800/339-5866 • FAX: 802/864-5746 • TDD: 1-800/586-5832

EQUAL HOUSING OPPORTUNITY

vhfa
VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: September 13, 1994

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:30 p.m. Tuesday, September 20, here at the office of the Vermont Housing Finance Agency, One Burlington Square, Burlington, Vermont.

Attached is the agenda and Board packet. The master copy of the Board minutes kept on file here at the Agency includes any attachments that may be referenced in the minutes; copies will be made available should any Board members be interested in reviewing them.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Burlington at 1:30 September 20!

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • FAX: 802/864-5746 • TDD: 1-800/586-5832

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VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA
Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont

Tuesday, September 20, 1994 at 1:30 p.m.

1. Review and approval of minutes of August 18, 1994

2. Review and approval of minutes of August 31, 1994

3. Development
   - MOVE/HOUSE/Mortgage Plus Purchase Price Limits **[Jenkins/Crady//Encl.]**
   - Starlake Village Loan Extension **[Jenkins/Crady//Encl.]**
   - LIHTC Allocations **[Jenkins/Erdelyi//Encl.]**
   - Multi-Family Construction Loan Programs **[Jenkins/Cummings//Encl.]**

4. Multi-Family Management
   - Director's Report **[Falzone//Enclosure]**

5. Operations
   - MOVE/Mortgage Plus Updates/ Delinquency Report **[Lothrop//Enclosure]**
   - Possible Conversion of MRB Authority to MCC Authority **[Lothrop//Enclosure]**

6. Communications
   - Strategic Planning Mission/Goals Update **[Gent//Enclosure]**

7. Administration
   - Executive Director's Report **[Hunt]**
   - Review of Salary and Benefits Information **[Francis//Enclosure]**

8. Finance
   - Fund Balance Discussion **[Schoenbeck]**

9. Other old or new business to come before the Board

vhfa

VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
Office of the Commissioner of Banking, Insurance and Securities
89 Main Street
Montpelier, Vermont

Thursday, August 18, 1994

PRESENT: Chairman White; Commissioners Seelig, Rockford (designee of Ruse), Candon (designee of Costle), Bradley (designee of Shouldice)

Agency Staff: Mr. Hunt, Mr. Francis, Mr. Jarrett, Mr. Lothrop, Ms. Jenkins, Mr. Falzone, Ms. Gent, Ms. Crady, Mrs. Parker, Mr. Cummings

Guests: Mr. Cole (AG Edwards); Mr. Dickson, Ms. Cobb, Ms. Kehoe (Housing Vermont)

The meeting was called to order by the Chairman at 1:35 p.m. Upon a motion made by Mr. Rockford and seconded by Mr. Candon, the minutes of June 23, 1994, were accepted as written; the mobile home analysis will be provided to the Board for the September 12 Strategic Planning session. In a separate motion made by Mr. Candon and seconded by Mr. Seelig, the minutes of the July 28, 1994, meeting were amended on page 3 to reflect that "VDCU's performance *in the area of administration* has improved significantly." This motion carried unanimously.

Ms. Jenkins reviewed her memo of August 10, included in the Board packet, regarding the "Burlington Scattered Sites--Letter of Commitment." Housing Vermont (HVT) and the Burlington Community Land Trust (BCLT) have formed a partnership to purchase, construct, and rehabilitate a 20-unit project in seven buildings located on scattered sites in Burlington's Old North End; BCLT has purchased the properties. Ms. Jenkins explained that this project would be funded through the Federal Home Loan Bank program; the interest rate on FHLB funds as of August 12 would be 9.3% to the end borrower. There is no project-based rental assistance for these sites. Abatement of any environmental hazards would take place during the rehab process, along with some heating and weatherization improvements as well as structural repairs, such as sill replacement. Known environmental hazards include lead-based paint and asbestos. Currently, the project boundary runs through the old Burlington landfill site, but plans are in place to adjust that boundary line. One major issue is the results of the appraisal, as the buildings along Manhattan Drive have not appraised for a value comparable to the actual purchase and construction price. Apparently, housing sponsors are paying sponsors are paying more for buildings in "as is" condition than the probable market value. The total development cost reflects the purchase price plus the cost of improvements.

{Ms. Bradley joined the meeting at this time.}

Ms. Jenkins noted that the Agency performed a management review of BCLT nearly a year ago, and was satisfied at that time that they should be approved as a property management entity and would be eligible for loans from the Agency. The present strategy would allow current residents to remain in place, with a rent reduction; also, some non-residents may choose to relocate to vacant units from units that are in poorer condition, or may relocate when vacancies arise in currently occupied units. The loan-to-value ratio for the Agency's loan would be 27%, so the LTV does not appear to be an issue from the standpoint of security. The assessed value was less than the purchase price; there is a value discrepancy between the "as completed" value and the actual costs of completion, which appears to be a policy issue rather than an underwriting concern. Ms. Jenkins informed the Board that this project is already under construction and would probably proceed in some fashion even if the Agency does not provide the requested financing.

Mr. Seelig pointed out that the Vermont Housing and Conservation Board (VHCB) has also been approached to provide financing for this project. In the course of their review, VHCB considered the issue of whether the properties were purchased for more than they were worth, especially since the seller has also contracted to perform the rehab work. According to Mr. Seelig, VHCB has asked the applicants not to contract for rehabs to be completed by the seller. The total price was considered to be reasonable based on an independent cost estimate. Mr. Dickson explained to the Board that these issues demonstrate the realities of buying dilapidated properties in Burlington. The scattered sites were offered to BCLT as a package, with a package price. According to Mr. Dickson, HVT did raise concerns about the appraised value as soon as it was determined in the course of this project. The appraisals were conducted late in the process by an independent appraiser, and were completed when it was almost too late to begin the process again. Mr. Dickson assured the Board that although HVT has provided funding for this project, they agree that this would not be the best way to conduct future projects. A motion was then made by Mr. Seelig and seconded by Mr. Candon to adopt the "Resolution Pertaining to Commitment Letter re: Burlington Community Land Trust Scattered Site Development (Burlington)," as attached to these minutes. This motion carried unanimously, with the general consensus of the Board that having the seller also perform renovations should not be duplicated.

The "Combined Resolution of Interest and Commitment Resolution—Olde Windsor Village" was reviewed by Ms. Jenkins, as further detail to her memo of August 10, included in the Board packet. This Section 8 Substantial Rehabilitation project was developed prior to October 1981 under HUD regulations that entitle the owner to all of the unrestricted cash that has accrued; the owner may access these funds by refinancing or selling the project. The property owner has been trying to sell or refinance this property for the past three years. According to Ms. Jenkins, HVT has agreed to assume the existing debt on the property, but additional financing is required to cover rehab and transaction costs. The Agency is proposing that recycled Section 8 prepayments be used to provide the additional financing needed. HUD has just approved prepayment for two projects that are expected to prepay shortly. Ms. Kehoe advised the Board that the management fee is projected at the maximum Agency fee of $50,000 each year; while eliminating the property manager would be optimal, the general partner is interested only in selling the property as currently structured, with the management company remaining. However, HVT has the option of buying out the management company at the end of three years. Ms. Kehoe further explained that a 15-year contract will be signed for property management; if HVT does not buy out the management firm in the third year, the cost for the property management buy out would be reduced according to a pre-arranged formula, with the maximum allowable amount controllable by the Agency. Mr. Jarrett noted that the proposed management contract buyout would require a regulatory agreement change, as it is a departure from normal practice; this requirement is not mentioned in the resolution as drafted. Following a motion made by Mr. Seelig and seconded by Mr. Rockford, the "Resolution Pertaining to Combined Resolution of Interest and Commitment Letter re: Olde Windsor Village (Windsor) Development" was unanimously adopted as attached to these minutes.

The next topic to be discussed was the "St. Johnsbury Housing Partnership Loan" as described by Ms. Jenkins in her memo of August 9, included in the Board packet. Chairman White cited his relationship with Northern Community Housing Corporation (NCHC) and his membership on the Northern Community Investment Corporation's (NCIC) board as possible conflicts of interest, thus excusing himself from discussions on this matter and turned the meeting over to Mr. Rockford, who became acting chairman during the ensuing discussion. Ms. Jenkins distributed a proposed resolution for the Board's consideration, as well as charts reflecting projected vs. actual operating cash flow. The St. Johnsbury Housing Partnership project consists of 32 units in seven buildings located on scattered sites in St. Johnsbury. According to Ms. Jenkins, the project will be out of cash as of December 1994, and is requesting a reduction in interest rate and a moratorium on debt service until January 1996. The Agency funded the 1990 loan by selling bonds to the Bank of Vermont, which purchased the bonds with an advance from the Federal Home Loan Bank; the interest rate reduction would result in loss of the Agency's 100 basis point spread.

Ms. Jenkins pointed out that St. Johnsbury is one of three projects that are having cash flow difficulties; the others are Caledonia Housing Partnership and Lyndon Housing Partnership, neither of which have Agency loans outstanding. Lyndon has available cash, but Caledonia is now requesting additional funding from VHCB. VHCB has been asked to provide funds to Caledonia and St. Johnsbury for rehab and sinking funds; most likely only one project will be addressed by VHCB this year. Caledonia has been given top priority by the owner and VHCB. Mr. Falzone advised the Board that this is the first moratorium on debt service to be considered by the Agency, as well as the first time that an interest rate reduction on an existing loan has been considered. Mr. Falzone also noted that up to 50% of the units have been turning over in each of the past few years.

Mr. Candon stressed the need to consider the moratorium or interest rate reduction scenarios carefully. However, the rental market in the St. Johnsbury area is very depressed, according to Ms. Jenkins. One option considered was to decrease rents; an analysis determined that while decreasing rents might help to address the vacancy situation, maintenance costs would deplete the cash available even more rapidly. Ms. Jenkins told the Board that the owners and partners have not yet been approached regarding making further investment prior to the Agency granting a moratorium or reducing the interest rate. Mr. Dickson reported that the general partners and limited partners appear to not be willing to make a commitment of additional capital until additional tax credits, VHCB financing and a workout with the Agency are in place. HVT is willing to put up a $50,000 operating and debt service guarantee, which would be available to cover any deficit that appears.

At this point, Mr. Seelig advised the Board that he would not be voting on this issue due to a potential conflict of interest, based on potential VHCB financing. A VHCB committee will meet during the first week of September in order to formulate a recommendation for VHCB later that month. Mr. Hunt reminded the Board that the Agency is not in a high leverage position: if debt service continues, even with a reduced interest rate, the partnership might default and the Agency would need to consider pursuing normal legal remedies, including foreclosure, which might taint investor confidence in the tax credit program. The Agency could end up owning the buildings in a difficult real estate market. The Board indicated that everyone, including the investors, must be willing to make a sacrifice to resolve this situation. A motion was made by Mr. Candon to amend the "Resolution Relating to St. Johnsbury Housing Partnership" as attached to these minutes, to indicate that a subcommittee of Commissioners Bradley, Candon and Rockford would need to be consulted by the Executive Director before any action is taken or agreements are made. This motion carried, with Chairman White and Mr. Seelig abstaining, and the Resolution was adopted. Mr. Dickson, Ms. Kehoe and Ms. Cobb left the meeting following this vote.

Resuming chairmanship of the meeting, Chairman White asked for the "Westgate Apartments and Applegate Apartments—Update" as prepared by Ms. Jenkins in her memo of August 11, included in the Board packet. Westgate Apartments in Brattleboro and Applegate Apartments in Bennington are both HUD-insured Section 236 housing projects that are eligible for participation in the Federal preservation program. In 1989, VHFA obtained an option to purchase these two developments, along with Northgate/Greenfield Apartments in Burlington and the Highgate Apartments in Barre, to ensure their preservation as affordable housing under a Federal preservation program. Northgate and Highgate have been successfully preserved through sale to new owners. Amotion was made by Ms. Bradley to adopt the "Resolution Pertaining to Preservation of Applegate Apartments (Bennington)" as attached to these minutes. After being seconded by Mr. Candon, the motion carried unanimously.

Ms. Crady reviewed the "Single Family Programs—New Income Limit Recommendations" as described in her memo of August 11, included in the Board packet. New median income figures for all of Vermont were released by HUD earlier this year, and are used by the Agency to set income limits for financing and mortgage credit certificate programs. Ms. Crady stressed that no recommendations on purchase price limits were being proposed at this time. According to Ms. Crady, the approval of the income limits will broaden the Agency's market in Chittenden County, bringing this county into line with other counties, relative to income eligibility. However, as there are adequate funds available, this would allow the Agency to serve more families below the median income in Chittenden County without penalizing borrowers in other counties. Mr. Seelig cautioned that the current purchase price limits mean that if funds are used on higher income families, those with lower income levels may not be able to qualify for the Agency's currently low interest rate. Another concern expressed by Mr. Seelig was that lower income households may not be able to qualify at the Agency's next available interest rate, which is projected to be higher.

Ms. Jenkins noted that the average purchase price in Chittenden County is well below the maximum purchase price in the Agency's program. Increased income limits would allow more people in Chittenden County to buy homes through the Agency, if they are unable to afford conventional mortgage interest rates. Mr. Hunt reminded the Board that the Agency has just begun to take reservations on recycled funds at a higher interest rate, and may need to consider another bond issue or using higher-cost higher-interest recycled funds; an analysis will be performed and reported to the Board soon, which may require a special meeting or conference call to discuss the options. After a motion duly made by Mr. Candon and seconded by Ms. Bradley, the Board voted unanimously to approve the higher income limits for the Agency's MOVE and HOUSE programs for Chittenden County at $39,300 for 1-2 person households and $45,100 for 3+ households; the income limits for all other counties in Vermont will remain at $36,100 for 1-2 person households and $41,500 for 3+ households.

The monthly activity for the MOVE and Mortgage Plus programs was reviewed by Mr. Lothrop, who reported that reservation volume in the past month reached $4.9 million (compared with $2.9 million at the same time last year). This year's allocation of no down payment financing has not yet been released. Reservations for the first two weeks of August have approached $3.8 million, which compares favorably with $4.2 million for the entire month of August 1993. Turning to delinquencies, Mr. Lothrop noted that borrowers appear to be lagging slightly behind the modestly-improving economy. Staff is working closely with lenders to reach delinquent borrowers, especially those who are managing to meet regular payments but are still unable to bring their loans current. The foreclosure specialist has enabled the Agency to avoid foreclosure in four instances recently, by making work out arrangements before the Agency gained title to the properties. Delinquent borrowers are being encouraged to place their homes on the market at a realistic price which may not cover the entire amount of their debt. When properties have not been abandoned, more effort is being made during the foreclosure process, encouraging borrowers to be cooperative in order to avoid the foreclosure stigma. No Board action was necessary.

Ms. Gent reviewed the "FY95 Media Marketing Plan" as described in her memo of August 11, included in the Board packet. The FY95 advertising and media budget was reduced to $90,000, a 20% reduction from the FY94 budget. An audit performed by an independent media consultant indicates that the Agency has relatively low name recognition among potential home buyers. Having knowledgeable potential home buyers appears to be an important strategy, as a study performed by the Agency indicates that 85% of renters want to own a home. A segment of the upcoming Strategic Planning session will be dedicated to a discussion of the Board's and staff's ideas of the most effective utilization of the Agency's media advertising. Mr. Hunt noted that the MOVE program has not been advertised since mid-June, yet reservations seem to be on target and the favorable interest rate program appears to be selling itself. However, Chairman White reminded the Board that it is extremely difficult to track the Agency's advertising effectiveness. According to Chairman White, the Agency's efforts should be directed at making people aware of what products are available, rather than attempting to differentiate the Agency from other lenders. Mr. Seelig agreed that the focus of the Agency's publicity may need to be different from what it has been in the past, but suggested that there may be ways other than media advertising that this can be achieved. For example, an outreach program could focus on the "fallout" rate: what barriers need to be changed or eliminated to allow people into homeownership; or, efforts could be made to determine if there is a "natural" barrier (such as income) below which the Agency would be unable to assist people in buying a home. Chairman White suggested that at the upcoming Strategic Planning Session the Board sort out and prioritize the Agency's mission, goals and objectives before attempting to determine the marketing strategy, of which media advertising would be just one portion. The Board agreed with this suggestion.

Turning to the "Community Outreach Activities," Ms. Gent reviewed her memo of August 11, included in the Board packet. Under consideration is homeownership counseling, which may entail working with nonprofits to provide technical assistance and education to those individuals who would conduct the actual counseling sessions. The Agency may or may not provide that counseling directly. Chairman White expressed surprise at the number of sessions held to train lenders, which average five per month and would appear to be much more personalized than necessary. A suggestion was that the training coordinator consider holding a seminar in each county, thus reducing the training sessions to one per month. Ms. Gent explained that the sessions have targeted specific topics such as MCC's, the HOUSE program, orientation for new loan originators, etc. The attendance level is small, averaging just under 10 participants per session. While the costs are significant, the types of questions addressed and the work accomplished require the ability to work with smaller groups. Ms. Gent agreed that every effort should continue to be made to invite multiple lenders from a region of the state to attend these sessions. A survey of participating lenders indicated that these sessions are helpful and should be continued. No Board action was necessary.

Chairman White then called for the Annual Meeting and Election of Officers. A motion was made by Ms. Bradley to nominate Mr. Ruse as Vice Chairman; after being seconded by Mr. Candon, the motion carried unanimously. Ms. Bradley then moved approval of the "Resolutions Adopted at the Annual Meeting of VHFA, August 18, 1994" as attached to these minutes. This motion was seconded by Mr. Candon and also carried unanimously.

Mr. Hunt stated that he did not have an Executive Director's report, as he has been out of the office on vacation.

The next meeting was scheduled for Tuesday, September 20, in Burlington. A Strategic Planning session will be held on Monday, September 12; the location had not yet been determined. There being no further business, a motion was made by Mr. Candon and seconded by Ms. Bradley to enter Executive Session for the purpose of discussing contract negotiations regarding a proposed real estate purchase; the motion carried unanimously. After a motion made by Mr. Seelig and seconded by Mr. Candon, the Board came out of Executive Session.

Next, Mr. Hunt indicated that staff feels that the release of the third year of "no down payment" funds should be released by October 1, 1994, in order to allow sufficient time to process the expected heavy workload by the end of 1994. Complicating the timing is the need to utilize funds either from recycled money (at an expected mortgage rate of 8.8%), or from a new bond issue (rate unknown). While offering this program in conjunction with the recycled funds is desirable, it may not result in the lowest possible mortgage rate for the consumer. Evensen-Dodge has been retained to evaluate the two alternatives.

There being no further business, and following a motion duly made and seconded, the meeting adjourned at 4:05 p.m.

Respectfully submitted,

Allan S. Hunt,
Secretary

RESOLUTION PERTAINING TO PRESERVATION OF APPLEGATE APARTMENTS (BENNINGTON)

WHEREAS, the Applegate Apartments in Bennington (the "Development") is a HUD-insured Section 236 affordable housing development that is eligible for participation in the Federal preservation program, the Low Income Housing Preservation and Resident Homeownership Act (LIHPRHA) administered by HUD; and

WHEREAS, the Agency has previously secured an option on Applegate, among other developments owned by the owner of Applegate (the "Option Agreement"), and has a financial interest in proceeding with the preservation process as soon as possible; and

WHEREAS, the Development will be eligible for prepayment on June 24, 1995; and

WHEREAS, the Agency is seeking to negotiate a reduction in the option price for the Development with the owner because of changes in market conditions; and

WHEREAS, staff has prepared a memorandum to the Board dated August 11, 1994 and entitled "Westgate Apartments and Applegate Apartments--Update."

NOW, THEREFORE, it is hereby DETERMINED that preservation of Applegate Apartments in Bennington as affordable housing is consistent with the Declaration of policy and purpose contained in the Vermont Housing Finance Agency Act and is within the powers of the Agency.

WHEREFORE, it is hereby RESOLVED:

1. Staff is authorized to begin work on the preservation process under LIHPRHA if the owner agrees to a minimum purchase price that, in the opinion of the Executive Director, is more reflective of current market conditions than the price provided in the Option Agreement.

2. Staff is authorized to expend up to $25,000 for costs of appraisal and other expenses required or advisable under the LIHPRHA process.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on August 18, 1994.

Allan S. Hunt
Executive Director and Secretary
Vermont Housing Finance Agency

RESOLUTION PERTAINING TO COMMITMENT LETTER
RE: BURLINGTON COMMUNITY LAND TRUST
SCATTERED SITE DEVELOPMENT (BURLINGTON)

WHEREAS, a proposal has been presented to the Agency by the Burlington Community Land Trust and Housing Vermont (who, together with any subsidiary of the foregoing or any general or limited partnership in which one or more of the foregoing or a subsidiary thereof is a general partner, is the "Housing Sponsor") involving the financing of 20 rental units located in several locations in the Old North End of Burlington, as referenced in a staff memorandum dated August 10, 1994 (the "Development"); and

WHEREAS, a partnership including the Housing Sponsor is expected to qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible; therefore

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.

2. The acquisition and construction costs incurred by the Housing Sponsor are for housing development costs within the meaning of the Act.

3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.

4. The Housing Sponsor undertaking the Development will increase and maintain the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income.

5. The security value of the Development will equal at least the amount of the VHFA loan.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a Commitment Letter (the "Commitment Letter") to provide a loan for acquisition, rehabilitation and construction of the Development, in an amount to be determined by the Executive Director, but not to exceed $210,000.

2. The Commitment Letter shall be issued to Housing Vermont and the Burlington Community Land Trust.

3. The commitment of the Agency shall be subject to receipt, on or before the date of the closing, of a commitment fee in an amount equal to one percent (1.0%) of the principal amount of the loan.

4. The Commitment Letter shall provide that the interest rate to be charged on the mortgage loan shall be as set by the Agency. The maximum amount of the loan will be $210,000. The loan will be amortized over a period of 30 years, but all principal and interest will be due approximately 20 years from the date of the loan. If Federal Home Loan Bank funds are used, the interest rate will be 100 basis points above the effective interest rate paid by the Agency on the advance from the Federal Home Loan Bank.

5. The Commitment Letter shall require the Developer to demonstrate to the satisfaction of the Executive Director that a combination of equity and deferred loan funds are available in an amount at least equal to the difference between the total development cost as accepted by the Agency and the amount of the financing commitment.

6. The Commitment Letter shall be conditioned on the satisfaction by the Developer of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the following documents that must be submitted in form and content acceptable to the Agency:

    (a) Documentation of operating and development costs.

    (b) Rehabilitation plans and specifications and cost estimates

    (c) Evidence that recommendations in the environmental site assessments for testing and abatement of all environmental hazards, as well as other construction issues identified by the Agency, have been incorporated into the work specifications

    (d) Evidence that there has been a satisfactory resolution of a boundary line question for 310-328 Manhattan Drive

(e) Appraisal supporting the anticipated VHFA loan amount of $203,250

(f) Information on the square footage of the units, as requested by the Agency

(g) Revised project schedule

7. The Executive Director, the Deputy Director and the Director of Finance, or any of them, are authorized to take all necessary steps and execute all documents required to effectuate this loan.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on August 18, 1994.

Allan S Hunt

Allan S. Hunt
Executive Director and Secretary
Vermont Housing Finance Agency

RESOLUTION RELATING TO
ST. JOHNSBURY HOUSING PARTNERSHIP

WHEREAS, in 1990 the Agency made a mortgage loan (the "Loan") to St. Johnsbury Housing Partnership (the "Sponsor") for the acquisition and rehabilitation of 32 units in seven buildings located on scattered sites in St. Johnsbury (the "Development"); and

WHEREAS, the general partners of the Sponsor are controlled by Housing Vermont and Northern Community Housing Corporation ("NCHC"); and

WHEREAS, because of problems with the operation of the Development, including higher than expected vacancy rates and maintenance costs, the Sponsor has requested that the Agency reduce the interest rate on the Loan and agree to a debt service moratorium on the Loan; and

WHEREAS, the Agency funded the loan by selling a federally taxable bond to the Bank of Vermont that carries an interest rate of 100 basis points less than the interest rate on the Agency's Loan to the Sponsor; and

WHEREAS, the Sponsor has requested that the Vermont Housing and Conservation Board provide additional funds for the Development, which funds may not be forthcoming in the current fiscal year; and

WHEREAS, the Sponsor has received a reservation of $23,169 in additional low income housing tax credits for anticipated rehabilitation;

NOW, THEREFORE, it is hereby RESOLVED:

1. The Agency is interested in taking steps to avoid a default on the Loan by the Sponsor.

2. The Executive Director and staff designated by him are authorized to negotiate with the other parties involved with the Development.

3. In his discretion, and after consultation with aa committee of the Board consisting of William Rockford, Thomas Candon and Jo Bradley, the Executive Director may accept a partial or full prepayment of the Loan without penalty and may renegotiate the terms of any loan remaining, including rate, term and amortization schedule. Such renegotiation may, but need not, include a moratorium on the payment of debt service. A condition precedent to any concession on the part of the Agency is that staff make a determination that changes in the loan terms, in combination with other resources to be provided by VHCB, the Sponsor's partners, and/or other parties, will result in both long-term viability of the

Development and likely repayment of the Loan on terms as advantageous as possible to the Agency.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on August 18, 1994.

Allan S. Hunt
Executive Director and Secretary
Vermont Housing Finance Agency

RESOLUTION PERTAINING TO
COMBINED RESOLUTION OF INTEREST AND COMMITMENT LETTER
RE: OLDE WINDSOR VILLAGE (WINDSOR) DEVELOPMENT

WHEREAS, a proposal has been presented to the Agency by Housing Vermont (who, together with any subsidiary of the foregoing or any general or limited partnership in which the foregoing or a subsidiary thereof is a general partner, is the "Housing Sponsor") involving the acquisition and rehabilitation of Olde Windsor Village, a development containing 66 elderly and 10 family apartment units located on State Street in Windsor (the "Development"); and

WHEREAS, the proposal contemplates assumption of the existing mortgage on the Development and an additional loan of approximately $820,000 from recycled proceeds of tax-exempt bonds and other Agency funds; and

WHEREAS, the proposal contemplates that the Development will constitute "residential rental housing" within the meaning of section 103 of the Internal Revenue Code of 1954 and section 142(d) of the Internal Revenue Code of 1986, as amended; and

WHEREAS, Housing Vermont qualifies as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible;

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.

2. The acquisition and rehabilitation costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.

3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.

4. The housing sponsor undertaking the Development will maintain the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income.

5. The security value of the Development will equal at least the amount of the Agency's loans after the rehabilitation.

6. The sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a Commitment Letter (the "Commitment Letter") to provide an additional loan for acquisition and rehabilitation of the Development, in an amount to be determined by the Executive Director, but not to exceed $830,000.

2. The Commitment Letter shall be issued to Housing Vermont.
3. The commitment of the Agency shall be subject to receipt, on or before the date of the closing, of a commitment fee in an amount equal to one percent (1.0%) of the combined principal amount of the existing and additional loans.

4. The Commitment Letter shall provide that the interest rate to be charged on the mortgage loan shall be no more than 8.25% per annum and that the loan term will be coterminous with the existing loan on the Development, but no more than 25 years.

5. The Commitment Letter shall require the Developer to demonstrate to the satisfaction of the Executive Director that a combination of equity and deferred loan funds are available in an amount at least equal to the difference between the total development cost as accepted by the Agency and the amount of the financing commitment.

6. The Commitment Letter shall be conditioned on the satisfaction by the Developer of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the following documents that must be submitted in form and content acceptable to the Agency:

    (a) Signed purchase and sale agreement

    (b) Appraisal supporting the combined loan amount of $2,840,613

    (c) Phase I environmental assessment

(d) Rehabilitation plans and specifications and cost estimates

(e) All necessary approvals by HUD of proposed transfer, including subsidy layering review, if necessary

(f) Assignment to the Housing Sponsor of the Section 8 HAP contract applicable to the Development

(g) Preservation Agreement insuring the long-term affordability of the Development

(h) Reservation of low-income housing tax credits at levels required by proposal

(i) Option or right of first refusal for local non-profit to purchase Development after initial tax credit compliance period.

7. The Executive Director, the Deputy Director and the Director of Finance, or any of them, are authorized to take all necessary steps and execute all documents required to effectuate this loan.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on August 18, 1994.

Allan S. Hunt

Allan S. Hunt
Executive Director and Secretary
Vermont Housing Finance Agency

RESOLUTIONS ADOPTED AT THE ANNUAL MEETING OF VERMONT HOUSING FINANCE AGENCY, AUGUST 18, 1994

RESOLVED, In addition to the officers specified as "Authorized Officers" under particular bond resolutions of the Agency, the Deputy Director shall be an "Authorized Officer" within the meaning of any and every bond resolution of the Agency whether now existing or to exist in the future.

RESOLVED, Paul W. Ruse, Jr., is elected Vice Chairman of the Agency for the fiscal year commencing July 1, 1994 and until his successor be elected and qualified.

RESOLVED, Roger A. Schoenbeck is elected Treasurer of the Agency for the fiscal year commencing July 1, 1994 and until his successor be elected and qualified.

RESOLVED, the following persons shall be authorized to sign checks drawn against the Agency's General Fund:

Executive Director	______________	Allan S. Hunt
Deputy Director	______________	Jeffrey D. Francis
Director of Single Family Operations	______________	Douglas R. Lothrop
Director of Finance	______________	Roger A. Schoenbeck
Controller	______________	Timothy M. Gutchell

Any check in an amount over $1,000 payable against the General Fund must be signed by at least two of the foregoing persons. Any payroll check shall be valid and negotiable when signed by any one of the foregoing persons.

RESOLVED, there is hereby created the office of Director of Single Family Operations, to replace the office of Director of Operations. In addition to the powers of the Director of Operations, as specified in the resolution of July 29, 1993, the Director of Single Family Operations shall have supervisory responsibility for the functions of the Vermont Home Mortgage Guarantee Board. All actions taken by the Director of Operations with respect to the functions of the Vermont Home Mortgage Guarantee Board are hereby ratified. The Director of Single Family Operations shall no longer be responsible for the data processing functions of the Agency. Douglas R. Lothrop is the Director of Single Family Operations for the Agency.

RESOLVED, the position of Assistant Director of Single Family Operations is hereby created. The Assistant Director of Single Family Operations shall have the same authority as the Director of Single Family Operations. Jacklyn Santerre is the Assistant Director of Single Family Operations for the Agency.

RESOLVED, that the Agency's Real Estate Disposition Specialist be and hereby is authorized to execute documents of the following character for all of the Agency's single family loan programs, whether secured or unsecured:

Listing Agreements with real estate brokers, deeds and property transfer tax returns for the sale of real estate owned by the Agency and ;

RESOLVED, that the Agency's Real Estate Disposition Specialist, Loan Servicing Specialist and Foreclosure Specialist be and hereby are authorized to execute documents of the following character for all of the Agency's single family loan programs, whether secured or unsecured:

A. Endorsements to property insurance claim checks pertaining to property on which the Agency holds a valid lien, in amounts up to $10,000 for the Foreclosure Specialist and $5,000 for the Real Estate Disposition Specialist and the Loan Servicing Specialist;

B. Preparation and execution of claim forms to primary and pool insurers on property that the Agency holds a valid lien on;

C. Authorizations to mortgage lenders and other appropriate persons for actions of the following character:

   1. Foreclosure or other acquisition of title to property on which the Agency has a valid lien;

   2. Necessary repairs and improvements to real estate owned by the Agency;

   3. Actions necessary to make property in which the Agency has an interest secure;

   4. Forbearance agreements with delinquent borrowers; and

   5. Affidavits of amounts due and other affidavits required in foreclosure actions;

D. Consent to actions of the following character:

   1. Release and addition of signers of notes held by the Agency;

   2. Creation of easements and rights of way and the partial release of mortgages held by the Agency for purposes of permitting the creation of easements and rights of way over property on which the Agency holds a valid lien; and

   3. Acknowledgment of receipt of liens junior to the lien of the Agency.

All documents of the foregoing types heretofore executed on behalf of the Agency by the Agency's Real Estate Disposition Specialist, the Loan Servicing Specialist, or the Foreclosure Specialist are hereby RATIFIED AND CONFIRMED as the authorized acts of Vermont Housing Finance Agency.

Real Estate Disposition Specialist	____________	Linda C. Wilson
Loan Servicing Specialist	____________	Gregory Lawlor
Foreclosure Specialist	____________	Peter Barry

RESOLVED, all actions taken in the resolution entitled "Resolutions Adopted at the Annual Meeting of the Vermont Housing Finance Agency, July 29, 1993" not inconsistent with the resolutions contained herein are deemed to be ratified and will continue in force until changed by affirmative action of the Board of Commissioners.

RESOLVED, that the following employees of Vermont Housing Finance Agency are hereby authorized to have access to all safekeeping vault boxes of the Agency for the purposes of safekeeping and retrieving any and all books, papers and documents of the Agency:

Director of Finance: Roger D. Adreuduck (Signature)

Controller: Timothy M. Gutchell (Signature)

Lender Accounting Coordinator: Susan B. Joachim (Signature)

Portfolio Accountant: Martha C. Fleming (Signature)

Investment/Portfolio Assistant: (Signature)

The names of all personnel of the Agency listed herein are included only for purposes of identification. The power to appoint persons to these or other positions within the Agency belongs to the Executive Director.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on August 18, 1994.

Allan S. Hunt

Allan S. Hunt
Executive Director and Secretary
Vermont Housing Finance Agency

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VERMONT HOUSING FINANCE AGENCY

CONFERENCE CALL BOARD MINUTES
Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont

Wednesday, August 31, 1994

PRESENT: (via speakerphone) Chairman White, Commissioners Seelig, Candon (designee of Costle), Bradley (designee of Shouldice), Rockford (designee of Ruse)

Agency Staff: Mr. Hunt, Mr. Schoenbeck, Mr. Jarrett, Mrs. Parker, Ms. Gent, Ms. Crady, Ms. Jenkins, Mr. Lothrop, Mr. Francis

The meeting was called to order at 11:30 by Chairman White and participants were identified by roll call. It was agreed that all votes would be taken by roll call as well.

Ms. Crady began the meeting by reporting that the new average area purchase prices from the U.S. Treasury Department have been received and are effective for use in the MRB programs as of September 6, 1994. MRB regulations require that the Agency's purchase price limits not exceed 90% of the appropriate average area purchase price in non-targeted counties (Addison, Bennington, Chittenden, Grand Isle and Windsor), and 110% of the appropriate average area purchase price in targeted counties (Caledonia, Essex, Franklin, Lamoille, Orange, Orleans, Rutland, Washington and Windham). According to Ms. Crady, an issuer may use more accurate and comprehensive information to establish purchase price limits other than the safe harbor limits published by HUD. In using the more accurate and comprehensive data, the entire statistical area must be used and statistical areas may not be combined. Ms. Crady further indicated that the Agency intended to use the property transfer tax returns as the more accurate and comprehensive data, should the Agency choose to do further research on this issue. The Agency's purchase price limits are near the maximum loan limits for VHMGB, but that limit is being raised and must be approved by the Joint Fiscal Committee, which is scheduled to meet by the end of September.

The income limits recommended and approved by the Board at the August 18 meeting were made before the Treasury Department purchase price information had been received. Staff is reluctant to recommend increasing income limits where purchase price limits have been reduced, thus necessitating this conference call and Board action. Rather than designating separate income limits by county throughout the State, the recommendation is to coordinate income limits with purchase price limits, creating a three-segment grouping for the state. Limits would then be consistent within counties, with a separate category for Burlington MSA.

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Staff is recommending that the income and purchase price limit changes become effective October 3, with participating lenders notified by mail as of September 1. The limit changes must be implemented by December 5, but lenders would have from October 3 to December 5 to get approvals and commitments for loans in process. Efforts would be made to assure that as few applications as possible that are already "in the pipeline" would be adversely affected by this change.

Ms. Crady further explained that after reviewing the property transfer tax data, the Agency could change the limits established by the Treasury Department. Ms. Gent assured the Board that staff would conduct a thorough study in the course of the next few weeks, with every intention of having more complete information available by the September Board meeting. However, Ms. Crady noted that since lenders need 45-60 days to process loan applications for Agency programs, staff did not want to delay implementation of these income and purchase price limits. Following some further discussion, a motion was made by Mr. Seelig and seconded by Ms. Bradley to adopt the purchase price and income limits as detailed in the attachments to Ms. Jenkins' memo of August 25, entitled "Single Family Programs—Purchase Price Limits, Income Limits, and Down Payment Assistance." This motion carried unanimously.

Ms. Jenkins then reviewed the proposed down payment assistance program. Plans call for 165 no down payment loans to be made available; lenders would be notified by September 1, with no reservations taken for these loans until October 3. The recycled funds that would be used have $17.7 million currently available for MOVE and no down payment loans. The proposal is to have only a one point (9.05% mortgage interest rate) or two point (8.9% mortgage interest rate) option, eliminating the no point option. Upon a motion made by Mr. Seelig, seconded by Mr. Rockford, and unanimously agreed to by the Board, staff was authorized to implement the no down payment program as described above.

Turning to other matters, Mr. Hunt reported that further negotiations for the purchase of the office building have resulted in the price being reduced by $50,000 to reflect the needed repairs and renovations discovered during the inspection process. If no major environmental issues are discovered, the closing should occur by the end of September.

There being no further business and following a motion duly made and seconded, the meeting was adjourned at 11:55 a.m.

Respectfully submitted,

Allan S. Hunt,
Secretary

vhfa
VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PC
Irene D. Jenkins, Director of Development

DATE: September 9, 1994

RE: Single Family Programs -- Purchase Price Limit Recommendations

As discussed at the special August 31, 1994 Board meeting, VHFA has received new average area purchase price information from the US Treasury Department that was effective on September 6, 1994. Attachment #1 provides a table of the maximum purchase price limits allowable for all counties in Vermont and the Burlington MSA.

Based on the new average area purchase price information, and Board action on August 31, 1994, purchase price limits for the MOVE, HOUSE and Mortgage Plus programs for existing housing in Addison, Bennington, Chittenden (non-MSA towns of Bolton, Buels Gore, Huntington, Underhill and Westford), Grand Isle and Windsor counties were lowered to $92,300.

At the August 31, 1994 meeting, staff also indicated that we would complete a review of property transfer tax data for 1993 to determine appropriate purchase price limits for existing single family, two family, and for new homes in all areas of the state. Staff has not had the opportunity to fully anaylize all data; however, property transfer tax data indicates that the statewide average purchase price for new construction in 1993 was approximately $135,000. Staff also indicated that we want to coordinate changes in purchase price limits with VHMGB's maximum loan limit to eliminate the possibility of an otherwise eligible VHFA borrower being unable to obtain mortgage insurance through VHMGB.

VHMGB's current maximum loan limit is $105,000 for both new and existing homes. VHMGB's Board has approved a maximum loan limit of $109,250. At their September 15, 1994 meeting, VHMGB's Board will consider recommendations from staff to increase the maximum loan limits to $109,250 for existing homes and $120,000 for new homes. New loan limits approved by VHMGB's Board must also be approved by the Joint Fiscal Committee of the Legislature, which meets at the end of September.

The Farmer's Home Administration (FmHA) recently released maximum loan limits for their guarantee program. The maximum loan limits vary by county and range from a high of $120,650 in Chittenden county, $118,750 in Franklin and Grand Isle counties to a low of $67,500 in Caledonia, Essex and Orleans counties. FmHA does not have separate loan limits for existing and new homes.

RECOMMENDATION

VHFA staff recommends an increase in purchase price limits for the MOVE, HOUSE and Mortgage Plus programs provided that VHMGB's Board and then the Joint Fiscal Committee approves the loan limits indicated above. The recommended purchase price limits are:

Area/County	**Existing 1 Family**	**Existing 2 Family**	**New Construction**
Burlington MSA[1]	$99,000	$107,000	$120,000
Addison, Bennington, Chittenden[2] Grand Isle[3], and Windsor Counties	$92,300	$104,000	$120,000
Caledonia, Essex, Franklin[4], Lamoille, Orange, Orleans, Rutland, Washington and Windham Counties	$99,000	$107,000	$120,000

The current MOVE and HOUSE purchase price limit for existing housing is $97,000 and the current Mortgage Plus purchase price limit for existing housing is $99,000 in all areas and counties except for Addison, Bennington, Chittenden (non-MSA towns), Grand Isle and Windsor counties where the limit is $92,300. The statewide purchase price limits for new construction for MOVE and HOUSE is $110,000 and for Mortgage Plus the limit is $115,000. There are currently no separate purchase price limits for existing two family

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1 Burlington MSA includes: Burlington, Charlotte, Colchester, Essex, Essex Junction, Hinesburg, Jericho, Milton, Richmond, St. George, Shelburne, So. Burlington, Williston and Winooski in Chittenden County; Georgia, Fairfax, St. Albans City and St. Albans Town and Swanton in Franklin County; Grand Isle and South Hero in Grand Isle County.

2 Chittenden includes the towns of Bolton, Buels Gore, Huntington, Underhill and Westford; other cities/towns in Chittenden County are included in the Burlington MSA.

3 Grand Isle County includes Alburg, Isle La Motte, and North Hero; other towns in Grand Isle County are included in the Burlington MSA.

4 Franklin County includes Bakersfield, Berkshire, Enosburg, Fairfield, Fletcher, Franklin, Highgate, Montgomery, Richford, Sheldon; other towns in Franklin County are included in the Burlington MSA.

homes. Attachment #2 shows the current purchase price limits and the recommended purchase price limits for the MOVE, HOUSE, and Mortgage Plus programs.

The increase to $99,000 for existing one family homes will make the MOVE and HOUSE Programs consistent with Mortgage Plus. It is our belief that a separate purchase price limit for two family homes will assist home buyers to purchase housing that can be especially affordable because of the rental income from the other unit. This change may also assist local nonprofit housing groups in their neighborhood revitalization efforts. Many low-income neighborhoods have older, two-family housing stock. A new purchase price limit for two family homes may assist efforts to bring more homeowners into low-income neighborhoods.

The recommended purchase price limit of $120,000 for new construction reflects the fact that the cost to produce new units in some communities in Vermont is higher than in other communities and is also close to the FmHA maximum loan limits in Chittenden, Grand Isle and Franklin counties. The FmHA guarantee program provides access to 100% financing in addition to the 165 VHFA Down Payment Assistance loans that will be available beginning October 3, 1994.

Buyers are restricted to a maximum affordable purchase price by their income (see attachment #3 for affordability based on VHFA's income limits). Generally, only families of three plus persons will be able to afford a new home at VHFA's maximum purchase price limit; however, new construction creates jobs. Staff is hopeful that the new purchase price limits and the Single Family Development Loan Program can work together to create new, energy efficient housing in communities where a shortage of housing exists.

Alternative Recommendation

If VHMGB's Board does not approve changes to their maximum loan limits or if the Joint Fiscal Committee does not approve the recommended loan limits, staff recommends that the purchase price limits for existing single family and two family homes still be increased as indicated on the above table. Staff also recommends that the purchase price limits for new construction not be increased if the new loan limits are not approved because staff believes that our programs need to be coordinated with VHMGB. If VHMGB's Board elects to stay with their previously approved maximum loan limit of $109,250, and that limit is approved by the Joint Fiscal Committee, staff recommends that the purchase price limits for existing single family and two family homes be increased as indicated on the above table. Staff also recommends that the statewide purchase price limit for new construction be increased to $115,000.

RECOMMENDED BOARD ACTION

Staff requests approval of new purchase price limits for the MOVE, HOUSE and Mortgage Plus programs as indicated on the above table. If VHMGB's Board or the Joint Fiscal Committee does not approve either a maximum loan limit for new and existing of $109,250, or a maximum loan limit of $109,250 for existing homes and $120,000 for new homes, staff requests approval of the alternative recommendation outlined in the above paragraph.

Attachment #1

MAXIMUM PURCHASE PRICE LIMITS FOR MRB PROGRAMS

AREA/COUNTY	MAXIMUM PURCHASE PRICE LIMITS		
	NEW	EXISTING ONE FAMILY	EXISTING TWO FAMILY
Burlington MSA[1]	129,136	115,242	129,762
Addison	129,136	92,389	104,029
Bennington	129,136	92,389	104,029
Caledonia	157,832	112,919	127,146
Chittenden[2]	129,136	92,389	104,029
Essex	157,832	112,919	127,146
Franklin	157,832	112,919	127,146
Grand Isle	129,136	92,389	104,029
Lamoille	157,832	112,919	127,146
Orange	157,832	112,919	127,146
Orleans	157,832	112,919	127,146
Rutland	157,832	112,919	127,146
Washington	157,832	112,919	127,146
Windham	157,832	112,919	127,146
Windsor	129,136	92,389	104,029

[1]Burlington MSA includes: Burlington, Charlotte, Colchester, Essex, Hinesburg, Jericho, Milton, Richmond, St. George, Shelburne, So. Burlington, Williston and Winooski in Chittenden County; Georgia, Fairfax, St. Albans City, St. Albans Town, and Swanton in Franklin County; Grand Isle and South Hero in Grand Isle County.

[2]Chittenden County towns not included in the Burlington MSA are: Bolton, Buels Gore, Huntington, Underhill and Westford.

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INCOME LIMIT AND PURCHASE PRICE LIMIT RECOMMENDATIONS

Attachment #2

MOVE AND HOUSE PROGRAMS

Area/County	Current Purchase Price Limits Existing	 New Construction	Recommended Purchase Price Limits Existing 1 Family	 Existing 2 Family	 New Construction
Burlington MSA (1)	$97,000	$110,000	$99,000	$107,000	$120,000
Addison, Bennington, Chittenden (2) Grand Isle (3), and Windsor	$92,300	$110,000	$92,300	$104,000	$120,000
Caledonia, Essex, Franklin (4), Lamoille, Orange, Orleans, Rutland, Washington, Windham	$97,000	$110,000	$99,000	$107,000	$120,000
MORTGAGE PLUS					
Burlington MSA (1)	$99,000	$115,000	$99,000	$107,000	$120,000
Addison, Bennington, Chittenden (2) Grand Isle (3), and Windsor	$92,300	$115,000	$92,300	$104,000	$120,000
Caledonia, Essex, Franklin (4), Lamoille, Orange, Orleans, Rutland, Washington, Windham	$99,000	$115,000	$99,000	$107,000	$120,000

(1) Burlington MSA includes: Burlington, Charlotte, Colchester, Essex, Essex Junction, Hinesburg, Jericho, Milton, Richmond, St. George, Shelburne, So. Burlington, Williston and Winooski in Chittenden County; Georgia, Fairfax, St. Albans City and St. Albans Town and Swanton in Franklin County; Grand Isle and South Hero in Grand Isle County.

(2) Chittenden includes the towns of Bolton, Buels Gore, Huntington, Underhill & Westford; other cities/towns in Chittenden County are included in the Burlington MSA.

(3) Grand Isle County includes Alburg, Isle La Motte, and North Hero; other towns in Grand Isle County are included in the Burlington MSA.

(4) Franklin County includes Bakersfield, Berkshire, Enosburg, Fairfield, Fletcher, Franklin, Highgate, Montgomery, Richford, Sheldon; other towns in Franklin County are included in the Burlington MSA.

AFFORDABILITY OF HOUSING AT VARIOUS INCOME LEVELS

INCOME	MAXIMUM PURCHASE PRICE			
	8.90% (2 points)		9.05% (1 point)	
	Existing	New	Existing	New
$36,100	$ 92,215	$105,000	$ 92,200	$103,850
$39,300	$103,900	$114,550	$100,600	$113,300
$41,500	$109,870	$121,100	$106,350	$119,775
$45,100	$119,625	$131,550	$115,825	$130,400

Note: 30 year term; 5% down payment; taxes $1.64 per $100; $300 annual fire insurance; 30% housing ratio existing housing; 33% housing ratio new construction.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PC
Irene D. Jenkins, Director of Development IJ

DATE: September 12, 1994

RE: Loan Extension - Twin Pines Housing Trust, Starlake Village

On September 27, 1992, the Board approved a loan in the amount of $500,000 to Twin Pines Housing Trust (TPHT) to finance the site development and construction of 14 single family homes at Starlake Village, Norwich. The loan matured on December 31, 1993. At the March 3, 1994 meeting, the Board approved a resolution to extend the term of the loan to September 30, 1994, and to provide a first mortgage of up to $30,000 after the sale of the final unit to cover a projected deficit after all pre-development and development costs are paid. The first mortgage would be secured by the land and will be subordinate to the lease agreements with homeowners.

Ten units have been completed and sold. An additional two units are under construction (the buyers have commitments for financing). VHFA has financed or will finance through its HOUSE program twelve of the thirteen units sold or under contract; the one unit not financed by VHFA was financed through Vermont Federal Bank's affordable housing program with a guarantee from VHMGB. Of the two units under construction, one home is almost complete and a closing should take place within the next week, and the other home is scheduled for completion by November 1, 1994. There are two unsold units that TPHT continues to market through a local real estate broker and through their own outreach efforts. An open house was held at the end of August using the unit that is almost complete as a model. Twelve families indicated an interest by attending the open house; four families appear to be good prospects.

It appeared until recently that the last two units had been sold. One buyer who signed a sales agreement was not approved for financing. An interested buyer for the second (and last available unit) needed grant funds from a Federal Home Loan Bank Affordable Housing Program application that was pending, but unfortunately not approved. TPHT will need a further extension to allow sufficient time to locate buyers for the last two units, have the buyers approved for financing, and construct the units. Staff recommends that VHFA extend the maturity date until February 28, 1995.

TPHT has an agreement with a real estate broker in Norwich to market units for a flat fee of $1,500 per unit. Eight of the first nine units constructed were cape style homes; because of the project deficit and lower construction costs it was decided that the last five units would be ranch style homes. The last three ranch units sold for $84,700 ($83,000 base price plus extras). VHFA set aside sufficient funds from Series 4 Bonds to finance the final five units under the HOUSE program. The advantage of using these funds is that the first year interest rate is 6.25%, which is lower than VHFA's current HOUSE program first year interest rate of 6.95%. There is also no first-time home buyer requirement with the Series 4 funds. The lower interest rate and greater flexibility have helped to expand the market for these homes.

The median income for Windsor County is $36,800. TPHT's grant agreement with VHCB allows units at Starlake Village to be sold to persons and families at or below 100% of median income for Windsor County. A unit priced at $84,700 is affordable to two person households at 96% of median income, three-person households at 86% of median income, and four-person households at 76% of median income.

VHFA staff and TPHT's Executive Director, Wally Roberts, continue to closely monitor the development budget. The actual deficit is currently projected to be less than $20,000 because not all of the $2,000 per unit material contingency was used for the last two units constructed. We hope that this trend will continue. Attached is a current sources and uses summary for Starlake Village. Of concern to staff is the possibility that TPHT could once again be faced with winter construction if the units are not sold early this fall. Staff would like to reserve the option to authorize TPHT to construct foundations if the last two units are not sold early this fall, or if the units are under contract but it is apparent that they will not have financing commitments in sufficient time to avoid the construction of foundations under winter conditions.

RECOMMENDED BOARD ACTION

Staff request approval of the attached Resolution to extend the site development and construction loan made to Twin Pines Housing Trust for Starlake Village until February 28, 1995.

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STARLAKE VILLAGE PROJECTED DEVELOPMENT COSTS/REVENUES
Updated 9/7/94 C:\QUATTRO\STARBUDG.2

USES	Budget	Per Unit
LAND ACQUISITION	100,000	7,143
PRE-DEVELOPMENT COSTS	63,920	4,566
TOTAL LAND & PRE-DEV.	163,920	11,709
SITE DEVELOPMENT HARD COSTS		
Site Clearing	6,000	429
Power to site (GMP)	13,140	939
Electrical	3,398	243
Sitework Contractor	216,928	15,495
Landscaping	2,500	179
Well House	2,367	169
Contingency	2,500	179
TOTAL SITE DEV. HARD COSTS	246,833	17,631
SOFT COSTS		
Project Manager	14,809	1,058
Engineering	18,000	1,286
Loan Origination Fee	5,000	357
Legal/Taxes/Ins/Permits	23,712	1,694
Lender Inspections	6,000	429
Interest	35,000	2,500
Closing Costs for units	1,204	86
TPHT Development Fee	35,000	2,500
Marketing	11,000	786
Winter Heating/Main. Costs	9,514	680
TOTAL SOFT COSTS	159,239	11,374
TOTAL P.DEV, SITE, SOFT COSTS	569,992	40,714
TOTAL HOUSE CONSTR. (5 UNITS)	249,659	49,932
HOUSE CONSTR. UNITS 6-14		
Units 6-9	207,929	51,982
Units 10-12	159,897	53,299
Units 13-14	100,528	50,264
TOTAL HOUSE CONSTR 6-14	468,354	52,039
TOTAL HOUSE CONST. 14 UNITS	718,013	51,287
TOTAL PROJECT COSTS	1,288,005	92,000

SOURCES		per unit
Sale of Units 1-5	328,650	65,730
Sale of Units 6-9	305,923	76,481
Sale of Units 10-12	257,000	85,667
Sale of Units 13-14	169,000	84,500
TOTAL SALES REVENUE	1,060,573	75,755
VHCB LAND GRANT	100,000	7,143
VHCB CONST. SUBSIDY	75,056	5,361
VHCB DEVELOPMENT FEE	35,000	2,500
TOTAL PROJECT REVENUES	1,270,629	90,759
SURPLUS/(DEFICIT)	(17,376)	

RESOLUTION PERTAINING TO EXTENSION OF TERM OF LOAN RE: STARLAKE VILLAGE/TWIN PINES HOUSING TRUST DEVELOPMENT

WHEREAS, a proposal has been presented to the Agency by Twin Pines Housing Trust, a non-profit corporation located in Lebanon, New Hampshire (the "Sponsor"), involving the construction of 14 homes on a 14.9 acre site in Norwich (the "Development"); and

WHEREAS, the Development has been the subject of previous resolutions of the Agency on March 3, 1994, December 16, 1993, November 18, 1992, September 24, 1992, May 20, 1992 and June 26, 1991; and

WHEREAS, the Agency made a loan on October 26, 1992 of up to $500,000 for infrastructure work and construction (the "Loan"); and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible and that extending the construction loan is appropriate in carrying out and effectuating the purposes and provisions of the Vermont Housing Finance Agency Act;

WHEREAS, the Sponsor requested an extension of the repayment of the Agency's Loan from December 31, 1993 to September 30, 1994, which request was approved, and

WHEREAS, the Sponsor has been making diligent efforts to sell the remaining houses at the Development and only two houses remain to be sold; and

WHEREAS, the Sponsor has requested an additional extension of the repayment of the Agency's Loan from September 30, 1994 to February 28, 1995; and

WHEREAS, staff requests approval to give the Sponsor permission, in the discretion of the Executive Director, to construct foundations of the last two units to save money on winter construction costs;

NOW, THEREFORE, it is hereby DETERMINED:

1. The Determinations made in the Agency's prior resolutions relating to this Development are reaffirmed.

2. The Development will benefit if the Agency grants an extension of the deadline for repayment of the Agency's Loan.

3. The Development will benefit and save money on construction costs if the remaining two units' foundations can be constructed before winter.

WHEREFORE, it is hereby RESOLVED:

1. The recommendations contained in the September 12, 1994 staff memorandum are adopted and the Executive Director shall extend the maturity of the Sponsor's Loan from the Agency from September 30, 1994 to February 28, 1995 by entering into a modified loan agreement containing the following conditions:

   (a) The Sponsor will market the remaining units as ranch style homes in accordance with the marketing plan submitted to the Agency;

   (b) If, in the reasonable judgment of the Executive Director, conditions are such that it would benefit the Development to construct foundations for the last two units before winter conditions set in, the Executive Director is authorized to permit such construction.

3. If the Development funds are insufficient to fully pay the Agency's Loan at the maturity date of February 28, 1995, the Agency will permit its first mortgage to remain on the land, subject to the land leases given by the Sponsor to home buyers. The maximum amount outstanding in the Loan at that time will be $30,000. The interest rate on the outstanding amount will be 7.50% per annum until the sale of the last home in the Development, at which time the interest rate will increase to 8% per annum for a maximum term of six years. Principal payments of $5,000 will be due annually, together with accrued interest.

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vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Multifamily Development Underwriter
Irene Jenkins, Director of Development
Paul Cummings, Development Assistant

DATE: September 8, 1994

RE: September 1994 Tax Credit Reservations

VHFA received five applications for tax credits in the September round, the third round of 1994. The attached project summary sheet shows the relevant data for each project. In the first two rounds $1,196,108 was reserved for projects, leaving $214,023 available for reservations prior to the third round.

Housing Vermont (HVT) submitted an application under this round for the acquisition and rehabilitation of Olde Windsor Village, an existing Section 8 project in Windsor. One application was for a new construction Farmer's Home 515 family project in Fair Haven. Brattleboro Area Community Land Trust (BACLT) submitted tax credit applications for two projects in downtown Brattleboro. The Brattleboro and Fair Haven projects are being held over for consideration in the next round. Northern Community Housing Corporation (NCHC) submitted an application for the St. Johnsbury II project, a scattered sites acquisition and rehabilitation project. These five projects requested a total of $395,449 in credits, 28% of the state's total 1994 credit authority. Of these five applications received, one is being recommended for a tax credit reservation and one for a final allocation. These two applications would use $143,614 in credits (see Attachment 1). All of the tax credit units in the projects are at or below the maximum tax credit income and rent limits.

On August 29, 1994, VHFA received an application from Vermont Housing Enterprises, Inc. (VHEI) for approximately $44,000 in rehabilitation credits for the Morse Block in Barre. This property is owned by the U.S. Department of Housing and Urban Development (HUD), which is selling it to VHEI and is intent on closing the sale by September 30, 1994, the end of the Federal fiscal year. Given the limited time HUD has allowed the buyer to arrange financing, a special meeting of the Joint Committee on Tax Credits has been scheduled for September 14, 1994 for just this project. Staff may wish to amend its recommendation to the Board at the Board's September 20, 1994 meeting to include this reservation.

The Joint Committee on Tax Credits has met and endorsed the staff recommendations for all of the projects for this round.

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EQUAL HOUSING OPPORTUNITY

PROJECT SUMMARIES

Name:	Olde Windsor Village
Location:	Windsor
Sponsor:	Housing Vermont
Unit Breakdown:	77 total: fifty-seven 1-Bedroom (Elderly), 585-625 square feet; ten 2-Bedroom (Elderly), 782-915 square feet; ten 2-Bedroom (Family), 860 square feet
Cost:	$4,389,586 total; $57,008/unit; $5/s.f. hard construction cost
Income Targeting:	72 of the 77 units (94%) restricted to 60% of Area Median Income; the remaining five units restricted to 80% of Area Median Income

This family/elderly housing project in Windsor consists of 76 units in three buildings to be acquired and rehabilitated plus one unit to be added. Housing Vermont is providing the Rockingham Area Community Land Trust (RACLT) with a right of first refusal to purchase the property at the end of the LIHTC 15 year compliance period as well as involvement in the rehabilitation as clerk of the works. RACLT will also be involved in the management and ownership by having a seat on the Board of the General Partner.

This Section 8 Substantial Rehabilitation project has been in operation for 16 years. The owner has been attempting to sell or refinance the project for the last two or three years, and recently has agreed upon a sales price with Housing Vermont, although the purchase and sales agreement has not yet been signed. Because this project was developed prior to 1980, HUD regulations permit the owner to have all of the project's cash and reserves upon prepayment of the mortgage. These "Pre-1980" projects all have this structure, which creates an incentive for the owners to prepay the mortgage and thus be released from VHFA's management oversight. VHFA has financed the acquisition and rehabilitation of a number of these projects by non-profits, most recently Graystone Village, with the intent of insuring the quality and supply of the assisted housing stock. In exchange for the financing VHFA provides, the owner agrees to VHFA's management oversight (Regulatory Agreement) and also enters into a Preservation Agreement, which provides that the project will remain affordable housing in perpetuity. VHFA's Board of Commissioners approved the financing commitment at its August meeting. In addition to the VHFA financing, the sponsor is seeking tax credits for both the acquisition and the rehabilitation. Of the 77 units, 72 would meet the targeting requirements of the tax credit program; 75 of the 77 units will be receiving rental assistance. Housing Vermont will be using a national syndicator to raise the equity for this project, and they will get a net yield of approximately $.56 per tax credit dollar.

Because greater than 50% of the project is being financed by tax exempt bond funds, the project can receive all of the 4 percent tax credits ($72,502) "out of cap"; that is, the credits are not counted against the annual ceiling Vermont has available for allocation. The advantage of this is the state will have that much more in credit authority to allocate in 1994/1995. However, taking these credits from the state's cap might make it more feasible to qualify for the "National Pool" credits. Every year states that have allocated at least 99% of their credits can apply to this pool for additional credits. States that have not utilized all of their credits after two years lose the unused credits to this pool.

At this time we are expecting additional applications for tax credit that would exceed the balance of 1994 credit available. However, we do not know how many of these will be fundable and ready to meet the carryover allocation requirements. Therefore, we would like to be able to approve the $72,502 either as an "out-of-cap" allocation or as part of the cap, depending upon our judgment of the availability of 1994 cap.

Recommendation: Staff recommends a reservation of credits in the amount of $136,081. Of this amount, $72,502 may be used for other projects if the demand for tax credits in 1994 exceeds the supply and this amount will be available to the project "out of cap". This project would be granted a carryover allocation subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than 10/31/94 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must demonstrate that requisite financing has been committed or obtained. "Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

3) Sponsor must provide evidence that the construction prices have been obtained or agree to obtain them through a competitive bidding process.

4) Sponsor must provide a revised development budget at the time of request for a carryover allocation.

Name:	St. Johnsbury II, Phase I - Caledonia Housing Partnership
Location:	St. Johnsbury
Sponsor:	NCHC
Unit Breakdown:	28 total: four 1-Bedroom, 585-654 square feet; fourteen 2-Bedroom, 590-1,059 square feet; six 3-Bedroom, 1,017-1,449 square feet; three 4-Bedroom, 908-1,266 square feet; one 5-Bedroom, 1,708 square feet
Cost, 1994:	$25,525; $911/unit;
Cost, Total:	$2,200,425 total; $78,587/unit;
Income Targeting:	43% - 60% of Area Median Income

This is a scattered sites project that includes eight buildings of family housing in St. Johnsbury. Of the 28 units in this project, 24 would be low income "tax credit" units. Six of the units are currently vacant and three units currently have tenant-based Section 8 rental assistance. This project first received an allocation of credits in 1992, and currently has a carryover allocation for these credits.

This project originally received an allocation of $35,456 in credits in 1992 and a subsequent allocation of $14,239 in 1993. Since the 1993 carryover allocation was issued last December, the owner has incurred more costs than anticipated, increasing the basis and the amount of credits they qualify for. In addition, the owner is able to meet the income and rent restrictions for more units than originally anticipated (24 units versus 19 units), increasing the amount of credits. The final credit amount the project qualifies for is $55,657, and so the owner has requested the incremental amount of $5,962. Because of the tax credit allocation rules of the IRS Code, the project will actually be receiving a total 1994 allocation of $7,558 and will be returning $1,596 in previous years' credits for a net allocation of $5,962.

This project applied for additional tax credits last round, but that allocation applies to new rehabilitation work that still needs to be undertaken, not to the work to which the previous two allocations or the requested $5,962 applies. The Committee granted staff the authority to approve incremental tax credit allocations for projects such as this, but the amount of this allocation exceeds 5% of the total allocation.

Recommendation: Staff recommends an allocation of credits in the amount of $5,962 subject to the following conditions:

1) Sponsor must provide a cost certification documenting the final costs and supporting the total allocation of $55,657 by October 31, 1994.

2) Sponsor shall provide documentation that the overall return to the investors including the tax credits from both phases is reasonable.

RECOMMENDATION

Staff recommends Board approval of the above-described reservations, subject to payment by the sponsors of required reservation fees, and Board approval of final allocations subject to the conditions described above.

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Project:	Olde Windsor Village	RUN DATE: 31-Aug-94	
Total Residential Units:	77	Increase LIHTC	1.00%
Restricted Units:	72	Increase Market	1.00%
Percent Restricted:	93.51%	Expense increase:	2.50%
Avg Net Monthly Rent:	730	Vacancy Rate:	2.00%
Total Dev Costs	4,389,586	Partner's Tax Rate:	34.00%
TDC/Unit	57,008	Depreciation Schedule:	27.5

Total Credit Amount	136,081	
Net Syndication Proceeds	754,000	
LIHTC - 9%	8.73%	(Sept '94)
LIHTC - 4%	3.74%	

FINANCING SOURCES

	Amount	% of TDC	Interest	Term
Primary debt	2,020,506	46.03%	7.90%	24
secondary debt	780,000	17.77%	8.25%	24
Project Cost Escrow	172,552	3.93%	N/A	N/A
Replacement Reserve	235,041	5.35%	N/A	N/A
Cash	410,290	9.35%	N/A	N/A
Tenant Security Deposits	18,834	0.43%	N/A	N/A
Tax Credit Equity	754,000	17.18%	N/A	N/A
	4,391,223	100.0%		

			Per Unit	Per s.f.	Acquisition Credit	Rehab/Const Credit
ACQUISITION & CONSTRUCTION						
Land		454,753	5,906	8.75		
Purchase of Building(s)		2,071,653	26,905	39.84	2,071,653	
PURCHASE OF PCE AND REPLACEMENT RESERVES		407,594	5,293	7.84		
TENANT SECURITY DEPOSITS		18,834	245	0.36		
Rehabilitation		240,000	3,117	4.62		240,000
CLERK OF THE WORKS		5,000	65	0.10		5,000
ENVIRONMENTAL REMEDIATION		10,000	130	0.19		10,000
General Requirements	0.00%		0	0.00		
Contractor Overhead	0.00%		0	0.00		
Contractor Profit	0.00%		0	0.00		
Construction Contingency	9.41%	24,000	312	0.46		24,000
CASH TO SELLER		410,290	5,328	7.89		
Subtotal		3,642,124	47,300	70.04	2,071,653	279,000
PROFESSIONAL SERVICES						
Architect Fee - Design		16,000	208	0.31		16,000
Architect Fee - Supervision			0	0.00		
Attorney		20,000	260	0.38		10,000
Legal - Title & Recording		5,000	65	0.10	5,000	
Subtotal		41,000	532	0.79	5,000	26,000
INTERIM COSTS						
Construction Insurance			0	0.00		
EQUITY BRIDGE INTEREST		16,000	208	0.31		
Construction Loan Origination Fee			0	0.00		
Taxes			0	0.00		
Subtotal		16,000	208	0.31	0	0
OTHER SOFT COSTS						
Property Appraisal		3,500	45	0.07	3,500	
Market Study			0	0.00		
Environmental Report		3,000	39	0.06		3,000
Tax Credit Fees		4,282	56	0.08		4,282
PERMITS/FEES		2,000	26	0.04		2,000
Subtotal		12,782	166	0.25	3,500	9,282
FINANCING FEES & EXPENSES						
Credit Report			0	0.00		
Permanent Loan Origination Fee		28,005	364	0.54		
Credit Enhancement			0	0.00		
Cost of Issuance			0	0.00		
			0	0.00		
MANAGEMENT BUYOUT		200,000	2,597	3.85		
SOFT COST CONTINGENCY		9,675	126	0.19		4,838
Subtotal		237,680	3,087	4.57	0	4,838
SYNDICATION COSTS						
Organizational (Partnership)			0	0.00		
Bridge Loan Fees & Expenses			0	0.00		
Tax Opinion			0	0.00		
Subtotal		0	0	0.00	0	0
DEVELOPER'S FEES						
Developer's Overhead & Profit		180,000	2,338	3.46		180,000
Guarantee Fee / Incentive Dev. Fee		100,000	1,299	1.92		100,000
Subtotal	8.43%	280,000	3,636	5.38	0	280,000
PROJECT RESERVES						
Rent-up (Deficit Escrow) Reserve			0	0.00		
Replacement Reserve		100,000	1,299	1.92		
Working Capital		60,000	779	1.15		
Operating Reserve/Sinking Fund			0	0.00		
Subtotal		160,000	2,078	3.08	0	0
TOTAL DEVELOPMENT COSTS		4,389,586	57,008	84.42	2,080,153	599,120
TDC less cash and reserves		3,819,296	49,601			

				Acquisition Credit	Rehab/Const Credit
LESS:	Amount of Non-qualified Financing			6,968	
LESS:	Historic tax Credit (Residential Portion)				
		Total Eligible Basis		2,073,185	599,120
TIMES:	Adjusted for QCT/DDA		130.0%		778,855
TIMES:	Applicable Fraction		93.51%	1,938,563	728,280
		Total Qualified Basis		1,938,563	728,280
TIMES:	Applicable Percentage			3.74%	8.73%
	Total Annual Credit Qualified			72,502	63,579

Total Tax Credits Requested		136,056	
Estimated Net Syndication Proceeds	754,000		
Estimated Yield - LIHTC Syndication	55.42%		
Equity Gap	754,000		
Credits Needed to fill Equity Gap		139,630	@.54

INCOME

RENTS

Restricted Units

Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
1 Br	eld	585	11	739		97,548
1 Br	eld	625	42	739		372,456
2 Br	eld	782	3	803		28,908
2 Br	eld	782	2	488		11,712
2 Br	fam	860	10	782		93,840
	eld	915	3	803		28,908
2 Br	eld	815	1	803		9,636
	Totals	48,755	72			643,008

Market Rate Units

Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
1 Br	eld	585	1	739		8,868
1 Br	eld	625	3	739		26,604
2 Br	eld	782	1	803		9,636
	Totals	3,242	5			45,108

All Units

Grand Totals	51,997	77		688,116
	Less Vacancy	2.00%		(13,762)
			NET RENT	674,354

OTHER INCOME

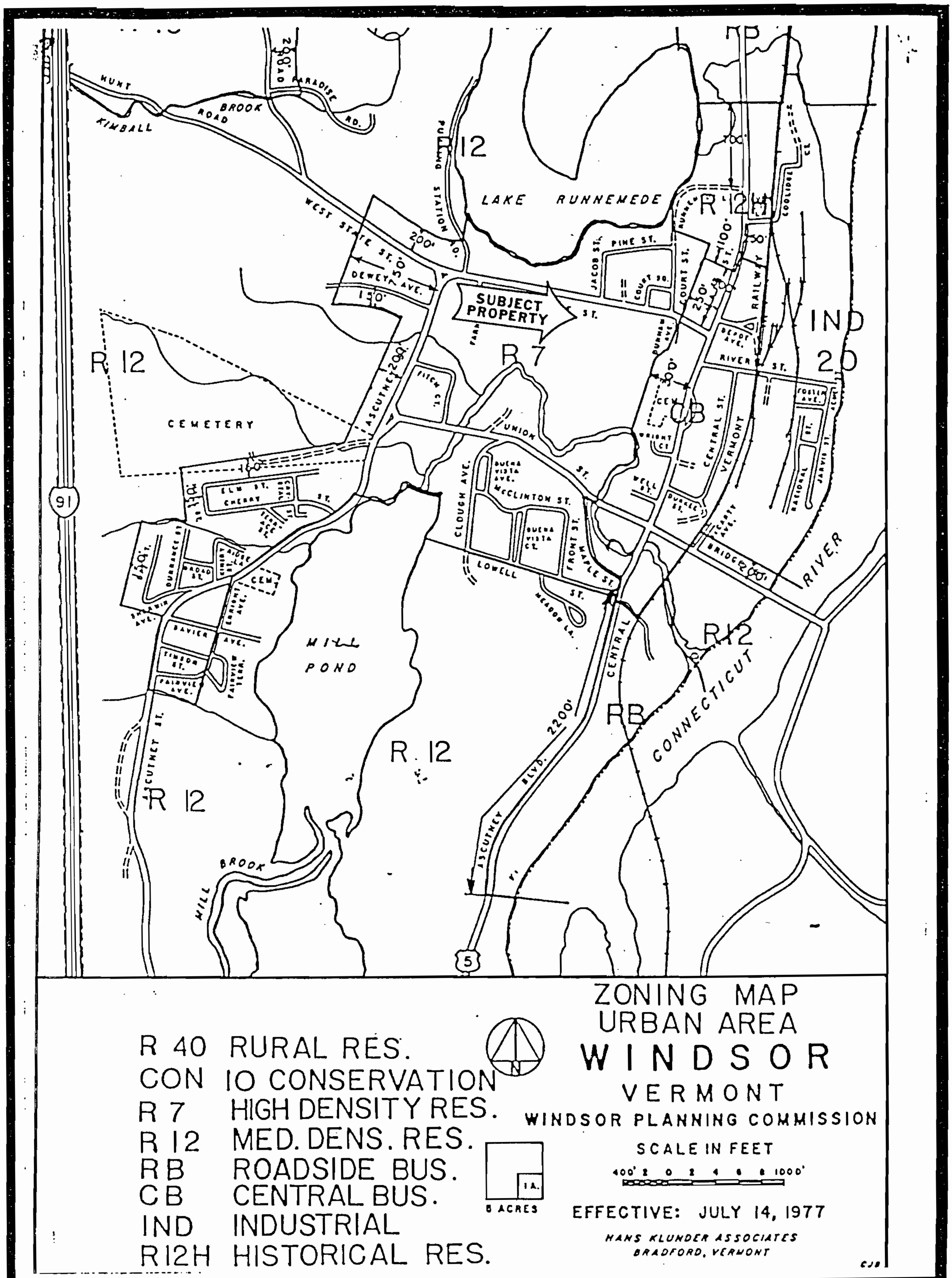
Interest Income	3,000
Laundry	2,400
Land Lease	300
Total Other Income	5,700
TOTAL INCOME	680,054

Olde Windsor Village	EXPENSE BUDGET		31-Aug-94
	Annual	Monthly	Per Unit Per Month
Administration			
Management Fee	38,808	3,234	42
Marketing		0	0
Audit/Accounting	6,000	500	6
Legal	1,000	83	1
Office Expense		0	0
Telephone		0	0
Office Payroll		0	0
Supportive services	23,000	1,917	25
Compliance Monitoring	1,728	144	2
Other	17,000	1,417	18
TOTAL ADMINISTRATIVE	87,536	7,295	95
Utilities			
Water/Sewer	24,000	2,000	26
Electric	31,444	2,620	34
Fuel	25,930	2,161	28
Fire Alarm/Emerg. Call	480	40	1
TOTAL UTILITIES	81,854	6,821	89
Maintenance			
Maintenance Payroll	59,640	4,970	65
Supplies	2,000	167	2
Trash Removal	5,860	488	6
Snow	5,000	417	5
Grounds	8,000		
Repairs	11,000	917	12
Paint/Decorating	2,000	167	2
Exterminating	1,000	83	1
Contract Maintenance	6,500	542	7
Equipment Debt		0	0
Window Cleaning	1,000	83	1
Other	3,000	250	3
TOTAL MAINTENANCE	105,000	8,750	114
Taxes	60,000	5,000	65
Insurance	12,000	1,000	13
Replacement Reserves	20,643	1,720	22
Other		0	0
Total	367,033	30,586	375

·94 Olde Windsor Village PRO FORMA

	Year	1	2	3	4	5	[illegible]	7	8	9	10	11	12	13	14	15
Residential Rent		688,116	694,997	701,947	708,967	716,056	723,217	730,449	737,753	745,131	752,582	760,108	767,709	775,386	783,140	790,972
Less Res Vacancy		(13,762)	(13,900)	(14,039)	(14,179)	(14,321)	(14,464)	(14,609)	(14,755)	(14,903)	(15,052)	(15,202)	(15,354)	(15,508)	(15,663)	(15,819)
Plus Other Inc.- Laundry, Land Lease		2,700	2,727	2,754	2,782	2,810	2,838	2,866	2,895	2,924	2,953	2,982	3,012	3,042	3,073	3,104
Plus Interest Income		3,000	3,030	3,060	3,091	3,122	3,153	3,185	3,216	3,249	3,281	3,314	3,347	3,380	3,414	3,448
Total Actual Income		680,054	686,854	693,723	700,660	707,667	714,743	721,891	729,110	736,401	743,765	751,202	758,714	766,302	773,965	781,704
Less Operating Expense		(346,390)	(355,050)	(363,926)	(373,024)	(382,350)	(391,908)	(401,706)	(411,749)	(422,043)	(432,594)	(443,408)	(454,494)	(465,856)	(477,502)	(489,440)
Less Additional Management Fee		(11,300)	(11,583)	(11,872)												
Less Reserves		(20,643)	(20,849)	(21,058)	(21,269)	(21,481)	(21,696)	(21,913)	(22,132)	(22,353)	(22,577)	(22,803)	(23,031)	(23,261)	(23,494)	(23,729)
Net Operating Income		301,721	299,373	296,867	306,367	303,836	301,139	298,272	295,229	292,005	288,594	284,991	281,190	277,184	272,968	268,536
Less Debt Service 1		(187,597)	(187,597)	(187,597)	(187,597)	(187,597)	(187,597)	(187,597)	(187,597)	(187,597)	(187,597)	(187,597)	(187,597)	(187,597)	(187,597)	(187,597)
Less Debt Service 2		(74,575)	(74,575)	(74,575)	(74,575)	(74,575)	(74,575)	(74,575)	(74,575)	(74,575)	(74,575)	(74,575)	(74,575)	(74,575)	(74,575)	(74,575)
Cash Flow		39,548	37,200	34,694	44,195	41,663	38,966	36,099	33,056	29,832	26,422	22,819	19,017	15,012	10,796	6,363
Oper Subsidy		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash		39,548	37,200	34,694	44,195	41,663	38,966	36,099	33,056	29,832	26,422	22,819	19,017	15,012	10,796	6,363
DCR		115.08%	114.19%	113.23%	116.86%	115.89%	114.86%	113.77%	112.61%	111.38%	110.08%	108.70%	107.25%	105.73%	104.12%	102.43%
Beginning Balance		60,000	76,078	89,808	101,032	105,329	131,992	155,958	177,057	195,113	209,945	221,367	229,185	233,203	233,214	233,214
Cash Surplus		39,548	37,200	34,694	44,195	41,663	38,966	36,099	33,056	29,832	26,422	22,819	19,017	15,012	10,796	6,363
Less ROE	2%	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(10,796)	(6,363)
Less Supp Serv. fee		(8,470)	(8,470)	(8,470)	0	0	0	0	0	0	0	0	0	0	0	0
Less Operating Subsidy		0	0	0	(24,898)	0	0	0	0	0	0	0	0	0	0	0
Ending Balance		76,078	89,808	101,032	105,329	131,992	155,958	177,057	195,113	209,945	221,367	229,185	233,203	233,214	233,214	233,214
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		301,721	299,373	296,867	306,367	303,836	301,139	298,272	295,229	292,005	288,594	284,991	281,190	277,184	272,968	268,536
Plus Reserves		20,643	20,849	21,058	21,269	21,481	21,696	21,913	22,132	22,353	22,577	22,803	23,031	23,261	23,494	23,729
Less Interest Expense		(222,539)	(219,252)	(215,692)	(211,837)	(207,662)	(203,141)	(198,244)	(192,941)	(187,199)	(180,979)	(174,244)	(166,949)	(159,049)	(150,493)	(141,228)
Less Mgmt Co. Buyout		0	0	0	(250,000)	0	0	0	0	0	0	0	0	0	0	0
Less Depreciation		(97,968)	(97,968)	(97,968)	(97,968)	(97,968)	(97,968)	(97,968)	(97,968)	(97,968)	(97,968)	(97,968)	(97,968)	(97,968)	(97,968)	(97,968)
Taxable Income (Loss)		1,857	3,003	4,265	(232,169)	19,687	21,726	23,973	26,452	29,192	32,224	35,583	39,304	43,429	48,001	53,069
Cash Flow		4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Plus Tax Savings		(631)	(1,021)	(1,450)	78,937	(6,694)	(7,387)	(8,151)	(8,994)	(9,925)	(10,956)	(12,098)	(13,363)	(14,766)	(16,320)	(18,043)
Plus Tax Credits		136,081	136,081	136,081	136,081	136,081	136,081	136,081	136,081	136,081	136,081					
Less Cap Gain Tax																(161,422)
After Tax Cash Flow	(754,000)	139,450	139,060	138,631	219,019	133,388	132,694	131,930	131,088	130,156	129,125	(8,098)	(9,363)	(10,766)	(12,320)	(175,465)
Total 15 years		1,208,527												Original Basis		2,694,110
Internal Rate of Return:	12.80%													Less Losses		(1,469,515)
														Basis at Sale		1,224,595
														Sales Price		1,699,366
Buyout Escrow	200,000													Gain		474,770
														Tax	34.00%	161,422
Beginning Balance		200,000	206,000	212,180	218,545											
Interest	3.0%	6,000	6,180	6,365	6,556											
Ending Balance		206,000	212,180	218,545	(24,898)											

Zoning Map



ZONING MAP
URBAN AREA
WINDSOR
VERMONT
WINDSOR PLANNING COMMISSION
R 40 RURAL RES.
CON IO CONSERVATION
R 7 HIGH DENSITY RES.
R 12 MED. DENS. RES.
RB ROADSIDE BUS.
CB CENTRAL BUS.
IND INDUSTRIAL
R12H HISTORICAL RES.
SCALE IN FEET
5 ACRES
1 A.
EFFECTIVE: JULY 14, 1977
HANS KLUNDER ASSOCIATES
BRADFORD, VERMONT
SUBJECT PROPERTY
LAKE RUNNEMEDE
MILL POND
CEMETERY
CONNECTICUT RIVER
WEST STATE ST.
HUNT BROOK ROAD
KIMBALL
PARADISE RD.
PUMPING STATION RD.
ASCUTNEY ST.
UNION ST.
CENTRAL ST.
BRIDGE ST.
RIVER ST.
DEPOT AVE.
PINE ST.
COURT ST.
JACOB ST.
COURT SQ.
DEWEY AVE.
FITCH CT.
ELM ST.
CHERRY ST.
CLOUGH AVE.
BUENA VISTA AVE.
MCCLINTON ST.
BUENA VISTA CT.
FRONT ST.
MAPLE ST.
LOWELL ST.
MEADOW LA.
WELL ST.
WRIGHT CT.
DUNHAM AVE.
VERMONT AVE.
RAILWAY
COOLIDGE
NATIONAL
JARVIS ST.
FOSTER AVE.
DAVIER AVE.
TINSON ST.
FAIRVIEW AVE.
FAIRVIEW TERR.
BROAD ST.
DURRANCE ST.
ASCUTNEY BLVD.
MILL BROOK
CEM.
R 12
R 7
R 12H
IND
20
CB
RB
200'
100'
150'
250'
300'
2200'
91
5

C:\QPRO\LIHTC\STJIIPHI.WQ1

Project:	St. Johnsbury II	RUN DATE:	31-Aug-94

Total Residential Units:	28	Increase LIHTC	1.50%
Restricted Units:	24	Increase Market	1.50%
Percent Restricted:	85.71%	Expense increase:	3.50%
Avg Net Monthly Rent:	288	Vacancy Rate:	6.00%
		Partner's Tax Rate:	34.00%
		Depreciation Schedule:	27.5

	Phase I	Phase II	Total
Total Credit Amount	55,657	16,600	72,257
Net Syndication	256,620	148,800	405,420
LIHTC - 9%	8.59%	8.70%	
LIHTC - 4%	3.68%	3.73%	

FINANCING SOURCES

	Phase I	Phase II	Total
Senior Debt	23,000		23,000
VHCB debt 2	402,000	711,945	1,113,945
CDBG funds	650,195	0	650,195
Tax Credit Equity	256,620	148,800	405,420
	1,331,815	860,745	2,192,560

ST.JOHNSBURY II - Phase I Caledonia Housing Partnership

			all	174 Railroad	3 High	38 Spring	7 Hastings	24 Winter	71 Portland	5 Belvidere	20 Pearl
LOW INCOME TAX CREDIT CALCULATION											
Total Units (#'s entered here; not linked)			28	3	3	3	4	3	3	4	5
Units with tenants < 60% median income			24	2	2	3	3	3	3	4	4
Percent Units Qualified				66.67%	66.67%	100.00%	75.00%	100.00%	100.00%	100.00%	80.00%
Total square feet			25,965	2,470	3,594	3,349	2,682	2,539	3,387	4,116	3,828
% of total - used to alloc soft costs, fees			100.00%	9.51%	13.84%	12.90%	10.33%	9.78%	13.04%	15.85%	14.74%
Sq ft with tenants < 60% median income				1,562	2,767	3,349	1,963	2,539	3,387	4,116	3,027
Percent Sq Ft Qualified				63.24%	76.99%	100.00%	73.19%	100.00%	100.00%	100.00%	79.06%
ACQUISITION BASIS FOR TAX CREDITS											
Total Eligible Basis			195,569	67,356	52,856	75,356					
High Cost Adjustment		100%	195,569	62,900	48,344	71,063					
Percentage Qualified for Tax Credits				63.24%	66.67%	100.00%					
Qualified Basis			143,070	39,777	32,229	71,063					
Tax Credits Acquis	Applic %	3.68%	5,265	1,464	1,186	2,615					
Less: Previous Years' Allocations			4,679								
Current Allocation Required			586								
CONSTRUCTION BASIS											
Total Eligible Basis			681,095	79,304	92,504	87,402	65,060	69,188	114,230	92,155	81,252
High Cost Adjustment		100.00%		79,304	92,504	87,402	65,060	69,188	114,230	92,155	81,252
Percentage Qualified for Tax Credits				63.24%	66.67%	100.00%	73.19%	100.00%	100.00%	100.00%	79.06%
Qualified Basis			586,653	50,151	61,669	87,402	47,618	69,188	114,230	92,155	64,240
Tax Credits Rehab	Applic %	8.59%	50,393	4,308	5,297	7,508	4,090	5,943	9,812	7,916	5,518
Less: Previous Years' Allocations			45,016								
Current Allocation Required			5,377								
Tax Credits Total			55,657								
Less: Previous Years' Allocations			49,696								
Current Allocation Required			5,962								

INCOME & EXPENSE BUDGET 31-Aug-94

INCOME

Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
					0
There is a broad mix of unit types,					0
utility allowances, unit sizes, and rents					0
among the buildings.					0
					0
Totals	22,270	24	7,372		88,464

Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
	802	1	245	105	2,940
	719	1	300	36	3,600
	908	1	305	105	3,660
					0
	1,266	1	350	118	4,200
Totals	3,695	4			14,400
Grand Total	25,965	28			102,864
Less Vacancy		6.00%			(6,172)
				NET RENT	96,692

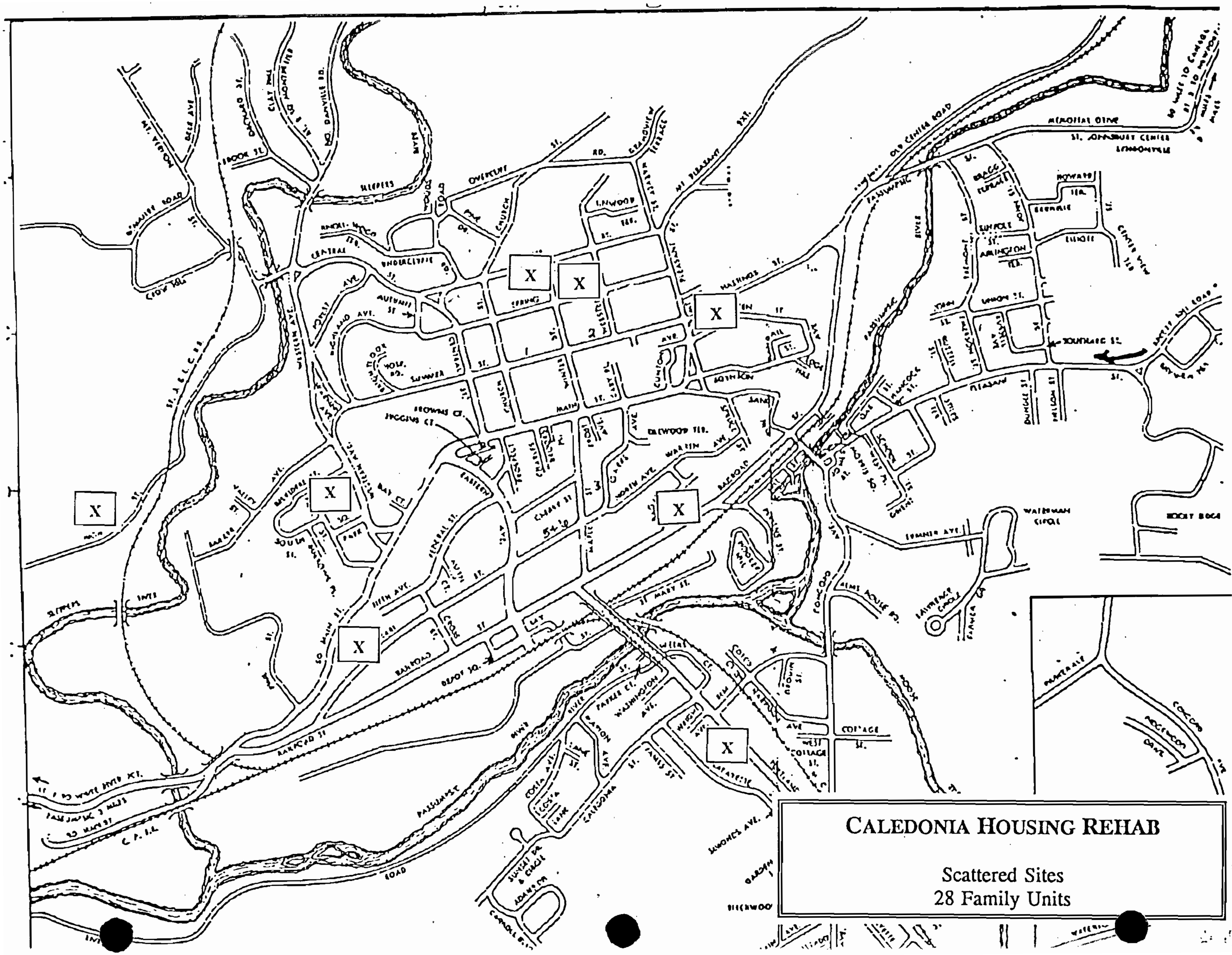
OTHER INCOME

Interest Income	0
Laundry	0
Parking	0
Total Other Income	0
TOTAL INCOME	96,692

		Annual	Monthly	Per Unit Per Month
Administration				
Management Fee			0	0
Marketing			0	0
Audit/Accounting			0	0
Legal			0	0
Office Expense			0	0
Telephone			0	0
Office Payroll			0	0
Rent			0	0
Compliance Monitoring			0	0
Other		17,422	1,452	52
TOTAL ADMINISTRATIVE		17,422	1,452	52
Utilities				
Water/Sewer			0	0
Electric			0	0
Fuel			0	0
Other		10,391	866	31
TOTAL UTILITIES		10,391	866	31
Maintenance				
Maintenance Payroll			0	0
Supplies			0	0
Trash Removal			0	0
Snow/Grounds			0	0
Repairs			0	0
Paint/Decorating			0	0
Exterminating			0	0
Contract Maintenance			0	0
Equipment Debt			0	0
Service Lease			0	0
Other		42,040	3,503	125
TOTAL MAINTENANCE		42,040	3,503	125
Taxes		16,775	1,398	50
Insurance		5,317	443	16
Replacement Reserves		10,080	840	30
Other			0	0
	Total	102,025	8,502	274

	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Residential Rent		102,864	104,407	105,973	107,563	109,176	110,814	112,476	114,163	115,876	117,614	119,378	121,169	122,986	124,831	126,703
Less Res Vacancy		(6,172)	(6,264)	(6,358)	(6,454)	(6,551)	(6,649)	(6,749)	(6,850)	(6,953)	(7,057)	(7,163)	(7,270)	(7,379)	(7,490)	(7,602)
Plus Other Income		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Actual Income		96,692	98,143	99,615	101,109	102,626	104,165	105,727	107,313	108,923	110,557	112,215	113,898	115,607	117,341	119,101
Less Operating Expense		91,945	95,163	98,494	101,941	105,509	109,202	113,024	116,980	121,074	125,312	129,698	134,237	138,935	143,798	148,831
Less Reserves		10,080	10,231	10,385	10,540	10,699	10,859	11,022	11,187	11,355	11,525	11,698	11,874	12,052	12,233	12,416
Net Operating Income		(5,333)	(7,252)	(9,264)	(11,373)	(13,582)	(15,896)	(18,318)	(20,854)	(23,506)	(26,280)	(29,181)	(32,212)	(35,380)	(38,690)	(42,146)
Less Debt Service		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Flow		(5,333)	(7,252)	(9,264)	(11,373)	(13,582)	(15,896)	(18,318)	(20,854)	(23,506)	(26,280)	(29,181)	(32,212)	(35,380)	(38,690)	(42,146)
Oper Subsidy		5,333	7,252	9,264	11,373	13,582	15,896	18,318	20,854	23,506	26,280	29,181	32,212	35,380	38,690	42,146
Net Cash		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DCR		NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Sinking Fund	301,252	304,957	306,854	306,796	304,627	300,184	293,293	283,774	271,433	256,070	237,472	215,416	189,666	159,976	126,085	87,722
(assume 3% interest on fund)																
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		(5,333)	(7,252)	(9,264)	(11,373)	(13,582)	(15,896)	(18,318)	(20,854)	(23,506)	(26,280)	(29,181)	(32,212)	(35,380)	(38,690)	(42,146)
Plus Reserves		10,080	10,231	10,385	10,540	10,699	10,859	11,022	11,187	11,355	11,525	11,698	11,874	12,052	12,233	12,416
Less Interest Expense		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Less Depreciation - Round 1		(35,114)	(35,114)	(35,114)	(35,114)	(35,114)	(35,114)	(35,114)	(35,114)	(35,114)	(35,114)	(35,114)	(35,114)	(35,114)	(35,114)	(35,114)
Less Depreciation		(19,515)	(19,515)	(19,515)	(19,515)	(19,515)	(19,515)	(19,515)	(19,515)	(19,515)	(19,515)	(19,515)	(19,515)	(19,515)	(19,515)	(19,515)
Taxable Income (Loss)		(49,882)	(51,650)	(53,508)	(55,461)	(57,513)	(59,666)	(61,926)	(64,296)	(66,780)	(69,384)	(72,112)	(74,968)	(77,958)	(81,086)	(84,359)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		16,960	17,561	18,193	18,857	19,554	20,286	21,055	21,861	22,705	23,591	24,518	25,489	26,506	27,569	28,682
Plus Tax Credits		16,600	16,600	16,600	16,600	16,600	16,600	16,600	16,600	16,600	16,600					
Plus Tax Credits - Round 1		55,657	55,657	55,657	55,657	55,657	55,657	55,657	55,657	55,657	55,657					
Less Cap Gain Tax																(504,994)
After Tax Cash Flow	(405,420)	89,217	89,818	90,450	91,114	91,811	92,543	93,312	94,118	94,962	95,848	24,518	25,489	26,506	27,569	(476,312)
Total 15 years		550,962												Original Basis		1,507,407
Internal Rate of Return:	16.14% *													Less Losses		(819,438)
														Basis at Sale		687,969
														Sales Price		2,173,245
														Gain		1,485,276
														Tax	34.00%	504,994

* Note: Total return to investors will be 12%
The Phase II credit amount of $16,600 will be
adjusted downward, or the equity of $148,800
will need to be increased to reflect this.



CALEDONIA HOUSING REHAB

Scattered Sites
28 Family Units

RESOLUTION REGARDING
LOW INCOME HOUSING TAX CREDIT
PROJECT RESERVATIONS

WHEREAS, on November 18, 1993 the Board agreed with a staff recommendation that the Board consider and approve staff recommendations on specific Low Income Housing Tax Credit (LIHTC) project reservations after such recommendations had been presented to and considered by the Joint Tax Credit Committee (JTCC); and

WHEREAS, the JTCC met on September 7, 1994 and considered recommendations for a total of $395,449 in reservations of tax credits for five proposed projects; and

WHEREAS, the Agency staff recommended one of the projects to the JTCC for a reservation and one for an allocation and the JTCC accepted the staff's recommendations on each of the projects; and

WHEREAS, staff has prepared a memorandum dated September 8, 1994 containing descriptions of the two projects (the "Memorandum"), Olde Windsor Village and St. Johnsbury II;

NOW, THEREFORE, it is hereby RESOLVED:

1. The Board has considered the five projects discussed in the Memorandum.

2. The Agency approves the reservations for the two projects recommended by staff for reservations in the Memorandum and accepted by the JTCC, subject to the payment of applicable reservation fees, as well as carryover allocations subject to the conditions discussed in the Memorandum.

3. The Agency staff may increase or decrease LIHTC allocations by up to five percent, if appropriate, based upon changes in development costs.

4. The Olde Windsor Village project may be approved in the discretion of the Executive Director as an "out-of-cap" allocation or as part of the State of Vermont's annual LIHTC ceiling, as explained in the Memorandum.

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vhfa
VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Multifamily Development Underwriter JE
Irene Jenkins, Director of Development IJ

DATE: September 19, 1994

RE: Morse Block Tax Credit Reservation

Enclosed is a copy of the Memorandum presented to the Joint Committee on Tax Credits regarding the reservation of Low Income Housing Tax Credits for the Morse Block in Barre. Due to imminent changes in policy at the U.S. Department of Housing and Urban Development (HUD), HUD must sell the project prior to September 30, 1994. The sponsor, Vermont State Housing Authority (VSHA) was unable to meet the tax credit application deadline of August 1, 1994, and they requested a special meeting of the Committee to accommodate the limited time HUD allowed. The Committee held a meeting on September 14, 1994 and endorsed the staff recommendation with one additional condition (highlighted in the memo).

The Resolution regarding Low Income Housing Tax Credit Project Reservations has been amended to include the Morse Block, and the amended Resolution is attached.

RESOLUTION REGARDING
LOW INCOME HOUSING TAX CREDIT
PROJECT RESERVATIONS

WHEREAS, on November 18, 1993 the Board agreed with a staff recommendation that the Board consider and approve staff recommendations on specific Low Income Housing Tax Credit (LIHTC) project reservations after such recommendations had been presented to and considered by the Joint Tax Credit Committee (JTCC); and

WHEREAS, the JTCC met on September 7, 1994 and considered recommendations for a total of $395,449 in reservations of tax credits for five proposed projects; and

WHEREAS, the Agency staff recommended one of the projects to the JTCC for a reservation and one for an allocation and the JTCC accepted the staff's recommendations on each of the projects; and

WHEREAS, the JTCC had a meeting on September 14, 1994 and considered a recommendation for a reservation of $41,656 in tax credits for the Morse Block in Barre, which was accepted; and

WHEREAS, staff has prepared a memorandum dated September 8, 1994 containing descriptions of the two projects (the "Memorandum"), Olde Windsor Village and St. Johnsbury II and a supplemental memorandum (the "Supplemental Memorandum") dated September 14, 1994 and entitled "Morse Block Tax Credit Reservation"; and

NOW, THEREFORE, it is hereby RESOLVED:

1. The Board has considered the projects discussed in the Memorandum and the Supplemental Memorandum.

2. The Agency approves the reservations for the two projects recommended by staff for reservations in the Memorandum and accepted by the JTCC, Olde Windsor Village and St. Johnsbury II (Phase I), and the Morse Block discussed in the Supplemental Memorandum and accepted by the JTCC, subject to the payment of applicable reservation fees, as well as carryover allocations subject to the conditions discussed in the Memorandum.

3. The Agency staff may increase or decrease LIHTC allocations by up to five percent, if appropriate, based upon changes in development costs.

4. The Olde Windsor Village project may be approved in the discretion of the Executive Director as an "out-of-cap" allocation or as part of the State of Vermont's annual LIHTC ceiling, as explained in the Memorandum.

M E M O R A N D U M

TO: Joint Committee on Tax Credits

FROM: Joe Erdelyi, Multifamily Development Officer JE
Irene Jenkins, Director of Development IJ

DATE: September 14, 1994

RE: Morse Block Tax Credit Reservation

Name:	Morse Block
Location:	Barre
Sponsor:	Vermont Housing Enterprises, Inc.
Unit Breakdown:	16 residential units; Eight Efficiencies, 450 s.f.; Seven One-Bedroom, 500 s.f.; One resident service-provider unit, 600 s.f.; Three commercial spaces
Cost:	$541,643 total; $424,496 residential cost (estimated); $26,531 per residential unit
Income Targeting:	100% of units to 60% of Median Area Income for tax credit election; 100% of units at or below 50% of Area Median Income for Section 8 Project-Based Assistance

The project currently consists of a mixed-use project in downtown Barre with three commercial storefront rentals and 21 small (average 385 s.f.) residential units above. The U. S. Department of Housing and Urban Development (HUD) owns the property and has offered it for sale to the Vermont State Housing Authority (VSHA). VSHA is endeavoring to purchase the property through its non-profit affiliate, Vermont Housing Enterprises, Inc. (VHEI). HUD has agreed to sell the property for $10,200 and to provide a 15 year contract for project-based rental assistance for all of the units. Because of changes in HUD property disposition rules, HUD needs to sell this property by the end of the federal fiscal year (September 30, 1994). The sponsor has requested a special meeting of the Committee outside of the published funding cycles to accommodate this tight schedule. VSHA has expressed to HUD that it intends to downsize the project from 21 residential units to "between 14 and 18" units; the proposal we received shows 15 rental units and one resident service provider's unit. By decreasing the project density and increasing the unit size, VSHA plans to reduce or eliminate long term residential vacancies the project has historically encountered. In addition to the reconfiguration of the units, the sponsor has stated that it intends to perform limited demolition, environmental hazard abatement, and accessibility modifications. VHFA has not yet received a written scope of work.

The tax credit application contains a number of assumptions which staff believes to be questionable. The proposed project shows an ongoing residential vacancy rate of 15%.

Given the decrease in density and that the units would all have project-based rental assistance, this rate seems high. A 15% vacancy rate translates to two and one-quarter out of 15 units always vacant. Staff used a five percent vacancy rate for its analysis, which translates to one unit vacant for nine months out of the year.

The VSHA pro-forma cash flow projection used an income trending rate of one and one-half percent and an expense trending rate of two and one-quarter percent. According to VHFA management staff, HUD has recently approved Annual Adjustment Factors to income of about one percent on other projects with Section 8 assistance. Projects are usually underwritten with a one and one-half percent spread between income and expense trending figures; the attached pro-forma uses a one percent income trending rate and a two and one-half percent expense trending rate.

The application counts 15 out of the 16 units as qualifying for the tax credits, limiting the tax credit potential to 15/16 (93.75%) of the possible maximum. However, this sixteenth unit is for a resident service provider, and if the owner is willing to maintain this unit for this use, this unit may be classified as a "functionally related facility", just as common space is treated. In telephone discussions, the sponsor has agreed to maintain this unit for a resident service provider and therefore the attached analysis uses 15/15 (100%) for the applicable fraction in determining the maximum credit potential.

The sponsor has not provided a formal market study to demonstrate the need for the units proposed. Given the type of subsidy anticipated and the current level of occupancy, staff have requested just that the sponsor provide information to demonstrate the need and demand for the housing proposed, rather than a formal market study.

The most recent budget includes $7,500 for relocation. There are currently enough units vacant that the sponsor intends to move tenants to vacant units within the building to accommodate the construction. Because of the number of vacant units, the sponsor does not anticipate that the decrease in the total number of units will cause any permanent displacement of tenants.

The Manchester HUD office has submitted a request to the HUD headquarters in Washington D.C. for an Annual Contributions Contract (ACC) that would subsidize 21 units at a contract rent of $416 per unit per month, which includes all utilities. If the sponsor decreases the residential density, HUD may decrease the contract authority accordingly. The budget submitted shows contract rents (including utilities) of $580 per unit month for both the efficiency and one bedroom units. This figure is 173% of the Fair Market Rent (FMR) for efficiency units and 138% of the FMR for one bedroom units. One condition of the tax credit reservation will be that the total ACC authority be sufficient to support the rents shown. The sponsor has indicated that the current market rent is $350 per unit per month for the residential units, and staff has used this figure, trended ahead, for the residential income after the expiration of the HAP contract.

The sponsor is estimating net proceeds from the syndication of tax credits of $241,000. Based on the requested allocation of $44,777, this represents a net yield of $0.54 per tax credit dollar. The sponsor has provided a letter from Northfield Savings Bank expressing an interest in being an equity investor at approximately these terms.

The development budget contains both a $10,000 line for "Architectural-supervision" and a $15,000 line labelled "Supervision." VSHA has indicated that this "Supervision" line item would be paid to VSHA for their oversight of the construction. At previous meetings the Committee has determined that the developer's fee limit should include construction oversight by the sponsor as part of the fee. The combined $70,000 developer's fee and $15,000 supervision fee requested represent 18.74% of the total development cost (excluding cash and the fee itself). The attached development budget has reduced the developer's fee from $70,000 to $53,000 so the combined total represents the allowed 15% fee.

The sponsor has not approached any local non-profit to act as partner in the ownership entity. Similarly, there is no option or right of first refusal granted to a local non-profit to purchase the property after the 15 year compliance period.

One source of funds listed in the development budget is a loan from Barre Neighborhood Housing Services (BNHS) with an interest rate of three percent. If this loan is both below-market interest rate and federally sourced, the sponsor would have to either take the lower "4%" credit or reduce the project's eligible basis by the amount of this loan. Since the sponsor is requesting the higher "9%" credits, they will need to provide evidence that this loan is not both below-market and federal, or reduce basis by this loan amount.

The project does not demonstrate financial feasibility over both the 15 year tax credit compliance period and the subsequent 15 year extended use period. There are two primary reasons for this: first, the residential rents are assumed to drop to market rates after the expiration of the 15 year HAP contract; and second, the commercial space is projected to suffer continual high vacancies (50% in years one through five, 35% thereafter). The commercial space is included in both the development and operating budgets. There is $75,000 budgeted for rehabilitation of the commercial space; despite this, the commercial space is projected to encounter high rent losses. One condition of this reservation will be that the sponsor demonstrate financial feasibility over the full 30 year period.

Recommendation: Staff recommends a reservation of credits in the amount of $41,656, with a carryover allocation subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than 10/31/94 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must demonstrate that requisite financing has been committed or obtained. "Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent. This includes an Annual Contributions Contract (ACC) in an amount of at least $1,566,000, a level that will support the given rents of $580

per unit per month for 15 units.

3) Sponsor must provide evidence that the Barre Neighborhood Housing Services (BNHS) loan of $50,000 is not both below-market rate and federally sourced, to support the request for the "9%" credit.

4) Sponsor must provide a cash flow projection for the full 30 year extended use period that demonstrates the project's financial feasibility.

5) Sponsor must agree that any surplus cash the project generates will accrue in a project account to offset projected operating shortfalls in later years (when the HAP contract expires).

6) Sponsor must certify that all in-place tenants at the time of allocation meet the income targeting restrictions of the LIHTC program.

7) Sponsor must provide evidence of satisfactory HUD Subsidy Layering Review as required by 24 CFR 911.

8) Sponsor must provide a copy of the detailed plans and work specifications.

9) Sponsor must provide evidence of market demand for the type of housing proposed.

10) Sponsor must provide a revised development budget at time of request for carryover.

11) Sponsor must develop a plan for tenant services acceptable to VHFA staff.

C:\QPRO\LIHTC\MRSBLK.WQ1

Project:	Morse Block	RUN DATE: 13-Sep-94

Total Residential Units:	15	Increase LIHTC	1.00%
Restricted Units:	15	Increase Market	1.00%
Percent Restricted:	100.00%	Increase Commercial	1.00%
Avg Net Res. Monthly Rent:	580	Expense increase:	2.50%
Total Dev Costs	541,643	Res. Vacancy Rate:	5.00%
TDC/Res. Unit	26,531	Comm. Vac. (Yr. 1-4)	50.00%
TDC/Comm. Unit	39,050	Comm. Vac. (Yr. 5 +)	35.00%
		Partner's Tax Rate:	34.00%
Total Credit Amount	41,656	Depreciation Schedule:	27.5
Net Syndication	224,200		
LIHTC - 9%	8.73%	(Sept '94)	
LIHTC - 4%	3.74%		

FINANCING SOURCES

	Amount	% of TDC	Interest	Term
Primary debt-VT National	267,443	49.38%	9.00%	25
Barre NHS	50,000	9.23%	3.00%	25
Tax Credit Equity	224,200	41.39%	N/A	N/A
	541,643	100.00%		

		Budget	Per Unit	Per s.f.	Acquisition Credit	Rehab/Const Credit
ACQUISITION & CONSTRUCTION						
Land		5,000	333	0.70		
Purchase of Building(s)		5,200	347	0.73		
Demolition			0	0.00		
COMMERCIAL REHABILITATION		75,000	5,000	10.56		
RESIDENTIAL REHABILITATION		225,000	15,000	31.69		225,000
Sitework		25,000	1,667	3.52		18,750
General Requirements	0.00%		0	0.00		
Contractor Overhead	0.00%		0	0.00		
Contractor Profit	0.00%		0	0.00		
Construction Contingency	15.38%	50,000	3,333	7.04		37,500
APPLIANCES			0	0.00		
Subtotal		385,200	25,680	54.25	0	281,250
PROFESSIONAL SERVICES						
Architect Fee - Design		15,000	1,000	2.11		11,250
Architect Fee - Supervision		10,000	667	1.41		7,500
CONSULTANTS		15,000	1,000	2.11		11,250
Attorney		4,000	267	0.56		3,000
Legal - Title & Recording		500	33	0.07		375
Subtotal		44,500	2,967	6.27	0	33,375
INTERIM COSTS						
Construction Insurance			0	0.00		
Construction Interest			0	0.00		
Construction Loan Origination Fee			0	0.00		
Taxes			0	0.00		
Subtotal		0	0	0.00	0	0
OTHER SOFT COSTS						
Property Appraisal		2,500	167	0.35		1,875
PERMITS/FEES		1,000	67	0.14		750
RELOCATION		7,500	500	1.06		7,500
Tax Credit Fees		1,543	103	0.22		1,543
Marketing		4,000	267	0.56		
Subtotal		16,543	1,103	2.33	0	11,668
FINANCING FEES & EXPENSES						
Credit Report			0	0.00		
Permanent Loan Origination Fee		2,400	160	0.34		
Credit Enhancement			0	0.00		
Cost of Issuance			0	0.00		
Title & Recording			0	0.00		
Counsel's Fee			0	0.00		
LENDER TRANSACTION COSTS		2,000	133	0.28		
Subtotal		4,400	293	0.62	0	0
SYNDICATION COSTS						
Organizational (Partnership)		3,000	200	0.42		
Bridge Loan Fees & Expenses			0	0.00		
Tax Opinion			0	0.00		
Subtotal		3,000	200	0.42	0	0
DEVELOPER'S FEES						
Developer's Overhead & Profit		53,000	3,533	7.46		53,000
VSHA CONSTRUCTION SUPERVISION		15,000	1,000	2.11		15,000
Subtotal	15.0%	68,000	4,533	9.58	0	68,000
PROJECT RESERVES						
Rent-up (Deficit Escrow) Reserve			0	0.00		
Replacement Reserve			0	0.00		
Working Capital		20,000	1,333	2.82		
Operating Reserve/Sinking Fund			0	0.00		
Subtotal		20,000	1,333	2.82	0	0
TOTAL DEVELOPMENT COSTS		541,643	36,110	76.29	0	394,293

LESS:	Amount of Non-qualified Financing			
LESS:	Historic tax Credit (Residential Portion)			
	Total Eligible Basis		0	394,293
TIMES:	Adjusted for QCT/DDA	130.0%		512,581
TIMES:	Applicable Fraction	100.00%	0	512,581
	Total Qualified Basis		0	512,581
TIMES:	Applicable Percentage		3.74%	8.73%
	Total Annual Credit Qualified		0	44,748

Total Tax Credits Requested		44,777
Estimated Net Syndication Proceeds	241,000	
Estimated Yield - LIHTC Syndication	53.82%	
Equity Gap	224,200	
Credits Needed to fill Equity Gap		41,656

INCOME

RENTS

Restricted Units

Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
Efficiency		450	8	580		55,680
1 Br		500	7	580		48,720
						0
1 Br	Resident MGR	600	1	580		6,960
	Totals	7,100	16			111,360

Commercial Units

	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
			1	600		7,200
			1	1,500		18,000
			1	450		5,400
	Totals	4,440	3			30,600

All Units

Grand Totals	12,140			141,960
	Less Res. Vacancy	5.00%		(5,220)
	Less Comm. Vacancy	50.00%		(15,300)
			NET RENT	136,740

OTHER INCOME

Interest Income	500
Laundry	500
Parking	0
Total Other Income	1,000

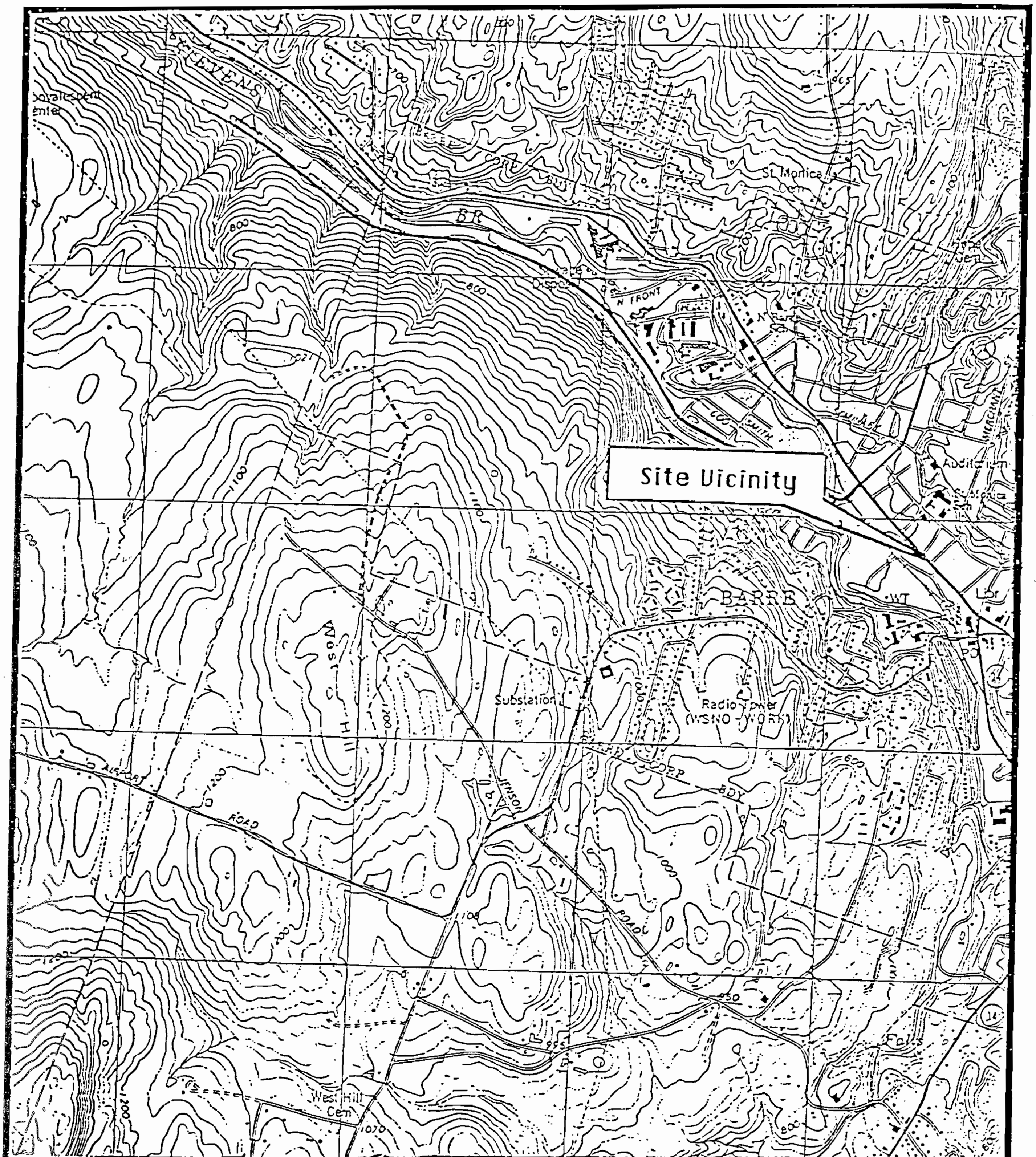
TOTAL INCOME	137,740

Morse Block	EXPENSE BUDGET		13-Sep-94
	Annual	Monthly	Per Unit Per Month
Administration			
Management Fee	8,000	667	44
Marketing	1,500	125	8
Audit/Accounting	3,500	292	19
Legal	750	63	4
APARTMENT ALLOWANC	6,960	580	39
SOCIAL SERVICES	3,000	250	17
Office Payroll		0	0
Rent		0	0
Compliance Monitoring	360	30	2
Other		0	0
TOTAL ADMINISTRATIVE	24,070	2,006	134
Utilities			
Water/Sewer	3,000	250	17
Electric	3,600	300	20
OIL HEAT	6,000	500	33
GAS HOT WATER	2,000	167	11
TOTAL UTILITIES	14,600	1,217	81
Maintenance			
Maintenance Payroll		0	0
Supplies	2,500	208	14
Trash Removal	2,000	167	11
Snow/Grounds	1,500	125	8
Repairs	5,000	417	28
Paint/Decorating		0	0
Exterminating		0	0
Contract Maintenance	3,500	292	19
Equipment Debt		0	0
Service Lease		0	0
Other		0	0
TOTAL MAINTENANCE	14,500	1,208	81
Taxes	19,500	1,625	108
Insurance	1,800	150	10
Replacement Reserves	5,000	417	28
Other		0	0
Total	79,470	6,623	414 *

* Note: Includes $39 per unit per month for resident service provider. Also includes commercial expenses.

	Year	1	2	3	4	5	[illegible]	7	8	9	10	11	12	13	14	15
Gross Res. Rent Potential		111,360	112,474	113,598	114,734	115,882	117,040	118,211	119,393	120,587	121,793	123,011	124,241	125,483	126,738	128,005
Less Residential Vacancy		(5,220)	(5,624)	(5,680)	(5,737)	(5,794)	(5,852)	(5,911)	(5,970)	(6,029)	(6,090)	(6,151)	(6,212)	(6,274)	(6,337)	(6,400)
Gross Comm. Rent Potential		30,600	30,906	31,215	31,527	31,842	32,161	32,483	32,807	33,135	33,467	33,801	34,139	34,481	34,826	35,174
Less Commercial Vacancy		(15,300)	(15,453)	(15,608)	(15,764)	(15,921)	(11,256)	(11,369)	(11,483)	(11,597)	(11,713)	(11,831)	(11,949)	(12,068)	(12,189)	(12,311)
Plus Other Income		1,000	1,010	1,020	1,030	1,041	1,051	1,062	1,072	1,083	1,094	1,105	1,116	1,127	1,138	1,149
Total Actual Income		122,440	123,313	124,546	125,792	127,049	133,144	134,475	135,820	137,178	138,550	139,936	141,335	142,748	144,176	145,618
Less Operating Expense		(74,470)	(76,332)	(78,240)	(80,196)	(82,201)	(84,256)	(86,362)	(88,521)	(90,734)	(93,003)	(95,328)	(97,711)	(100,154)	(102,658)	(105,224)
Less Reserves		(5,000)	(5,050)	(5,101)	(5,152)	(5,203)	(5,255)	(5,308)	(5,361)	(5,414)	(5,468)	(5,523)	(5,578)	(5,634)	(5,690)	(5,747)
Net Operating Income		42,970	41,931	41,206	40,444	39,645	43,633	42,806	41,938	41,030	40,079	39,085	38,046	36,960	35,828	34,646
Less Debt Service		(26,932)	(26,932)	(26,932)	(26,932)	(26,932)	(26,932)	(26,932)	(26,932)	(26,932)	(26,932)	(26,932)	(26,932)	(26,932)	(26,932)	(26,932)
Less Debt Service - BNHS		(2,845)	(2,845)	(2,845)	(2,845)	(2,845)	(2,845)	(2,845)	(2,845)	(2,845)	(2,845)	(2,845)	(2,845)	(2,845)	(2,845)	(2,845)
Cash Flow		13,192	12,153	11,428	10,666	9,868	13,855	13,028	12,160	11,252	10,301	9,307	8,268	7,183	6,050	4,868
Oper Subsidy		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash		13,192	12,153	11,428	10,666	9,868	13,855	13,028	12,160	11,252	10,301	9,307	8,268	7,183	6,050	4,868
DCR		144.30%	140.81%	138.38%	135.82%	133.14%	146.53%	143.75%	140.84%	137.79%	134.59%	131.25%	127.77%	124.12%	120.32%	116.35%
Cumulative Cash Flow		13,192	25,346	36,773	47,440	57,307	71,163	84,191	96,351	107,603	117,904	127,211	135,479	142,662	148,712	153,580
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		42,970	41,931	41,206	40,444	39,645	43,633	42,806	41,938	41,030	40,079	39,085	38,046	36,960	35,828	34,646
Plus Reserves		5,000	5,125	5,253	5,384	5,519	5,657	5,798	5,943	6,092	6,244	6,400	6,560	6,724	6,893	7,065
Less Interest Expense		(25,430)	(25,109)	(24,760)	(24,381)	(23,969)	(23,522)	(23,035)	(22,507)	(21,931)	(21,305)	(20,623)	(19,881)	(19,073)	(18,193)	(17,234)
Less Depreciation		(18,301)	(18,301)	(18,301)	(18,301)	(18,301)	(18,301)	(18,301)	(18,301)	(18,301)	(18,301)	(18,301)	(18,301)	(18,301)	(18,301)	(18,301)
Taxable Income (Loss)		4,239	3,646	3,398	3,146	2,894	7,467	7,267	7,074	6,890	6,717	6,561	6,424	6,311	6,226	6,176
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		(1,441)	(1,240)	(1,155)	(1,070)	(984)	(2,539)	(2,471)	(2,405)	(2,342)	(2,284)	(2,231)	(2,184)	(2,146)	(2,117)	(2,100)
Plus Tax Credits		41,656	41,656	41,656	41,656	41,656	41,656	41,656	41,656	41,656	41,656					
Less Cap Gain Tax																0
After Tax Cash Flow	(224,200)	40,214	40,416	40,500	40,586	40,672	39,117	39,185	39,250	39,313	39,372	(2,231)	(2.184)	(2,146)	(2,117)	(2,100)
Total 15 years		387,848														
Internal Rate of Return:	11.9%															

Original Basis		503,282
Less Losses		(274,518)
Basis at Sale		228,765
Sales Price		201,730
Gain		(27,035)
Tax	34.00%	0



MORSE BLOCK

12,000 Sqft Parcel
Acquisition/Rehabilitation
16 Special Needs Units

ATTACHMENT 1

VHFA 1994 LOW INCOME HOUSING TAX CREDITS
APPLICATIONS TO DATE AND ANALYSIS 8/30/94

Total 1994 LIHTC Available		
1994 Per Capita Credits	$720,000	
1993 Carry-forward	690,131	
Plus: 1994 Returns	7,163	5,567 Brandon; 1,596 St. Johnsbury II - Phase II
Less 1994 Round 1 Reservations	590,790	
Less 1994 Round 2 Reservations	605,318	
Less 1994 Proposed Round 3 Reservations	185,270	
Plus Unused 1994 Reservations	136,440	23,169 St. Johnsbury Housing Rehab; 113,271 Brigham Road
	---------	
Remaining 1994 LIHTC	172,356	
Anticipated Returns	55,000	Bethel

Anticipated To Be Available	227,356	

Project Name	City	Sponsor	Total # of Units	# of LIHTC Units	Project Type	Recommended Allocation	Credit Type	Non-Profit?	Total Development Cost	Total Cost Per Unit	Alloc. Per Unit	Equity Yield Per $ of Tax Credit	Total Equity	Dev. Fee as % of TDC	Developer's Fee
Thelma Maple Coop	Burlington	Housing Vermont / LCHDC	20	20	new construction	165,763	9%	Yes	1,890,290	94,515	8,288	$0.66	1,095,000	9.41%	162,500
Queensbury Road	South Burlington	Housing Vermont	18	16	new construction	137,609	9%	Yes	1,689,852	93,881	8,601	$0.65	897,153	8.22%	128,400
Brigham Road	St. Albans	Housing Vermont / LCHDC	15	15	new construction	113,271	9%	Yes	1,478,553	98,570	7,551	$0.70	792,365	8.14%	111,250
Burlington Scattered Site	Burlington	Housing Vermont / BCLT	20	20	rehab	90,896	9%	Yes	1,513,296	75,665	4,545	$0.68	615,976	9.40%	130,000
Autumn Leaves	Poultney	PDC Development	20	20	new construction	52,956	4%	No	1,359,609	67,980	2,648	$0.51	271,576	15.00%	177,340
Erastus Thayer House	Brandon	Housing Vermont / RCCLT	9	8	rehab	30,295	9%	Yes	686,501	76,278	3,787	$0.91	275,628	9.20%	57,850
			----	----		--------									
Reservations - Round 1			102	99		590,790									
Dorset Senior Housing	South Burlington	Green Mtn. Devel.	53	53	new construction	390,052	9%	No	4,038,312	76,195	7,359	$0.53	2,067,273	15.00%	526,750
Windsor Hollow	Wilder	SK Properties	27	26	new construction	78,439	4%	No	1,874,645	69,431	3,017	$0.52	407,883	13.98%	230,000
Swanton Meadows	Swanton	Realty Resources	24	24	new construction	64,874	4%	Yes	1,767,038	73,627	2,703	$0.52	337,345	14.67%	226,000
Hartford Village Rehab	Hartford	Housing Vermont / WRAHDC	8	7	rehab	32,184	9%	Yes	669,462	83,683	4,598	$0.70	226,722	9.66%	59,000
St. Johnsbury Housing Rehab	St. Johnsbury	NCHC / HVT	32	29	rehab	23,169	4%	Yes	1,019,668	31,865	799	$0.68	156,500	0.00%	0
St. Johnsbury II - Phase II	St. Johnsbury	NCHC / HVT	28	23	rehab	16,600	4%	Yes	860,745	30,741	722	$0.90	148,800	0.00%	0
			----	----		--------									
Reservations - Round 2			172	162		605,318									
Olde Windsor Village	Windsor	Housing Vermont	77	72	acquis/rehab	136,056	4%	Yes	4,389,586	57,008	1,890	$0.55	754,000	6.81%	280,000
Morse Block	Barre	VHEI	15	15	acquis/rehab	41,656	9%	Yes	541,643	36,110	2,777	$0.54	224,200	14.36%	68,000
St. Johnsbury II - Phase I	St. Johnsbury	NCHC / HVT	28	24	acquis/rehab	7,558	9%	Yes	1,339,680	47,846	315	$3.68	277,776	2.48%	32,449
			----	----		--------									
Reservations - Round 3			120	111		185,270									
			----	----		-----------									
			394	372		1,381,378									

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Irene D. Jenkins, Director of Development IJ
Paul M. Cummings, Development Assistant PC

DATE: September 13, 1994

RE: Multifamily Construction Loan Program

SUMMARY OF REQUEST

At the April 1994 meeting, the Board discussed and approved the Single Family Development Loan Program. Attached is a program description of a proposed Multifamily Construction Loan Program designed to provide construction and/or bridge financing for the development of affordable multifamily housing. Staff requests approval of the program, and approval for funding the program with $6 million from VHFA's General Fund. Staff proposes funding for this program to come from the $6 million the Board approved for the Single Family Development Loan Program. If fundable requests exceed monies available from the General Fund, VHFA may, with the Board's approval, utilize short term bonds or other available sources of funding for this program.

PROGRAM OVERVIEW

The Multifamily Construction Loan Program was developed by VHFA to increase the supply of affordable housing in communities in Vermont where a shortage of such housing exists. The program encourages the construction/rehabilitation of units that will remain perpetually affordable through a Housing Subsidy Covenant. (A goal for each development is a minimum of 10% of the units.)

Financing will be available for site and building acquisition, infrastructure development, unit construction and rehabilitation for multifamily developments. To be eligible, generally a development must have a minimum of five units. There is no maximum development size; however, VHFA may require that construction of larger developments be phased.

To be eligible a borrower must be a "Housing Sponsor", which means a business entity organized on a nonprofit or limited profit basis. Proposals for financing will be reviewed for consistency with Vermont's Act 200 Planning Goals. The Housing Sponsor must show benefits that would be derived from VHFA participation in the financing of the development.

A minimum of 75% of the units must be occupied by families with incomes below median income for the county or metropolitan area.

A Housing Sponsor must secure a satisfactory permanent financing and/or equity commitment prior to construction or bridge loan closing. Any conditions of the permanent loan or equity commitment must be acceptable to VHFA.

If VHFA determines that the permanent financing and/or equity commitment requires market related conditions prior to take-out, such as project occupancy benchmarks, the Housing Sponsor must provide VHFA with market information that demonstrates a need and demand for housing in the market area to be served by the proposed development, and a plan to market the units. From this information, the Housing Sponsor must provide VHFA with the projected length of marketing time for the development and the projected demand and absorption rate of units based on the rent range proposed for the development. VHFA may consider the impact of a proposed project on existing housing in the area.

The loan-to-value ratio may not exceed 95% of the land value plus the value of the residential housing for for-profit housing sponsors. For nonprofit Housing Sponsors, the loan-to-value ratio may not exceed 100% of the land and residential housing value.

The term of a loan may vary depending on the size of the development. Funds will be committed at a fixed interest rate, which will vary depending on market conditions at commitment. Initially the interest rate will be eight percent (8%). Staff will meet with interested applicants before a formal application is made to determine preliminary eligibility under the program guidelines. There will be a non-refundable application fee of $250 and a loan origination fee of one percent (1%) of the loan amount. (The loan origination fee may be waived in whole or in part if necessary to compete for construction lending opportunities.) If the loan request is approved, the application fee will be applied toward payment of the origination fee.

Individual applications will receive a complete underwriting analysis by staff. Applications that are determined to be eligible and feasible, will be recommended to the Board for a combined Resolution of Interest/Intent/Commitment. One review of proposals by the Board will allow staff to respond more quickly to financing requests. The attached Program Description provides additional eligibility information, guidelines, features, and requirements of the Multifamily Construction Loan Program.

BOARD ACTION REQUESTED

Staff requests approval of the attached Multifamily Construction Loan Program outlined in the attached program description and resolution.

MULTIFAMILY CONSTRUCTION LOAN PROGRAM

September 1994

OVERVIEW

Vermont Housing Finance Agency (VHFA) was created in 1974 by the Vermont Legislature. VHFA's mission is to finance and promote affordable housing opportunities for low- and moderate-income Vermonters. To date, VHFA has permanently financed over 3,500 affordable rental units for families and the elderly and has assisted nearly 17,000 households in buying or improving a home.

VHFA currently provides construction financing in conjunction with its permanent financing of multifamily rental developments. We will continue to do this. In addition, under the Multifamily Construction Loan Program, VHFA will provide construction and/or bridge financing for multifamily rental developments with permanent financing and/or equity commitments from other lenders or investors. For example, this program can be used for construction financing in conjunction with the Farmers Home Administration 515 rental housing program or bridge financing for Low Income Housing Tax Credit projects.

The Multifamily Construction Loan Program is intended to increase the supply of affordable decent, safe, and sanitary housing in communities in Vermont where a shortage of such housing exists. VHFA encourages the construction/rehabilitation of units that will remain perpetually affordable through a Housing Subsidy Covenant. (A goal for each development is that a minimum of 10% of the units will be perpetually affordable.)

Financing is available for site and building acquisition, infrastructure development, unit construction and rehabilitation for multifamily developments. An eligible borrower must be a "Housing Sponsor", which means a business entity organized on a non-profit or limited profit basis.

Proposals for financing must be consistent with Vermont's Act 200 Planning Goals.

This program description details the features, guidelines, and requirements for the Multifamily Construction Loan Program. Interested applicants are encouraged to call VHFA to discuss a specific development proposal.

FEATURES AND REQUIREMENTS

Eligible Housing Sponsor/Borrower

To be eligible a borrower must be a "Housing Sponsor", which means a business entity organized on a nonprofit or limited profit basis.[1] The typical nonprofit sponsor is a Vermont nonprofit corporation. (Internal Revenue 501(c)(3) status is not necessary.) The typical limited profit borrower is a partnership (general or limited) that incorporates into its partnership agreement an agreement with VHFA that limits its activities to the financed project and regulates the rents and/or profit margins available to it.

Eligible Developments

Eligible developments include rental properties, co-operatives, transitional housing, congregate homes for the elderly, and mobile home parks. To be eligible, generally a development must have a minimum of five units. There is no maximum development size; however, VHFA may require that the construction of larger developments be phased. Prior to approving a loan, VHFA's Board of Commissioners must find that the development and sponsor meet certain basic requirements of VHFA's statute and regulations, such as that the housing is primarily for low and moderate income persons. Preference will be given to developments serving the lowest income persons.

A minimum of 75% of the units must be occupied by families with incomes below median income for the county or metropolitan area. Under certain circumstances, VHFA may waive this requirement but under no circumstance shall less than a majority of the total units be occupied by qualifying households. (See attachment A for information on County and Metropolitan Area Median Income Limits.)

Proposals for financing must be consistent with Vermont's Act 200 Planning Goals (attachment B). The Housing Sponsor must demonstrate that its proposed development meets these goals and VHFA will review proposals for financing for consistency with the Act 200 Planning Goals. The Housing Sponsor must show benefits that would be derived from VHFA participation in the financing of the development.

Permanent Takeout Requirements

The Housing Sponsor must secure a satisfactory permanent financing and/or equity

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[1]Under VHFA regulations, "a housing sponsor is organized on a limited profit basis if its organizational document, whether directly or by reference to a controlling agreement, imposes significant limitations on rental charges or sale prices, builder's and developer's fees, the right of disposition of the sponsor's property and franchise, or other sources of profit as VHFA may determine on a case by case basis."

commitment prior to construction or bridge loan closing. Any conditions of the permanent loan or equity commitment must be acceptable to VHFA.

Loan To Value

For for-profit Housing Sponsors, the mortgage loan may be in an amount not to exceed 95% of the land value plus the value of the residential housing. For nonprofit Housing Sponsors, the mortgage loan may be in an amount not to exceed 100% of the land value plus the value of the residential housing.

Term of Loan/Repayment Schedule

Funds are generally available for the projected build-out period of the development (or the phase, in the case of a multi-phase development). Interest accrues monthly (and is a mortgageable development cost). Accrued interest and principal will be payable at maturity. VHFA considers maturity the completion of construction or time of permanent loan takeout, whichever comes first. Bridge loan terms will be set based upon the equity pay-in schedules.

Loan Security

A valid first lien position on land and improvements is required as loan security along with a security interest in construction materials and personal property. A shared first lien position may be considered by VHFA if another lender participates in the loan. After permanent loan closing, bridge loans must be secured by assignment of the investor notes to VHFA and by a second mortgage on the project.

Interest Rate

Consideration will be given to providing funds at a fixed interest rate for loans of up to twelve months; however, rates may be adjustable for loans of these or longer terms. Call Joe Erdelyi, VHFA Multifamily Development Underwriter at 1-800-339-5866 extension 232, for the current interest rate for the Multifamily Construction Loan Program.

Pre-Application Meeting/Loan Application Fee/Loan Origination Fee

VHFA staff will be available to schedule a pre-application meeting to discuss the proposed development and financing request. A non-refundable application fee of $250 is required at the time an application for financing is made and a loan origination fee of one percent (1%) of the loan amount that is payable at closing. If the loan request is approved, the application fee will be applied toward payment of the loan origination fee. VHFA will require the sponsor to pay reasonable loan transaction fees.

Demonstrated Need and Market

VHFA's mandate is to finance the development of housing only if there is a demonstrated need for the housing. If VHFA determines that the permanent financing and/or equity commitment is unequivocally secure and take-out is not based on project occupancy benchmarks, then VHFA will accept that as evidence that a need and market for the housing exists.

If the permanent financing and/or equity commitment requires market related conditions prior to take-out, such as project occupancy benchmarks, the Housing Sponsor must provide VHFA with information that demonstrates a need and demand for housing in the market area to be served by the proposed development, and a plan to market the units. Information required may vary depending on the market area, the size and nature of the development, and other factors that may be known about the general market area. Information necessary may include current housing market conditions (including vacancy rates), general economic conditions, employment and wages, and information on units for rent within the market (i.e. size, type, condition, rent rate, etc.). From this information, the Housing Sponsor must provide VHFA with the projected length of marketing time for the development and the projected demand and absorption rate of units based on the rent range proposed for the development. VHFA may consider the impact of a proposed project on existing housing in the area.

Assurance of Completion/Personal Guarantees

VHFA will generally require from the Housing Sponsor or general contractor a performance and payment surety bond in the amount of 100% of the construction contract with a dual obligee rider, a letter of credit equal to 25% of the construction contract, or other forms of additional security. Bond premiums and other fees to provide additional security are eligible development costs. A determination as to whether VHFA will require additional security will be based on the size and complexity of the proposed development and whether or not phasing is possible, the amount of the Housing Sponsor's equity in the development, the strength of the market area, and other factors.

VHFA will require personal guarantees from the principals of the Housing Sponsor (and their spouses, if assets are held jointly). This requirement does not apply to nonprofit housing sponsors.

Appraisal Requirements

VHFA requires an appraisal, from an appraiser acceptable to VHFA, of the site as permitted (or building as-is) and as it is to be developed. Appraisals prepared at the request of other lenders may be accepted by VHFA; however, Housing Sponsors should coordinate this in advance to ensure acceptability of the appraisal to VHFA.

Energy Efficiency Units

VHFA encourages sponsors to utilize cost effective energy efficient measures. Any project approved for an Act 250 Permit will be considered to include such measures.

Environmental Assessment

VHFA requires a Phase I Environmental Assessment of the site. If information on the Phase I Environmental Assessment indicates the potential for environmental hazards, additional environmental testing may be required. If a portion of the development involves demolition or rehabilitation of an existing structure, state law may require additional environmental review such as lead based paint testing and/or asbestos inspections.

Other Requirements for VHFA Financed Projects

VHFA must review and approve all construction contracts (i.e. general contractor and architect). Whenever possible, an AIA contract form appropriate for the development should be used. Each contract must include a schedule of values which becomes the basis for all disbursements, retainage and certifications.

VHFA will also review and approve plans and specifications. The collective scope of work for each set of contracts must match the Plans and Specifications cited in the document "VHFA Acknowledgement of Plans and Specifications" signed at closing.

Each contract must include an addendum (attachment C) called "VHFA Required Conditions for Construction Contract" which among other things deals with VHFA liability, retainage, assignment, and change orders.

Construction Inspections

VHFA or its agent will conduct periodic on-site inspections of the development throughout the construction period. Payment for VHFA's construction inspector will be the responsibility of the Housing Sponsor and is an eligible development cost. VHFA construction inspections are not a substitute for developer, engineering, and architectural supervision of construction.

Disbursement Process/Retainage

Disbursement requests are processed monthly by VHFA unless other terms are agreed upon. The process for disbursements during construction and retainage requirements are outlined in attachment D.

THE PROCESS

Application and Approval

All proposals for financing are reviewed first by staff and VHFA senior management. Proposals that are eligible for financing are recommended to VHFA's Board of Commissioners for approval. VHFA's Board usually meets on the third Thursday of each month. The Housing Sponsor is expected to attend the meeting to answer any questions VHFA's Board may have about the development.

VHFA requires the following information to complete an underwriting review of a proposal for financing. Items that are in *italics* are needed at the time of application. All other items are necessary to determine whether an application can be recommended to VHFA's Board. VHFA does not generally recommend a development for financing unless all local and state permits are in place.

- *A completed Multifamily Construction Loan Application;*
- *Preliminary Site Plans;*
- *Preliminary Building Plans and Specifications;*
- *Resume of the Development Team including experience developing affordable housing and summary of projects completed;*
- *Evidence of site control (deed, purchase and sale or option agreement);*
- *Preliminary development budget and construction cash flow, by phase if appropriate; proposed rent schedule, operating budget, and operating cash flow.*
- *Letter of Intent from permanent lender; Commitment Letter from permanent lender is required prior to construction loan closing;*
- *Preliminary development schedule;*
- *Copies of local and state permits or the status of permits;*
- *Up-to-date personal and business financial statements;*
- A current market study and demand analysis and a plan to market the units;
- Estimates or bids from contractors to support the numbers on the development budget;
- Additional information requested by VHFA.

Applicants for VHFA permanent financing need not submit a separate application for construction financing.

VHFA may waive certain application requirements as appropriate.

<u>Loan Closing/VHFA Standard Conditions</u>

At least 10 business days prior to the scheduled loan closing date, the Housing Sponsor shall provide VHFA with all information and documents necessary to satisfy standard and any special conditions. A pre-closing will occur approximately one week before the scheduled closing date.

Attachment E provides standard conditions generally required by VHFA. These conditions may vary depending on the proposed development. Those that apply to a specific development would have to be satisfied prior to closing.

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VERMONT HOUSING FINANCE AGENCY
RESOLUTION AUTHORIZING
IMPLEMENTATION OF
MULTI-FAMILY CONSTRUCTION LOAN PROGRAM

RESOLVED:

Pursuant to the Agency's rules entitled "Vermont Housing Finance Agency Loans to Multi-Family Housing Sponsors," as the same may be amended or replaced from time to time, the Executive Director is authorized to implement the Agency's Multi-Family Construction Loan Program substantially in accordance with the provisions of the attached Memorandum of Irene D. Jenkins and Paul M. Cummings, directed to the "VHFA Board of Commissioners" and dated September 13, 1994 and the Overview attached to the Memorandum. The specific conditions and requirements described in the forms attached to said Memorandum and Overview as Attachments C and E may be modified from case to case in the discretion of the Executive Director or counsel to the Agency provided that no such modification causes a violation of the Rules.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Samuel J. Falzone, Director, Multi-Family Management

DATE: September 7, 1994

RE: MULTI-FAMILY MANAGEMENT REPORT

The attached report for the quarter ending June 30, 1994, is provided for the Board's information and includes the status of various financial aspects of the multi-family portfolio. The report also contains narratives on department activity as well as detailed project reports for properties that have outstanding maintenance or other unusual issues or problems.

I will be available at the Board meeting to answer any questions or provide additional information if it is desired. You may also reach me at ext. 235 should you like clarification on any point prior to the meeting.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • FAX: 802/864-5746 • TDD: 1-800/586-5832

MULTI-FAMILY MANAGEMENT
QUARTERLY REPORT

For the Period Ending June 30, 1994

DELINQUENT MORTGAGE LOAN PAYMENTS

PROJECT NAME	12 MONTH HISTORY	MONTH	NO. OF DAYS	PENALTY/INTEREST
Hancock	3 months	March - May	92	195.21

2. ACC AND HAP CONTRACT AMENDMENTS REQUIRED IN FY '94/95

PROJECT NAME	ORIGINAL HAP COMMITMENT	CURRENT AMENDMENT	PROJECT ACCOUNT BALANCE
Alburg Lamphere	114,285	0	2,375
Bradford Elderly	60,360	80,800	8,100
Bridgewater	102,127	0	9,343
Burlington Baker	72,876	0	53,237
Burlington Duggan	95,904	0	65,637
Colchester	44,196	0	287
Danville St. John	99,096	122,796	17,113
Depot II	52,416	71,280	20,657
Derby Line	46,200	70,480	8,024
Fairfax	150,785	0	48,841
Fairfield	56,737	0	10,096
Hardwick Freeman	65,688	98,628	15,194
Island Pond Elderly	141,960	0	42,012
Island Pond Family	75,216	89,369	23,566
Jericho	182,326	192,726	26,359
Lyndonville	136,704	145,604	22,679
Middlebury Brush	101,647	0	4,765
Milton	88,452	147,760	22,155
Montpelier Babcock	53,448	0	4,797
Montpelier DuBrul	215,040	330,000	60,357
Morrisville	101,976	152,936	19,159
North Bennington	180,403	189,303	38,911
North Troy	101,496	0	29,290
Plainfield	68,028	100,048	10,338
Randolph Caron	127,080	158,780	23,359
Randolph Wishcamper	210,744	235,162	3,804
Rochester	33,198	0	515
Rutland Bardwell	558,504	0	227,439

PROJECT NAME	ORIGINAL HAP COMMITMENT	CURRENT AMENDMENT	PROJECT ACCOUNT BALANCE
Rutland Kohlhepp	78,504	113,954	21,016
St. Albans Holy Angels	227,988	272,558	37,161
Saxtons River	103,776	0	4,009
St. Johnsbury NCIC	217,324	0	65,475
Waterbury Parisi	54,744	0	13,263
Waterbury Steele	53,928	64,828	8,878
West Burke	115,664	0	41,281
West Rutland	68,784	93,360	18,412
Winooski	102,492	0	80,640
Woodstock I	40,920	72,000	3,884
Woodstock II	63,612	102,742	14,417

3. SALES, PRESERVATION AGREEMENTS, AND OPTIONS EITHER CLOSED OR UNDER NEGOTIATION

CLOSED			IN NEGOTIATION	
PROJECT NAME	# YEARS LOCK-IN	OPTION (Y/N)	PROJECT NAME	STATUS
Bethel Depot II**	40	NP*	Alburg Lamphere	Preservation Agreement in negotiation
Burlington Ashline	20	Y	Barton	Preservation Agreement owner rejected
Burlington Baker	20	Y	Burlington Kassell	Preservation Agreement closing in Sept
Burlington Duggan	20	Y	Burlington Randall	Preservation Agreement in negotiation
Burlington Eno Apts.	19	Y	Derby Line	Preservation Agreement under discussion
Burlington Harrington	19	Y	Fairfield	Preservation Agreement link to Energy Loan
Cummings Street**	28	NP*	Island Pond Family	Preservation Agreement link to Energy Loan
Danville/St. Johnsbury	17	Y	Montpelier Babcock	VPHT still interested in acquisition
Enosburg	20	Y	Montpelier Dubrul	Considering Refinance/Preservation options
Fairfax	18	Y	Vergennes	New Partnership to submit proposal
Hardwick Freeman	18	Y	Waitsfield	New Partnership to submit proposal
Highgate**	Perpetuity	NP*	Westminster	Preservation linked to Energy Loan
Milton**	15	N	Woodstock I & II	Limited Partners rejected proposed deal
Montpelier Dubrul**	15	Y		
Northfield	20	NP*		
Northgate**	Perpetuity	NP*		
Plainfield	20	NP*		
Randolph Faith	22	NP*		
Randolph Wishcamper**	48	NP*		
Richford	30	Y		
Rockingham	71	Y		

cont.

3. **SALES, PRESERVATION AGREEMENTS, AND OPTIONS EITHER CLOSED OR UNDER NEGOTIATION**

CLOSED			IN NEGOTIATION	
PROJECT NAME	# YEARS LOCK-IN	OPTION (Y/N)	PROJECT NAME	STATUS
Rutland Linden Terrace	50	NP*		
St. Albans Cioffi	17	Y		
St. Albans Carr	29	Y		
Swanton Elderly**	19	NP*		
Swanton Abenaki	60	NP*		
White River Junction	Perpertuity	NP*		

** LIHTC
* Non-Profit

4. **CASH FLOW PROBLEMS**

PROJECT NAME	OPERATING CASH BALANCE BALANCE	OPERATING PROFIT/(LOSS) QUARTER ENDED 06/30/94 BUDGET	ACTUAL
Montpelier Babcock	$2,594	$(460)	$3,039
Pine Meadow	$16,890	$(3,539)	$(14,575)
Plainfield	$741	$(921)	$(11,816)
St. Johnsbury HP I	$5,852	$2,151	$(7,318)
Winchester	$5,664	$(129,115)	$(128,959)

5. **HAVE OUTSTANDING MAINTENANCE OR OTHER UNUSUAL ISSUES OR PROBLEMS**: see attached Monthly Narratives

PROJECT NAME

Alburg Lamphere	Montpelier Wishcamper
Bradford	Northfield
Bridgewater	Northgate
Chelsea & Williamstown	Pine Meadow
Depot II	Plainfield
Depot Square	St. Albans Holy Angels
Fairfax	St. Johnsbury Housing Partnership
Hancock	Templeton Court
Highgate	Upper Welden
Milton	White River Jct
Mobile Home Parks	Winchester
Montpelier Babcock	Windsor

MULTI-FAMILY MANAGEMENT MONTHLY ACTIVITY REPORT

For the Month ending July 1994

A. Multi-Family Management Activity - Narrative

1. Tax Credit Compliance Monitoring
2. Tenant Rental Assistance Certification System (TRACS)

B. Project Reports (see attached narratives)

1. Alburg Lamphere
2. Bradford
3. Bridgewater
4. Chelsea & Williamstown
5. Depot II
6. Depot Square
7. Fairfax
8. Hancock
9. Highgate
10. Milton
11. Mobile Home Parks
12. Montpelier Babcock
13. Montpelier Wishcamper
14. Northfield
15. Northgate
16. Pine Meadow
17. Plainfield
18. St. Albans Holy Angels
19. St. Johnsbury Housing Partnership
20. Templeton Court
21. Upper Welden
22. White River Junction
23. Winchester
24. Windsor

A. Multi-Family Department Activity

1. Tax Credit Compliance Monitoring

After a long and torturous 1-year contract with SPECTRUM, we have taken over tax credit monitoring effective July 1, 1994. Owners and managers have unanimously applauded our decision to take over monitoring responsibilities and we have already made significant progress in implementing VHFA's program. We are following up on all reported findings prior to sending IRS 8823's for 1992, reviewing 1993 Project Status Reports, and have billed the 35 projects that are now subject to monitoring. Tax credit files have been established for all properties and organized in a way that will facilitate efficient monitoring.

The VHFA LIHTC Compliance Manual is being revised and will be printed and distributed by October 1, 1994. The new 3-hole loose leaf format will allow us to distribute updates and revisions more economically. We are also planning to work closely with Development so that we can establish a procedure for transferring responsibility and becoming aware of the signing of 8609's, dates projects are placed in service, and changes in number of tax credit units after allocation. Ultimately, our new computer system will allow these things to be tracked and updated more easily.

2. Tenant Rental Assistance Certification System (TRACS)

The HFA Contract Administration software that we will need to comply with HUD's nationwide automation effort is available through a local vendor in Colchester Vermont. A & M Software appears to be one of the top companies and has provided their product to at least 9 other HFA's. Our calls to these agencies have confirmed that the product is good and A & M's service/response record has been very acceptable.

We are still awaiting the publication of a final rule in the Federal Register that will then give us 30-days to have a system in place and ready to receive and transmit projects' tenant data and other Section 8 subsidy information. The delays in implementing the final rule are being caused by problems that are being experienced by the Central Processing Facility in receiving data from projects that came on line in March. We have kept owners and managers informed about these developments and advised them that it may be prudent to contract out for this service until after HUD gets the bugs out of their system. Most Vermont owners and managers will be needing to buy or upgrade computers in addition to TRACS compatible software in order to meet the requirements of what is looking like a troubled system. With Jim and Sherri's involvement, we have determined that the A & M software can be put on the Network and will require a 486 computer that will allow us to receive and transmit data as it is sent through a VHFA Contract Administrator's designated TRACS telephone line. We hope to install tax credit monitoring software on this same system in the future and may be able to combine these two monitoring requirements using the same automated system.

B. Project Reports

1. **Alburg Lamphere:** Jim Lamphere is proceeding with the siding replacement as they reach a final decision regarding a Preservation Agreement and Energy Loan that would allow for a comprehensive utility conversion and other energy upgrades.

2. **Bradford:** George Huntington, owner of Colonial Village, has completed an energy audit and is planning to complete a conversion by this coming heating season. There have been many heating problems, especially in the family units and it is critical to upgrade the existing all electric system. VEIC, working closely with CVPS, has proposed a comprehensive energy conversion utilizing a utility company interest write down.

3. **Mill Village - Bridgewater:** This 14 unit rehab property has old windows that cause operational problems for the elderly tenants and energy problems for everyone. The Vermont Historic Preservation division has told the owner that they will not be allowed to replace the windows due to their historic value, and it will be cost prohibitive to have new windows custom made. The owner, Simpson Development, has recently hired a new property manager (also managing Proctor Place and Brookside) who hopes to pursue this issue with the people at Historic Preservation.

4. **Chelsea & Williamstown:** Dick Dybvig has received approval from HUD Manchester and VSHA to prepay both of these VHFA loans under the condition that they honor the full term of their 30-year HAP contract. As of this date we have not received a request for pay off figures, however, prepayment is imminent ($1,500,000 in recycle proceeds will be available). The new mortgages are from Sibley Corporation and Freddie Mac.

5. **Bethel - Depot II:** After visiting the site this spring, it was evident that the drainage issue had not been solved at Depot II. We contacted VSHA to find out what action they were taking to fix this problem. Richard Williams guaranteed us that the architect would be on site immediately to figure out a solution. We have heard from the management agent that the corrective work has been completed by the contractor. We will have a look at this property during the fall wet season and confirm that the drainage upgrades required in conjunction with the Depot I & II acquisitions are acceptable.

6. **Depot Square - St Johnsbury:** This property appears to be holding it's own. The owners have had turnover in management, and some resident turnover. The tenant population continues to be primarily non-elderly and we continue to encourage the owners to consider implementing some level of supportive services/coordination.

7. **Fairfax - Mountain View:** The energy conversion (from electric to propane) has just been completed, utilizing an energy loan from VHFA. VEIC's involvement in this process was invaluable. The owners signed a Preservation Agreement for the development, and are interested in possibly

building several additional elderly units on the site if our refunding efforts are ever successful.

8. **Hancock:** Peter Harvey has rejected our Preservation Agreement offer at this time largely on advice from his attorney. Future tax implications may force him to reconsider this option and we hope that he will be interested in further discussions. Peter also missed 3 month's mortgage payments (March, April & May) and claims that it was an oversight due to his being prepaid at the end of 1993. We did not get deliquency reports during this time, due to the Finance Department's intense effort to complete their data conversion, and were unaware of the delinquencies until they were discovered as part of our preservation work. We have since devised a method with Finance to ensure that this does not happen again.

9. **Highgate:** The owners request to HUD for a waiver of the 120% of FMR restriction is completed and is now awaiting final decision from HUD. Instead of the required reduction in contract rents to 110% of FMR, we have helped frame the request that HUD allow rents to remain at a level between 110% and 120% of FMR adequate to meet operating expenses. We are optimistic that HUD will approve this request and are prepared to appeal their decision should the request be denied.

10. **Milton:** The May 16 response from Helen Dunlap at HUD Central regarding the proposed refinancing of Meadow Lane has dampened the enthusiasm of the owners for proceeding. The conditions imposed (agree to either a 10 year extension of Low Income Occupancy or a 100% recapture of any debt service savings to be shared 50/50 by HUD and VHFA) appear to have delayed the anticipated prepayment. These conditions are also consistent with HUD's draft policy on Multifamily Refunding. With the commitment offered by the Bank of Vermont expiring on May 16 and interest rates having risen since the commitment was made in mid-December, it is not likely the refinancing will occur in the near future.

11. **Mobile Home Parks:** Having received approval from Paul Ruse on the requested 50% reduction in the prepayment penalties, HFI and ACCT have prepaid their mortgages for **Coburn, Fernwood, Otter Creek and Lazy Brook.**

12. **Montpelier Babcock:** The cash position here has improved ever so slightly. With little in the way of project reserves available, day-to-day operations continue to be precarious. There has been no recent activity regarding the acquisition by Vermont Housing Preservation Trust as we find the purchase price set by the owner to be unacceptably high.

13. **Cummings Street - Montpelier:** For the past year, Susi has been encouraging the owners and manager to consider converting the existing (failing) electric heating system to a more efficient fuel fired system. GMP

is currently in the process of conducting an energy audit which will provide the owners with information to go forward with a conversion plan. It was recently discovered that two out of the three buildings need new roofs which will use up all of the available reserves. Unfortunately, due to the timing, it is doubtful that any conversion will happen prior to this heating season.

14. **Northfield - Dogwood Glen II:** Northfield has in excess of $100,000 in their operating account. For the past 3 years, we have been discussing implementing an energy conversion at this all electric development (excessive winter electric bills have been cited as a reason for chronic vacancies in the family units). An energy audit was conducted in November of 1993, owners HFI/VSHA seem to be delaying this process. We are concerned that this conversion is being put on hold because the owner is trying to figure out a way to convert both Dogwood Glen II and Dogwood Glen I (FmHA portion of Dogwood). Although it makes sense to convert the whole development at one time to save money, Dogwood I has limited resources and marginal cash flow and we fear they will try to use Dogwood II's significant cash balance to subsidize the conversion at Dogwood I. At this fall's management review, we may require that they complete the conversion at Dogwood II before the end of the summer of '95.

15. **Northgate:** The staff changes at HVT have slowed the progress of the Working Group of interested parties (VHFA, HVT, Maloney, NGRA, NNP) who had begun meeting to discuss issues of importance such as the future use of Deficit Escrow. The onset of budget preparation should lead to a resumption of the dialogue. There is expected to be over $650,000 in working capital and deficit escrow remaining at the end of the 6-year rent phase in period and our combined objective has been to find the best use for these funds that will limit future rent increases.

16. **Pine Meadow - Middlebury:** Management changed on August 15 from Sarah Carpenter (Cathedral Square) to Rick Keefer and Mike Lorraine, TP&M. This is a positive change as TP&M has other properties in the area, and they have experience with managing family properties as well as knowledge of the tax credit program. Pine Meadow is troubled by a negative cash flow due primarily to high turnovers and costs related to the turnover activity. We are trying to facilitate discussions with TP&M, Sarah, and the owners before impending HVT staff departures in order to develop a plan to monitor and hopefully curb the negative cash flow. VHFA will be requesting monthly cash flow and occupancy reports on this property.

17. **Plainfield - School Street Apartments:** We anticipate an increase in cash flow at Plainfield when we recognize the savings of the energy conversion. In November of this year Plainfield is due for it's annual adjustment factor. At this time we will adjust contract rents upward to reflect the reductions in the old utility allowances. Utility allowances will then be zero and gross

rent will remain the same. This increase in contract rents will bring much needed additional income into the project which will then be available to address issues like the rapid depletion of the replacement reserve account and low annual cash flow projections.

18. **St. Albans Holy Angels:** This property has also completed a VEIC energy audit and would like to begin a much needed heating system conversion. Cash flow problems unfortunately limit the available options in this instance, short of completing a refunding and restructuring of project debt service.

19. **St. Johnsbury Housing Partnership I :** This property continues to be at the top of the Multi-Family list of troubled properties. Expenses have exceeded income and there are continuing physical problems requiring additional rehab with no money to fund the work. The owners have applied for additional tax credits from VHFA, and have applied to VHCB for an additional rehab loan in the amount of $904,000. It appears that the additional funds from VHCB will not be forthcoming until 1996, if then, and the owners are requesting debt service waivers as a possible short term solution. In the meantime, the management agent is attempting to keep operating costs down to the bare minimum. Although the current 7% vacancy rate is better than in the past when it has been as high as 17%, the development continues to suffer from chronic vacancy problems and we believe this may be an ongoing problem regardless of the physical condition of the property. Susi has requested monthly financial and occupancy reports from the management company beginning with July.

20. **Templeton Court:** This property is performing much better than the initial start up several years ago. VSHA management and project cash flow appears to be under control, but we still have problems presented by the list of outstanding physical rehab items and lack of cash to fund the remaining work. VHFA and VSHA are continuing discussions to get this work done, agree on a source of funding, and resolve the issue related to VSHA's request for a higher management fee. Development continues to take the lead on resolving the rehab issues and Allan has been asked by Richard Williams to intervene in helping to find an overall solution to the problems this property faces.

21. **Upper Welden Villa - St. Albans:** The structural rehab work identified in April 1993 is currently underway, and will be paid for from existing reserves and operating cash. An agreement between VHFA and VSHA on a management fee increase is still pending the completion of this work.

22. **Graystone Village - White River Junction:** Although the cost of the heating conversion was greater than initially estimated, the new system is now almost complete. Because of the high cost of this conversion, there will not be any windows replaced as the new owners had originally planned.

23. **Winchester:** This property is enjoying a little breathing room after the concerted efforts of this winter. Vacancies are now 1%! The appeal of the property taxes was successful reducing the assessment from 7.6 million to 5.9 million, including land, which will reduce the property tax bill to $43,000. Sewer reconstruction is proceeding albeit slowly. The town of Colchester will be constructing the new line and assume responsibility for the pump station. This should save the property about $18,000 a year once it is on-line. The negotiations between HVT and SMC to reduce land lease payments are stalled. We have encouraged the Merchants Bank to try and exert some influence in the resumption of these discussions.

24. **Windsor:** Olde Windsor Village is about to be acquired by Housing Vermont. The first mortgage of about 2 million dollars will be assumed together with a second mortgage of $820,000. They have requested $116,000 in Tax Credits and have an option to buy the management from Peabody Properties in three years for an additional $250,000.

Series 5 Statistical Report
LTV 0% To 100%
Effective as of 9/9/94
Loan Status: Committed, Underwritten and Purchased

Total Number of Loans: 457
Total Loan Amount: $29,190,971

	Amount	Percentage of Loans	
Existing:	$25,104,163	87.5%	400 Loans
New Construction:	$4,086,807	12.5%	57 Loans
New Detatched Housing:	$3,685,712	91.2%	52 Loans
New Condominium:	$401,095	8.8%	5 Loans

Total Insured or Guaranteed Loans: 457
Loans Guaranteed by VHMGB: 429

	ACED	NON-ACED	STATEWIDE
Avg Purchase Price	65,405.15	73,515.44	68,120.41
Avg Loan Amount	61,680.69	68,235.56	63,875.21
Avg Borrower Income	27,861.85	28,572.74	28,099.85
Avg Housing Debt-Income Ratio	25.64	27.46	26.25
Avg Total Debt-Income Ratio	33.70	33.50	33.63
Total Number of Loans	304	153	457
% of Total Loan Amount	64.2%	35.8%	100.0%
First Time Homebuyers	264	150	414
% Meeting Low Income Set Aside	55.3%	71.9%	60.8%

	Loans	% of Loans	$ Amount	* Households	% of Households	% Difference
ADDISON	24	5.3%	1,474,118	4,064	5.5%	-0.2%
BENNINGTON	20	4.4%	1,419,352	4,668	6.3%	-1.9%
CALEDONIA	43	9.4%	2,422,469	4,251	5.8%	3.6%
CHITTENDEN	79	17.3%	5,625,093	13,269	18.0%	-0.7%
ESSEX	6	1.3%	349,062	1,018	1.4%	-0.1%
FRANKLIN	55	12.0%	3,187,425	5,330	7.2%	4.8%
GRAND ISLE	5	1.1%	310,350	727	1.0%	0.1%
LAMOILLE	26	5.7%	1,668,248	3,001	4.1%	1.6%
ORANGE	21	4.6%	1,341,485	3,735	5.1%	-0.5%
ORLEANS	33	7.2%	1,874,109	3,774	5.2%	2.0%
RUTLAND	50	10.9%	3,356,438	8,815	12.0%	-1.1%
WASHINGTON	55	12.0%	3,634,198	7,196	9.8%	2.2%
WINDHAM	15	3.3%	917,494	6,151	8.3%	-5.0%
WINDSOR	25	5.5%	1,611,125	7,780	10.5%	-5.0%
Total :	457	100.0%	29,190,971	73,776	100.0%	

* Estimated Number of households, $15,000 to $35,000 income.
Source: CACI, 1990 Sourcebook of County Demographics.

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: July 31, 1994

Lenders	Total Loans	30	Days	60	Days	90+	Days	Auth	FCL	Total Delinq		REO	
BancBoston Mortgage Corp.	319	9	2.82%	4	1.25%	4	1.25%	1	0.31%	18	5.64%	1	0.31%
Banknorth Mortgage Co.	731	33	4.51%	8	1.09%	14	1.92%	3	0.41%	58	7.93%	6	0.82%
Bennington Co-op S&L Assoc.	38	2	5.26%	0	0.00%	0	0.00%	0	0.00%	2	5.26%	0	0.00%
Brattleboro Savings & Loan	6	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Chittenden Bank	824	44	5.34%	16	1.94%	14	1.70%	4	0.49%	78	9.47%	4	0.49%
Citizens Savings Bank	62	1	1.61%	2	3.23%	1	1.61%	0	0.00%	4	6.45%	1	1.61%
Comfed Mortgage Co.	5	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Community National Bank	206	12	5.83%	1	0.49%	6	2.91%	0	0.00%	19	9.22%	1	0.49%
Factory Point Nat. Bank	27	4	14.81%	3	11.11%	0	0.00%	0	0.00%	7	25.93%	0	0.00%
First Brandon Nat. Bank	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
First Northern Mortgage Corp.	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Fleet Mortgage	13	2	15.38%	0	0.00%	0	0.00%	0	0.00%	2	15.38%	0	0.00%
Graystone Mortgage Company	159	8	5.03%	7	4.40%	0	0.00%	0	0.00%	15	9.43%	2	1.26%
Green Mountain Bank	182	11	6.04%	4	2.20%	3	1.65%	0	0.00%	18	9.89%	1	0.55%
Lomas & Nettleton Company	11	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Lyndonville Savings Bank	60	4	6.67%	1	1.67%	0	0.00%	0	0.00%	5	8.33%	1	1.67%
Marble Bank	213	7	3.29%	5	2.35%	0	0.00%	0	0.00%	12	5.63%	0	0.00%
Merchants Bank	333	20	6.01%	3	0.90%	6	1.80%	0	0.00%	29	8.71%	3	0.90%
Mortgage Service Ctr. of NE	51	1	1.96%	1	1.96%	0	0.00%	0	0.00%	2	3.92%	4	7.84%
National Bank of Middlebury	62	3	4.84%	0	0.00%	0	0.00%	0	0.00%	3	4.84%	1	1.61%
New England IBM Employees FCU	49	1	2.04%	0	0.00%	1	2.04%	0	0.00%	2	4.08%	0	0.00%
Northfield Savings Bank	105	5	4.76%	3	2.86%	1	0.95%	0	0.00%	9	8.57%	1	0.95%
Passumpsic Savings Bank	164	7	4.27%	1	0.61%	3	1.83%	0	0.00%	11	6.71%	2	1.22%
Peoples Trust Co.	111	11	9.91%	0	0.00%	1	0.90%	0	0.00%	12	10.81%	0	0.00%
Randolph National Bank	52	1	1.92%	1	1.92%	1	1.92%	0	0.00%	3	5.77%	0	0.00%
Union Bank	150	10	6.67%	0	0.00%	0	0.00%	0	0.00%	10	6.67%	0	0.00%
Vermont Development CU	5	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Vermont Federal Bank	778	39	5.01%	5	0.64%	8	1.03%	5	0.64%	57	7.33%	8	1.03%
Vermont National Bank	543	21	3.87%	7	1.29%	5	0.92%	0	0.00%	33	6.08%	2	0.37%
Wells River Savings Bank	35	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Totals July 31, 1994	5298	256	4.83%	72	1.36%	68	1.28%	13	0.25%	409	7.72%	38	0.72%
Totals Previous Month	5277	262	4.96%	70	1.33%	72	1.36%	12	0.23%	416	7.88%	38	0.72%

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Single Family Operations

DATE: September 8, 1994

RE: Discussion on the conversion of Mortgage Revenue Bonding (MRB) authority to Mortgage Credit Certificates (MCC) authority and authorizing the 90 day public notice of the program as required by the Internal Revenue Service Tax Code.

Conversion of Mortgage Revenue Bonding (MRB) authority to Mortgage Credit Certificates(MCC) authority.

Background

The last conversion of MRB authority to MCC authority took place in December 1992. The MRB authority converted at that time can only be used to issue MCC commitments until December 31, 1994. Unless more recent MRB authority is converted to MCC authority, VHFA will have to notify participating lenders that it may not issue MCC commitments after December 31 and will effectively end the MCC program until a new one is announced.

The VHFA MCC program has gained statewide usage by 18 participating lenders. This is evidenced by the use to which these lenders are incorporating the program into their affordable housing initiatives. For the period of July 1993 through June 1994, the average MCC authority used to issue MCCs was just under $3.5 million which represents approximately $14 million in mortgages. Staff estimates that commitments of up to 250 MCCs could be issued from January 1995 through December 1995 and that $20 million in MRB authority should be converted to MCC authority to fund the MCC program.

Available Authority

Currently VHFA has $101.2 million of MRB authority available for issuing mortgage revenue bonds and conversion to MCC authority. Of this amount, $47.2 million is from 1993 authority and $54 million is from 1994 authority. Authority converted from these sources can be used to issue an MCC until December 31, 1996. Staff recommends the conversion of up to $20 million of 1993 MRB authority to MCC authority.

Discussion of authorization to publish 90 day public notices for the program as required by the Internal Revenue Tax Code.

Background

The last time VHFA published the public notices for its MCC program, as required by Section 25 of the Internal Revenue Code of 1986 and Treasury Temporary Regulations, was in 1992. Staff is requesting the authorization for the public notices at this time because of the change in the source of the MCC authority. As discussed above, staff is recommending using 1993 MRB authority for the continuation of the MCC program.

Information on the MCC program to be effective January 1, 1995

VHFA anticipates issuing an MCC certificate with a 25% credit rate to borrowers whose homes are judged to be energy efficient by an organization acceptable to VHFA in the new program. This initiative was approved by the Board on September 24, 1992. The 25% credit rate will provide the holder of the MCC with a direct reduction of their federal personal income tax liability of up to $2,000 of the interest paid on the mortgage to which the MCC is attached. For MCCs issued to borrowers whose homes are not energy rated or which do not fall into the energy efficiency category, the credit rate would remain at the current 20%.

VHFA would continue to require the borrower to demonstrate a need for the MCC credit in order to qualify for the mortgage. Staff believes the MCC program would be enhanced by providing the participating lenders with a "Safe Harbor" for determining the need for qualifying for a mortgage. Staff recommends that the Safe Harbors will be met if: (1) the housing expense to income underwriting ratio exceeds 28% and/or the total debt to income underwriting ratio exceeds 36% on non-energy efficient mortgage loans; or (2) if the housing expense to income underwriting ratio exceeds 30% and/or the total debt to income underwriting ratio exceeds 38% on energy efficient mortgage loans.

Attached are the public notices which staff is recommending the Board approve for publication. The applicable purchase price and income limits are blank. This is necessary as the Board will be acting on a staff recommendation for new applicable limits at this Board meeting. Once the income and purchase price limits are approved by the Board, they will be inserted into the proposed public notices.

Recommended Action

Approve the attached resolution authorizing the conversion of up to $20 million of 1993 MRB authority to MCC authority and publication of the attached public notices on or before October 1, 1994 to be effective January 1, 1995.

RESOLUTION PERTAINING TO ELECTION OF VERMONT HOUSING FINANCE AGENCY TO CONVERT MORTGAGE REVENUE BOND AUTHORITY TO MORTGAGE CREDIT CERTIFICATE AUTHORITY

WHEREAS, by a vote taken on January 29, 1993, the Emergency Board of the State allocated to the Agency $26,000,000 of the State's 1993 private activity bond volume cap ("Volume Cap") as provided in Section 146 of the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, the Governor of the State of Vermont allocated an additional $24,000,000 of the State's 1993 Volume Cap to the Agency on December 20, 1993; and

WHEREAS, the Agency carried forward the $50,000,000 in Volume Cap from 1993, which Volume Cap may be used for the purposes of mortgage revenue bonds or mortgage credit certificates and utilized $2,825,000 of that amount for its Single Family Housing Bonds, Series 5; and

WHEREAS, the Agency wishes to establish a new Mortgage Credit Certificate Program in 1995; and

NOW THEREFORE, in order to establish the Agency's 1995 Mortgage Credit Certificate Program and to satisfy the requirements of Section 25 of the Code and regulations issued thereunder, it is hereby RESOLVED:

1. The Vermont Housing Finance Agency hereby elects to utilize $20,000,000 of its 1993 private activity volume cap for the purposes of issuing qualified mortgage bonds and mortgage credit certificates.

2. The Vermont Housing Finance Agency hereby elects not to issue $20,000,000 principal amount of qualified mortgage bonds that it is otherwise authorized to issue during calendar year 1994.

3. The Executive Director, Director of Finance, and the Director of Single Family Operations are directed, and each of them is authorized, to take all steps necessary to the continuation of the Agency's Mortgage Credit Certificate Program including, but not limited to:

   A. Preparation, execution, and delivery of a Mortgage Credit Certificate Election in such form as may be required by the Internal Revenue Service and consistent in content and effect with this Resolution.

   B. Certification to the Governor as provided in the Code.

   C. Preparation of any certificate required by the Code to be signed by the Governor.

   D. Preparation and placement of the appropriate public notices, if any.

INVITATION TO LENDERS

MORTGAGE CREDIT CERTIFICATE PROGRAM

This notice is published pursuant to Section 25 of the Internal Revenue Code of 1986 (the "Code") and Treasury Temp. Reg. Sec. 1.25-7T.

Vermont Housing Finance Agency (VHFA") announces its Mortgage Credit Certificate Program (the "Program") to take effect on or after January 1, 1995.

Under the Program, VHFA will issue Mortgage Credit Certificates ("Certificates") through participating lenders for the purpose of aiding persons and families of low and moderate income to purchase affordable single family primary residences in the State of Vermont, or mobile homes that meet certain conditions. Certificates will also be issued for qualified home improvement loans on the borrower's principal residence should such a program be developed. A Certificate will entitle the borrower to the annual federal income tax credit established by Section 25 of the Code.

Program Requirements.

Some requirements of the Program vary according to the location of the particular residence to be acquired. In general, the requirements are less restrictive in the following counties, known as "Targeted Areas": Caledonia, Essex, Franklin (not including the towns and/or cities of Georgia, Fairfax, St. Albans and Swanton which are located in the Burlington, MSA), Lamoille, Orange, Orleans, Rutland, Washington, and Windham. Targeted Areas are entitled to a preference under the Program; therefore, Certificates pertaining to non-Targeted Areas may be delayed or unavailable from time to time. The basic requirements of the Program are explained below.

Income Limits. Income must be adjusted for family size on the basis of those families of 3 or more individuals ("Large Families") versus families of less than 3 individuals ("Small Families"). In Targeted areas, the borrower's annual family income may not exceed the median gross income of the higher of the state or area (generally the county) by 140% for Large Families and 120% for Small Families. In all other areas the borrower's annual family income may not exceed the median gross income of the higher of the state or area by 115% for Large Families and 100% for Small Families. For the purposes of the Program, and until further notice, the table below sets forth maximum eligible borrower family income by area:

Area	Small Family	Large Family
Burlington, MSA (1)		
Counties of Addison, Bennington, Chittenden (towns of Bolton, Buels Gore, Underhill & Westford), Grand Isle and Windsor.		
Counties of Caledonia, Essex, Franklin (2), Lamoille, Orange, Orleans, Rutland, Washington and Windham		

Principal Residence Requirement. The borrower must intend to occupy, and must occupy, the residence as the borrower's principal residence within 60 days of the time the mortgage loan is provided by the lender. A Certificate will cease to be valid, and will be revoked, if and when the residence to which it applies ceases to be the principal residence of the Borrower. For the purposes of this requirement, a "residence" may include any manufactured home which has a minimum of 400 square feet of living space and a minimum width in excess of 102 inches and which is of a kind customarily used at a fixed location. A residence may also include a duplex that was first occupied at least five years prior to the date of the mortgage ("Qualified Duplex").

Three-Year Requirement. In non-targeted Areas, the borrower must not have held a present ownership interest in borrower's principal residence (excluding any manufactured housing not permanently affixed to real property) at any time during the three-year period ending on the date the mortgage is executed. **This rule does not apply in Targeted Areas.**

New Mortgage Requirement. Under the Program, except in the case of a qualified home improvement loan, a mortgage must be a new mortgage; it must not be used to acquire or replace any existing mortgage except for a construction loan or bridge financing or other temporary financing not exceeding 24 months. Further (subject only to these limited exceptions) the residence must not have been subject to any mortgage given by the borrower, whether or not paid off, at any time prior to execution of the mortgage given under the Program.

Purchase Price Limits. Subject to change as required by data published by the Federal government or as otherwise determined by VHFA, the purchase price of a residence under the Program may not exceed the following: In Targeted areas, the purchase price of a residence may not exceed 110% of the average purchase price for the area (generally the county). In all other areas the purchase price may not exceed 90% of the average purchase price for the area. For the purposes of the Program, and until further notice, the table below sets forth maximum eligible purchase prices by area:

Area	Existing 1 Family	Qualified Duplex	New Construction
Burlington, MSA (1)			
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Counties of Caledonia, Essex, Franklin (2), Lamoille, Orange, Orleans, Rutland, Washington and Windham			

Recapture Tax Requirement. The Technical and Miscellaneous Revenue Act passed by Congress in 1988 mandated the collection of a Recapture Tax on all mortgage loans on which a Mortgage Credit Certificate (MCC) is issued after December 31, 1990. All VHFA MCC applicants will be required to sign an "Acknowledgment of Federal Recapture Tax Requirements" so they may be informed of the possibility of this tax's applicability to them. The Recapture Tax due, if any, will be collected by the Internal Revenue Service at the time a home ceases to be the applicant's principal residence or the home is sold or the indebtedness is otherwise retired. The mechanism used to collect the recapture tax will be the personal federal income tax return.

Method by which Certificates will be issued under the Program.

Certificates will be issued through any lender that has entered a Program participation agreement with VHFA. Application for a Certificate will be taken by a participating lender at the time the lender determines the need for the certificate in order to qualify for a particular mortgage loan. The opportunity to participate will be open to any lender. A list of currently participating lenders will be available from VHFA on or before the effective date of the Program.

Fees. Each applicant will be charged a processing fee of $250, in addition to other normal loan charges. Participating lenders will be charged an annual participation fee of $500.00. Fees are subject to change.

Further Information.

For further information, write to Vermont Housing Finance Agency, P.O. Box 408, Burlington, VT 05402, ATTN: Douglas R. Lothrop, or phone, toll free: 1-(800)-339-5866.

(1) The Burlington, MSA includes the towns and/or cities of Burlington, Charlotte, Colchester, Essex, Essex, Jct., Hinesburg, Jericho, Milton, Richmond, St George, Shelburne, South Burlington, Williston and Winooski in Chittenden County; Georgia, Fairfax, St. Albans and Swanton in Franklin County; Grand Isle and South Hero in Grand Isle County.

(2) Franklin County towns and/or cities of Georgia, Fairfax, St. Albans and Swanton are located in the Burlington, MSA.

PUBLIC NOTICE

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New Mortgage Requirement. Under the Program, except in the case of a qualified home improvement loan, a mortgage must be a new mortgage; it must not be used to acquire or replace any existing mortgage except for a construction loan or bridge financing or other temporary financing not exceeding 24 months. Further (subject only to these limited exceptions) the residence must not have been subject to any mortgage given by the borrower, whether or not paid off, at any time prior to execution of the mortgage given under the Program.

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Method by which Certificates will be issued under the Program.

Certificates will be issued through any lender that has entered a Program participation agreement with VHFA. Application for a Certificate will be taken by a participating lender at the time the lender determines the need for the certificate in order to qualify for a particular mortgage loan. The opportunity to participate will be open to any lender. A list of currently participating lenders will be available from VHFA on or before the effective date of the Program.

Fees. Each applicant will be charged a processing fee of $250, in addition to other normal loan charges. Fees are subject to change.

Further Information.

For further information, write to Vermont Housing Finance Agency, P.O. Box 408, Burlington, VT 05402, ATTN: Douglas R. Lothrop, or phone, toll free: 1-(800)-339-5866.

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(2) Franklin County towns and/or cities of Georgia, Fairfax, St. Albans and Swanton are located in the Burlington, MSA.

vhfa
VERMONT HOUSING FINANCE AGENCY

TO: VHFA Board of Commissioners

FROM: Cathleen Gent, Interim Director of Communications

DATE: September 14, 1994

RE: Strategic Planning - VHFA Mission, Overall Goals, and Objectives

Attached is the final version of "VHFA Mission, Overall Goals, and Objectives" as revised per your September 12th discussion.

Recommended Board Action:

To vote to adopt the "VHFA Mission, Overall Goals, and Objectives" as written.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • FAX: 802/864-5746 • TDD: 1-800/586-5832

VHFA MISSION, OVERALL GOALS, AND OBJECTIVES
September 12, 1994

MISSION

VHFA's mission is to finance and promote affordable, safe, and decent housing opportunities for low- and moderate-income Vermonters.

OVERALL GOALS

1) To provide access to low cost, flexible, innovative programs for individuals who are otherwise unable to qualify for mortgage financing.

2) To stimulate the development and preservation of affordable housing, including rental and ownership housing opportunities for low- and moderate-income Vermonters; and to encourage mechanisms to ensure that this housing remains perpetually affordable.

3) To maintain a sound fiscal structure and meet all fiduciary requirements in a professional manner.

4) To work in partnership with state government, municipalities and the private sector to: (a) encourage and support quality planning for affordable housing; (b) address the special needs of Vermonters who have disabilities or require supportive services; and (c) address homelessness in Vermont.

5) To heighten general awareness of housing needs for low- and moderate-income Vermonters, particularly with groups who can have an impact on the production of such housing, including the legislature, community officials and the business community.

6) To create and sustain a workplace conducive to attracting and retaining a quality staff.

(OVER→)

SPECIFIC OBJECTIVES - LINKED TO OVERALL AGENCY GOALS

Objective 1:	To enhance affordability and habitability that will increase homeownership.
Objective 2:	To improve flexibility of financing tools as a lender for rental housing.
Objective 3:	To create and enhance affordable housing integrated with services to enable households to remain in their residences.
Objective 4:	To increase the efficiency and responsiveness of the lending process.
Objective 5:	To develop programs to finance the mitigation or elimination of environmental hazards that may inhibit the production or preservation of safe and decent affordable housing.
Objective 6:	To work with other housing and regulatory agencies to facilitate the development and preservation of affordable housing.
Objective 7:	To inform policy makers on an on-going basis regarding affordable housing issues and needs.
Objective 8:	To promote VHFA's affordable housing programs and to build upon VHFA's successful public education and information efforts.
Objective 9:	To enhance the long-term financial viability of VHFA by improving efficiency, reducing costs and increasing revenues.
Objective 10:	To encourage and support a work environment that enables staff to realize their full potential as employees of VHFA.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Jeff Francis, Deputy Director

DATE: September 8, 1994

RE: SALARY AND BENEFITS INFORMATION

WAGES AND SALARIES

At its July meeting, the Board of Commissioners requested information about the salaries and benefits provided to VHFA employees. Relative to salaries, I have attached a listing of VHFA positions and corresponding pay ranges. The Agency uses a position rating system designed by Palmer & Associates of Burlington, a human resources consulting firm with which VHFA has had a relationship for the past six years. Palmer & Associates is utilized on an as needed basis to rate new positions or when positions are re-rated because of changes in responsibility. VHFA has also relied on Palmer & Associates to evaluate its salary ranges generally in terms of prevailing market conditions.

VHFA does not use a system under which employees are moved a certain number of steps annually or provided step increases based on merit, although senior staff has, from time to time, discussed instituting a merit based system. Instead, a pay scale model (attached) has been used as a management tool to ensure that employees are being compensated at a level associated with their position and tenure. Typically, hiring rates are set within the first quartile of the pay scale model. VHFA employees work a standard work week of 37.5 hours.

Since 1989, annual adjustments to pay have been as follows:

FY95 - an across the board increase of 2.5%/COL (cost of living)
FY94 - base adjustment of 2.5%/COL (with merit increase up to 1.5%)
FY93 - base adjustment of 2.5%/COL (with merit increase up to 2.0%)
FY92 - base adjustment of 3.6%/COL (with merit increase up to 1.9%)
FY91 - individual adjustments ranging between 4% and 8%
FY90 - an across the board increase of 7%
FY89 - individual salary increases ranging from 5% to 8%

BENEFITS

While VHFA has not surveyed other organizations in the greater Burlington area or those that have some association with the State of Vermont, a survey conducted by Palmer & Associates of more than 100 greater Burlington for-profit and not-for-profit organizations indicates that our benefits package is competitive to liberal. Below I have summarized the benefits we offer and the relative costs to VHFA where applicable.

Dental Insurance

VHFA provides its employees fully paid dental insurance through Northeast Delta Dental. Coverage includes 100% for diagnostic and preventative procedures, 80% for restorative procedures, 50% for prosthodontics and 50% for orthodontics, with a maximum annual benefit of $1,000. Cost to VHFA for dental coverage are $252 annually for the single person plan (13 participating), $492 for the two person plan (11 participating) and $876 for the family plan (15 employees participating)

Disability (Short Term)

Employees are provided short term disability insurance which provides compensation in the event of disabling illness or injury 30 days after affliction for a period up to 22 weeks. Employees eligible for short term disability earn 60% of their typical weekly compensation.

Disability (Long Term)

Long term disability coverage takes effect after the 181st day of a disabling illness or injury and provides compensation for the duration of the disability at a level of 70% of basic monthly earnings.

Educational Opportunities/Tuition Reimbursement

VHFA will pay for employees to participate in approved work related seminars and academic courses. Reimbursement of tuition costs for credit courses is conditioned on successful completion of the course, which must be directly related to the employee's duties at VHFA. Although use varies from year to year, the past fiscal year expenditure was under $1,000 for tuition.

Employee Assistance Program

Since 1992, VHFA has provided an employee assistance plan administered by the Howard Center for Community Services. The purpose of the EAP is to provide employees and their families access to a professional and confidential counseling service equipped to assist with any of a number of personal issues. Under the program, employees and family members can access services up to six times for any specific issue. The annual cost of participation in the EAP is approximately $4,000 for the entire organization.

Flexible Benefit Plan

VHFA has, since 1992, provided its employees the opportunity to participate in a flexible benefit plan in order to utilize pre-tax dollars to pay for health insurance expenses, uninsured medical and dental expenses and dependent care expenses. Fifteen employees take advantage of this opportunity. This benefit has no cost to VHFA.

Health Insurance

VHFA provides its employees fully paid health insurance through Community Health Plan's Share 5 program which provides most routine outpatient medical procedures for a $5 co-payment. The plan pays 50% of the cost of prescription drugs. A $240 co-payment is required for inpatient hospital care with a $100 co-payment required for outpatient surgical procedures. Co-payments are capped at a total of three in each category for family contracts and one for single contracts. VHFA has also instituted a policy under which employees can apply for reimbursement of the co-payments (other than prescriptions and routine procedures) they are required to pay, up to a maximum of $400 per employee per year. Between July 1992 and May 1994 we provided less than $700 in reimbursement. Costs to VHFA for providing health benefits are $4,200 annually per employee for family contracts (26 employees participating) and $1,620 annually per employee for single contracts (15 employees participating).

Holidays

VHFA provides its employees 14 paid holidays, six of which are "optional" (an employee can elect to work that day and earn a vacation day). A list of the holidays observed is attached.

Life Insurance

VHFA provides its employees with fully paid life insurance equivalent to one times the employees salary. Employees may opt to purchase additional insurance equivalent to one or two times their salary through a payroll withholding system.

Memberships

VHFA pays for relevant professional memberships with the approval of an employee's supervisor. These payments amounted to approximately $500 for the past fiscal year.

Parking

VHFA reimburses employees for parking or bus pass costs associated with their employment at a rate of 50% of the employee's costs, to a maximum of $25 per month.

Pension Fund

VHFA participates in a defined contribution pension fund administered by Northwestern National Life Insurance. After an employee has completed six months of employment, VHFA provides a pension contribution equivalent to 10% of the employees salary annually. Employees are vested in the plan at the rate of 20% per year. No employee contribution is required.

Sick Leave

VHFA credits employees who have worked less than five years for the organization with 1 sick day for each full month worked. After five years, employees earn 1.5 sick days per month. There is no limit on the amount of time an employee can accrue and there is no buy back or conversion policy except that an employee who completes six consecutive months of service without using a sick day can opt to convert one sick day to a vacation day.

Travel Reimbursement

Employees are reimbursed at the current rate of $.29 per mile for business-related travel outside of the Burlington area. VHFA also pays for hotel rooms and airfare when overnight travel or attendance at out of state functions is deemed necessary. Meal reimbursements are made for costs incurred, not to exceed $28 per day.

Vacation

From the time employees begin at VHFA until their fifth anniversary, one day per month (or twelve days per year) of vacation is earned. Additionally, between years one and five, employees are credited with extra days equivalent to their years of service. (For example, an employee completing three years of service would be granted an additional three vacation days upon his or her three year anniversary). After five years of employment, an employee earns a straight 1.5 days per month or 18 days per year. Only 15 vacation days can be carried forward at the end of each calendar year.

In addition to the benefits summarized above, VHFA provides its employees the opportunity to participate in a deferred compensation program.

CONCLUSION

At the Board meeting, Allan and I will be prepared to discuss this overview and answer any questions you may have. In addition to a general discussion of VHFA's compensation and benefits practices, I want to inform the Board that an inquiry has been made by employees about extending health coverage to domestic partners. Additionally, employees have been informed of management's intention to comprehensively review all benefits as part of our efforts to reduce operating costs.

Attachments

M E M O R A N D U M

TO: All Staff

FROM: Barbara

DATE: December 1, 1993

RE: 1994 HOLIDAY SCHEDULE

VHFA will observe the following holidays in 1994:

	Friday, December 31 ('93)	New Year's Day (Eve)
*	Monday, January 17	Martin Luther King Jr.'s Birthday
*	Friday, February 11	Abraham Lincoln's Birthday
	Monday, February 21	President's Day
*	Tuesday, March 1	Town Meeting Day
	Monday, May 30	Memorial Day
	Monday, July 4	Independence Day
*	Tuesday, August 16	Bennington Battle Day
	Monday, September 5	Labor Day
*	Monday, October 10	Columbus Day
*	Friday, November 11	Veteran's Day
	Thursday, November 24	Thanksgiving Day
	Friday, November 25	Day After Thanksgiving
	Monday, December 26	Christmas Day (Day After)
	Monday, January 2 ('95)	New Year's Day (Day After)

The holidays marked by an asterisk (*) are designated as "optional;" should you choose to work that day, you will earn an extra vacation day.

VHFA POSITION RANKINGS

GRADE	E/NE	POSITION TITLE
Grade 1	NE	Accounting Assistant
Grade 2	NE	
Grade 3	NE	Administrative Assistant I (DE/FI)
	NE	Consumer Assistant
Grade 4	NE	Accounting/Payroll Specialist
	NE	Administrative Assistant II (SF/LE)
	NE	Hotline Coordinator/Admin Asst (CO)
	NE	Portfolio Accountant
	NE	Portfolio/Investment Assistant
Grade 5	NE	Development Assistant
	NE	Foreclosure Specialist
	NE	Loan Servicing Specialist
	NE	Loan Underwriter
	NE	M-F Management Assistant
	NE	Planning and Design Coordinator
	E	Training Coordinator
Grade 6	E	Community Relations Coordinator
	E	Investment Officer
	E	Management Coordinator
	E	Office Manager*
	E	Research Analyst
	E	Senior Loan Underwriter
	NE	Systems Specialist/Analyst
Grade 7	E	Development Coordinator
	E	Executive Assistant*
	E	Lender Accounting Coordinator
	E	M-F Management Officer
	E	M-F Development Underwriter
	E	Underwriting Supervisor
	E	Assistant Director/SF Operations*
Grade 8	E	Controller
	E	Data Processing Manager
Grade 9	E	Director of Communications
	E	Director of Development
	E	Director of Multi-Family Management
	E	General Counsel
Grade 10	E	Director of Operations
Grade 11	E	Deputy Director
	E	Director of Finance
Grade 12	E	Executive Director

*Rankings incomplete/pending

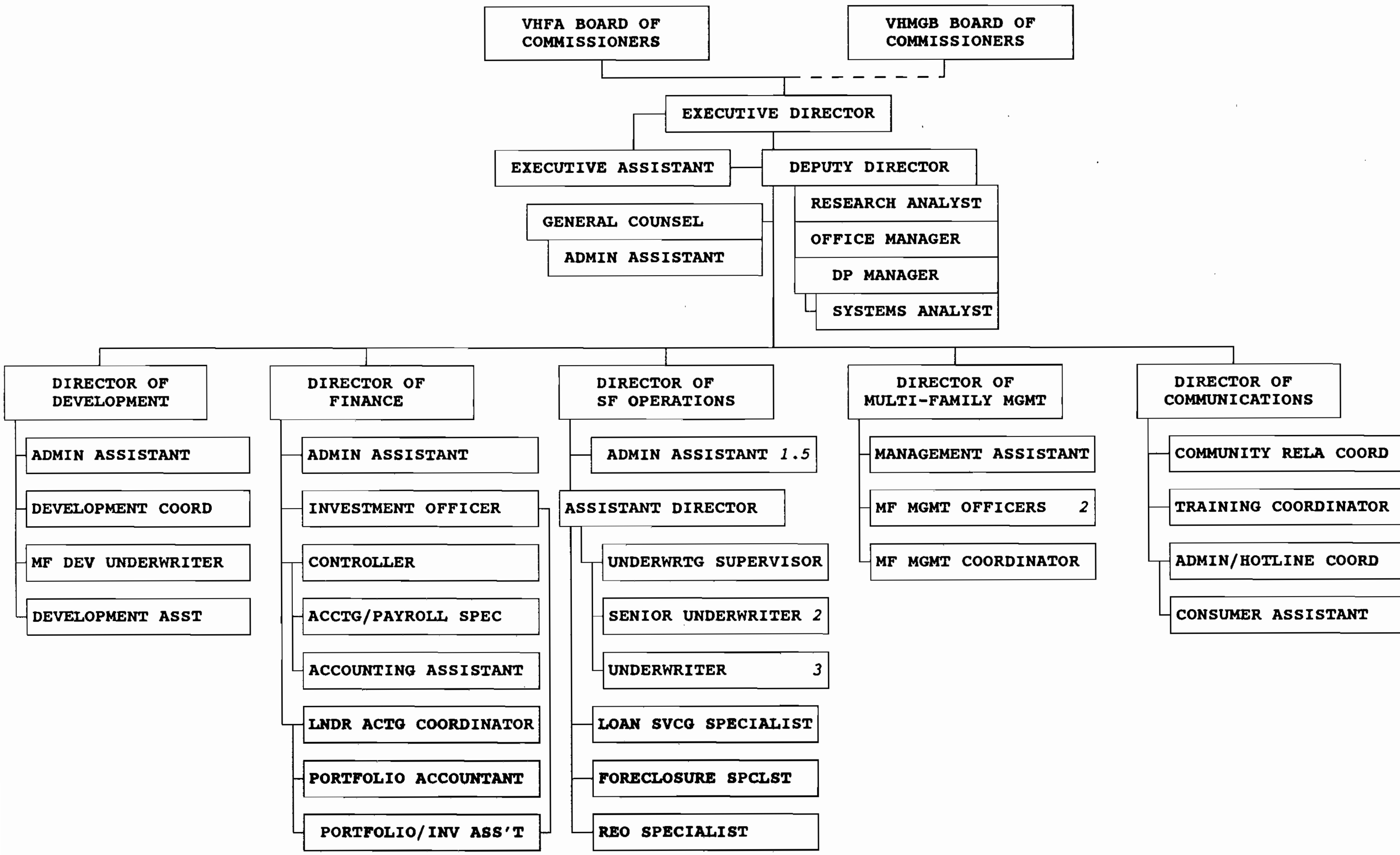
REV. 09/94

<u>VHFA EMPLOYEE PAY PLAN</u>

PAY SCALE MODEL FY '95:

	1,950 Hrs	....Minimum......		Q1			Midpoint	Q3	Maximum
Grade	**Annual**	**Step 1**	**Step 2**	**Step 3**	**Step 4**	**Step 5**	**Step 6**	**Step 9**	**Step 12**
1	13,724	14,318	14,912	15,508	16,102	16,697	17,292	19,076	20,860
2	15,069	15,722	16,375	17,028	17,681	18,334	18,987	20,946	22,905
3	16,629	17,350	18,071	18,791	19,512	20,232	20,953	23,115	25,277
4	18,298	19,091	19,884	20,676	21,469	22,262	23,056	25,434	27,813
5	20,451	21,336	22,223	23,109	23,996	24,882	25,768	28,426	31,085
6	23,142	24,144	25,147	26,150	27,153	28,155	29,158	32,167	35,176
7	26,371	27,513	28,656	29,799	30,941	32,085	33,227	36,655	40,083
8	30,138	31,444	32,750	34,056	35,362	36,668	37,974	41,891	45,809
9	34,443	35,936	37,428	38,921	40,413	41,906	43,398	47,876	52,354
10	39,287	40,989	42,691	44,394	46,097	47,799	49,502	54,609	59,716
11	44,938	46,885	48,832	50,779	52,727	54,674	56,621	62,463	68,305
12	51,665	53,904	56,142	58,381	60,620	62,859	65,098	71,814	78,530

As of 07/94



VHFA BOARD OF COMMISSIONERS
VHMGB BOARD OF COMMISSIONERS
EXECUTIVE DIRECTOR
EXECUTIVE ASSISTANT
DEPUTY DIRECTOR
RESEARCH ANALYST
OFFICE MANAGER
DP MANAGER
SYSTEMS ANALYST
GENERAL COUNSEL
ADMIN ASSISTANT
DIRECTOR OF DEVELOPMENT
ADMIN ASSISTANT
DEVELOPMENT COORD
MF DEV UNDERWRITER
DEVELOPMENT ASST
DIRECTOR OF FINANCE
ADMIN ASSISTANT
INVESTMENT OFFICER
CONTROLLER
ACCTG/PAYROLL SPEC
ACCOUNTING ASSISTANT
LNDR ACTG COORDINATOR
PORTFOLIO ACCOUNTANT
PORTFOLIO/INV ASS'T
DIRECTOR OF SF OPERATIONS
ADMIN ASSISTANT 1.5
ASSISTANT DIRECTOR
UNDERWRTG SUPERVISOR
SENIOR UNDERWRITER 2
UNDERWRITER 3
LOAN SVCG SPECIALIST
FORECLOSURE SPCLST
REO SPECIALIST
DIRECTOR OF MULTI-FAMILY MGMT
MANAGEMENT ASSISTANT
MF MGMT OFFICERS 2
MF MGMT COORDINATOR
DIRECTOR OF COMMUNICATIONS
COMMUNITY RELA COORD
TRAINING COORDINATOR
ADMIN/HOTLINE COORD
CONSUMER ASSISTANT

08/22/94

vhfa

VERMONT HOUSING FINANCE AGENCY

TO: VHFA Board of Commissioners

FROM: Roger A. Schoenbeck, Director of Finance

DATE: September 16, 1994

RE: Fund Balance Structuring

We are nearing completion of the audit of the fiscal year ending June 30, 1994. In connection with the audit, we are responsible for the preparation of the financial statements and associated footnote disclosures. An issue that we have been discussing with the Board over the last year is the concern over fund balance accounting. Upon completion of the Evensen Dodge study, their recommendation was to transfer bond one-time program surpluses of approximately $5.5 million and an additional $6 million surplus from the refunded (closed) Single Family Mortgage Purchase program to the General fund. These actions would increase the General Fund balance from approximately $5 million to about $17 million. Action was delayed due to the fact that there were ongoing discussions with the State regarding the availability of funds to help with Vermont's deficit.

We have been continuing to transfers surpluses to the general fund only on an as needed basis in conjunction with the annual approved budget. Cash of $6 million was transferred to the General Fund representing the balance available from the refunding issue, but is being treated as a loan between the funds. This cash was necessary to fund our construction loan program. Funds in the bond programs are fairly well protected and available to cover unexpected losses as well as provide additional security to the bondholders. The main purpose for the Evensen Dodge strategy of moving all surpluses to the General Fund was to facilitate better understanding of how the fund balance work and consolidate all funds into a "one pot" scenario.

If approximately $11 million is transferred to the General Fund from the bond programs *without specific designation*, it will appear that those funds are available for any purpose. Therefore, it would be prudent for the Board to place designated restrictions on funds transferred to the General Fund. Any losses absorbed by the bond programs would have to be covered by transfers back to the programs from the General Fund. A loss reserve of 2% of loan balances, which currently amounts to a little more than $7 million would be a recommended restriction. Agreements with Sanwa Bank require us to keep about $3.5 million of cash available to cover draws under letters of credit. Designations also should be made for commitments under loan programs for such things as collateral for the Federal Home Loan Bank program, the No Down Payment Assistance fund and guarantees on direct loans. Other restrictions should be made for an operating reserve

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(to cover the budget) and a capital reserve to cover things such as the purchase of a building. A further complication to this approach is the fact that fund balances do not always match cash balances. As an example, if you owned a $1 million building, with no debt, your fund balance would be $1 million, but you would have no cash.

The goal of this exercise from a financial perspective is to preserve the General Fund balance as it is our last line of defense against fiscal problems. Too high of a General Fund balance without proper restrictions or designations appears to be available for purposes that may not be intended by the Board. I have recently spoken with Al Hans of Evensen Dodge and he seems to be quite comfortable with maintaining the existing practice of transferring funds as needed as opposed to taking all excesses int the General Fund. Al suggests that under either scenario we should be "beefing up" our disclosure on the financials regarding fund balances. He intends to provide me with some examples prior to the Board meeting.

Recommended Action
Continue to leave bond program surpluses in the programs until needed with normally scheduled transfers to the General Fund. Provide enhanced discussion of "Restricted Fund Balances" on the audited financial statements.

Restricted Fund Balances

Pursuant to the Act and agreements with bondholders and other parties, the Agency's assets are pledged to secure specific obligations or are otherwise restricted.

Programs which are financed by the issuance of bonds are accounted for separately in accordance with each of the general Bond Resolutions. Program assets and revenues are pledged to bondholders. Revenues in excess of required amounts are available to be transferred to the General Fund.

Amounts transferred to the General Fund from the Bond Resolutions are free and clear of any lien or pledge created by the Bond Resolutions, and may be used for any lawful purpose under the Act, including payments to various accounts within the Bond Resolutions. All of the outstanding bonds, except for the Single Family Housing Bonds, are general obligations of the Agency. For general obligation bonds, the Agency covenants that it will restore deficiencies to the bond programs, as defined by the Bond Resolutions, from the General Fund.

The General Fund is also the primary source to pay administrative expenses in connection with current and future housing programs, to cover loan losses incurred and to provide collateral for credit agreements.

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director ASH

DATE: September 19, 1994

RE: ELECTION OF HOUSING VERMONT BOARD OF DIRECTORS

As the sole sustaining member of Housing Vermont (HVT), we are entitled to fill 50% of the Board seats as they become open. This year HVT has six seats open, so we have three seats to fill at their September 21 annual meeting. Two existing Directors, Les Seaver and Jan Eastman, were appointed by VHFA in 1992; both want to continue and I recommend their approval.

HVT has suggested we elect Paul Bohne, the Bennington assistant town manager, to the third seat. It would be very helpful to them to have someone from that part of the state, as well as someone who works in local government. Although I know Paul a little, I contacted Rob Woolmington, a lawyer from Bennington, who spoke very highly of Paul. His resume is attached.

REQUESTED BOARD ACTION

Approval of Les Seaver, Jan Eastman and Paul Bohne as Directors of Housing Vermont for two year terms.

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Paul W. Bohne, III
Apple Hill Road
Bennington, Vermont 05201
(802) 442-6402

Professional Experience:

AUG 1993 - PRESENT : ASSISTANT TOWN MANAGER

April, 1987 - ~~Present~~ 1993 **Community Development Director, Town of Bennington**
Bennington, Vermont

Accomplishments:

* Developed and carried out programs involving housing and economic development including administration of approximately $1,000,000 in housing rehabilitation and economic development loan funds.
* Successfully wrote and administered grants for $585,000 involving planning, housing, historic preservation and industrial development.
* Broadened scope of department to include working relationships with education and social services.
  - Citizen Education Council Forums
  - Regional Planning and Advisory Council, chair
* Built relationships and acted as liaison with private industry.
  - Point person and team member for business recruitment
  - Oversaw contracted personnel for services and construction
* Initiated planning and coordinated the establishment of Regional Affordable Housing Corp., a non-profit vehicle to provide affordable housing in Bennington County.
* Initiated planning and guided the formation of Better Bennington Corp., a non-profit organization whose mission is to manage the revitalization of Bennington's central business district.
* Developed policy and negotiated with expanding and relocating industry relative to financial packages and tax stabilization.

1966 - 1987 **Owner/Manager, Harwood Hill Orchard**
Bennington, Vermont

Long experience in managing all aspects of a small business. Employed 25-30 people in peak season.

* Developed business and financial plans, record keeping, marketing, advertising and personnel management.
* Successfully met the requirements of and continued good relationships with various state and federal agencies, i.e., Department of Labor, Vermont Department of Labor, Vermont Department of Agriculture, Environmental Protection Agency, VOSHA, and Act 250.
* Diversified business by adding the production of small fruits, set up a mail order business, a cider mill and a bakery. Also built a 12,000 bushel cold storage facility.

Developer, Apple Hill
Bennington, Vermont

Developed 70 acres of Harwood Hill into a 43 lot subdivision.

* Planned and acted as developer achieving local and Act 250 permits, oversaw construction of roads, underground utilities and dealt with housing builders.
* Promulgated covenants for land and established Bennington's first homeowners' association to carry out covenants and manage common land.

Other Related Experience:

Bennington Planning Commission, past chairman
Bennington, Vermont

Developed and implemented the first town plan, zoning by-laws, subdivision regulations and hired the first zoning administrator.

Vermont Apple Promotion Board, past chairman
Vermont

Developed a new relationship with the Department of Agriculture and a marketing program for promoting Vermont apples was instituted and carried out.

Vermont State Community Development Board, past member
Vermont

Set up by the Vermont Legislature to oversee funds formerly overseen by HUD, participated in policy development and in reviewing grant applications submitted by Vermont communities and recommended awards to the Secretary of Development and Community Affairs.

Travel Information Council, past member
Vermont

Participated in the initial design and implementation of Vermont's billboard laws.

Education:

BS Pomology, Rutgers University, 1965
New Brunswick, New Jersey

Wide science background; additional courses in economics, political science and finance.

Affiliations:

Northeast Economic Development Association, member
Vermont Association of Planners and Community Development, member
Northeast Apple Society, member/past president
Vermont Tree Fruit Growers, member/past president
Vermont Apple Promotion Board, past chairman
Vermont Apple Marketing Board, past vice-chairman
Greater Bennington Chamber of Commerce, member/past president

Honors/Awards:

Vermont's Outstanding Young Farmer, 1976. Represented the State in national meetings.

D. Ed Moore award for community service, 1981. Received from the Greater Bennington Chamber of Commerce.

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VERMONT HOUSING FINANCE AGENCY

October 12, 1994

Ms. Marie Carpenter
Department of Administration
Secretary of Administration's Office
Pavilion Office Building
109 State Street
Montpelier, VT 05602

Dear Ms. Carpenter:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Thursday, October 20, at 1:30 p.m., in the Ethan Allen Room of the Capitol Plaza Hotel and Conference Center, 100 State Street, Montpelier, Vermont.

If you have any questions, please do not hesitate to contact me at 864-5743, ext. 255.

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

Ethan Allen Room
Capitol Plaza Hotel and Conference Center
100 State Street
Montpelier, Vermont

Thursday, October 20, 1994 at 1:30 p.m.

1. Review and approval of minutes of September 20, 1994

2. Development
   - ⌂ County Purchase Price Analysis — **[Jenkins]**

3. Operations
   - ⌂ MOVE/Mortgage Plus Updates/ Delinquency Report — **[Lothrop//Enclosure]**

4. Administration
   - ⌂ Executive Director's Report — **[Hunt]**
   - ⌂ Review of Salary and Benefits Information — **[Francis]***

5. Finance
   - ⌂ Multi-Family Refunding Program — **[Schoenbeck//Enclosure]**
   - ⌂ Multi-Family Refunding: Proposed Use of Refunding Savings — **[Jenkins//Enclosure]**
   - ⌂ Single Family Financing — **[Schoenbeck//Enclosure]**
   - ⌂ FY94 Audit Results — **[Schoenbeck//Enclosure]**

6. Legal
   - ⌂ Proposed Multi-Family Rules Revisions — **[Jarrett//Enclosure]**

7. Other old or new business to come before the Board

**Please bring the memo dated 09/08/94, included in September's packet*

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: October 14, 1994

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:30 p.m. Thursday, October 20, in the Ethan Allen Room at the Capitol Plaza Hotel and Conference Center, 100 State Street, Montpelier, Vermont. *(Please ask at the front desk for a parking permit to avoid a ticket or towing.)* This meeting will be preceded by a luncheon at 12:00, to be held in the same location.

Attached is the agenda and Board packet. The master copy of the Board minutes kept on file here at the Agency includes any attachments that may be referenced in the minutes; copies will be made available should any Board members be interested in reviewing them.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier at 1:30 September 20!

REMINDER: *Mr. Tiny Derks, whose company, Smallingerland, creates and maintains affordable housing in The Netherlands, will be joining us for lunch and the Board meeting.*

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EQUAL HOUSING OPPORTUNITY

BOARD MINUTES
Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont

Tuesday, September 20, 1994

PRESENT: Chairman White; Commissioners Seelig, Rockford (designee of Ruse), Candon (designee of Costle), Bradley (designee of Shouldice)

Agency Staff: Mr. Hunt, Mr. Francis, Mr. Jarrett, Mr. Lothrop, Ms. Jenkins, Mr. Falzone, Ms. Gent, Mrs. Parker, Mr. Cummings, Mr. Erdelyi

Guests: Mr. Koppelkam (Vermont State Housing Authority); Mr. Roberts (Twin Pines Housing Trust)

The meeting was called to order by the Chairman at 1:50 p.m. A motion was made by Mr. Seelig and seconded by Mr. Candon to amend the minutes of August 18, 1994, by deleting the second appearance of the phrase *"sponsors are paying"* on Page 1; this motion carried unanimously. After a separate motion made by Mr. Seelig and seconded by Mr. Candon, the minutes of the August 31, 1994, meeting were unanimously accepted as written.

Mr. Lothrop reviewed the monthly activity for the MOVE and Mortgage Plus programs. The higher interest rate currently being offered by the Agency has led to a reduction in reservation activity, but reservations reached $3.2 million for the first part of September, compared with $4 million reserved during the entire month of September 1993. Mr. Lothrop also noted that beginning October 3 reservations will be taken for no down payment loans; a higher activity level is anticipated for October. Delinquencies have been reduced by 34 loans, to a total of 409 delinquent loans, thanks to efforts made by the Agency's loan servicing specialist. Turning to real estate owned, Mr. Lothrop noted that three properties have been sold, two are under contract, and two have offers that are being negotiated. Foreclosures went up slightly, but two are on the market and have offers that most likely will be accepted by the owners.

A "Discussion on the Conversion of Mortgage Revenue Bonding (MRB) Authority to Mortgage Credit Certificate (MCC) Authority and Authorizing the 90-day Public Notice of the Program as Required by the Internal Revenue Service Tax Code" was led by Mr. Lothrop, who referred the Board to his memo of September 8, included in the

Board packet. The last conversion of MRB authority to MCC authority took place in December 1992. The MRB authority converted at that time can only be used to issue MCC commitments until December 31, 1994. Unless more recent MRB authority is converted to MCC authority, the Agency will need to notify participating lenders that it may not issue MCC commitments after December 31 and will effectively end the MCC program until a new one is announced. Mr. Lothrop noted that the income limits have been left blank in the proposed public notice, pending Board action later in this meeting. The "need to qualify" element will continue to be used in future underwriting procedures for the MCC program. As some lenders have indicated that they feel this could be a subjective opinion, "safe harbor" ratios will be provided by the Agency. This would mean that lender ratios would need to meet the Agency's qualifying ratio levels in order for a loan to qualify for the MCC program. The conversion of authority from MRB to MCC usage does not reduce the amount of MRBs that could be sold by the Agency; while it may compete with the MRB program to a slight extent, it does help to meet the Agency's mission to help as many borrowers as possible, through either the MRB or MCC programs. Mr. Lothrop also noted that the Agency would now be implementing an initiative approved by the Board in September 1992 offering an increased credit percentage for energy efficient mortgages; this initiative had been delayed pending completion of the computer conversion. Following an explanation by Mr. Jarrett, a motion was made by Mr. Rockford to amend paragraph (1) of the "Resolution Pertaining to Election of VHFA to Convert MRB Authority to MCC Authority" as attached to these minutes, to insert the following phrase before the words "hereby elects": *"has previously elected to utilize $50,000,000 and..."* After being seconded by Ms. Bradley, this motion carried unanimously.

Ms. Jenkins reviewed the "Single Family Programs—Purchase Price Limit Recommendations" as detailed in Ms. Crady's memo of September 9, included in the Board packet. As discussed at the August 31, 1994, Board meeting, the Agency has received new average area purchase price information from the U.S. Treasury that was effective September 6, 1994. According to Ms. Jenkins, the purchase price limit for an existing house would be adjusted for both the MOVE and HOUSE programs, as described in Ms. Crady's memo, which would bring the limits to the same level as for the MCC program. Mr. Hunt explained that the Agency used to have county-by-county purchase price limits, but changed to a statewide purchase price to avoid lender confusion. The uniform purchase price limits effectively penalized high cost areas of the state such as Chittenden County; the proposed limits should reflect the relative costs of homes and incomes in various areas of the state. Ms. Gent advised the Board that while data on the cost of single family homes vs. two-family homes is available, it has not yet been reviewed. Ms. Jenkins further noted that the purchase price limits for new construction were last raised in June 1992, and that available data indicates that the average cost for new construction has increased in Chittenden County. Ongoing discussions that Mr. Hunt has had with local developers show that it is harder to build a home within the $110,000 purchase price limit, leading to a declining number of projects utilizing the Agency's financing. Mr. Hunt also noted that new construction, as a percentage of the Agency's overall portfolio, has declined significantly over the past few years. Staff has not yet had time to do an analysis of pricing for two-family homes, as requested at the last Board meeting. However, Ms. Gent suggested that the Board consider voting on the purchase prices as described in Ms. Crady's memo, with the understanding that staff would have an analysis of duplex pricing available for the October meeting, at which time the Board could take further action on the purchase price limits of two-family homes. A motion was made by Mr. Candon and seconded by Ms. Bradley to approve the new purchase price limits for the MOVE, HOUSE and Mortgage Plus programs as described in the table included in Ms. Crady's memo to the Board, dated September 9, 1994; this motion was *not* subject to the approval of the Joint Fiscal Committee. The motion carried unanimously.

The "Loan Extension—Twin Pines Housing Trust, Starlake Village" was reviewed by Ms. Jenkins, who referred the Board to Ms. Crady's memo of September 12, included in the Board packet. Ms.Jenkins also introduced Mr. Roberts, Executive Director of Twin Pines Housing Trust. In September 1992 the Board approved a loan in the amount of $500,000 to Twin Pines Housing Trust (TPHT) to finance the site development and construction of 14 single family homes at Starlake Village in Norwich. The loan matured in December 1993. At the March 1994 meeting, the Board approved a resolution to extend the term of the loan through September 1994, and to provide a first mortgage of up to $30,000 after the sale of the final unit to cover a projected deficit after all pre-development and development costs are paid. The first mortgage is to be secured by the land and will be subordinate to the lease agreements with homeowners. Ms. Jenkins noted that only two units remain to be sold. Following some discussion, a motion was made by Mr. Rockford to adopt the "Resolution Pertaining to Extension of Term of Loan re: Starlake Village/Twin Pines Housing Trust Development" as attached to these minutes, and to further authorize staff to decide on the advisability of pouring the foundations for winter or spring construction. This motion was seconded by Mr. Seelig and carried unanimously. Mr. Roberts left the meeting after this vote was taken.

Due to a potential conflict of interest, Chairman White turned the meeting over to Mr. Rockford for the ensuing discussion regarding the "September 1994 Tax Credit Reservations" as described in Mr. Erdelyi's memo of September 8, included in the Board packet. Five applications for tax credits were received for the third round in September 1994. In the first two rounds $1,196,108 was reserved for projects, leaving $214,023 available for reservations prior to the third round. Of those five applications, three are not being recommended for approval as they need substantial funding commitments that seem unlikely to be provided this year and require resolution of important issues. An additional application for tax credits for the Morse Block was also distributed for the Board's review. A motion was made by Ms. Bradley and seconded by Mr. Rockford to approve the reservation of tax credits for the Morse Block and for Olde Windsor Village; this motion carried unanimously. A separate motion was made by Mr. Rockford to approve the reservation of tax credits for the project known as St. Johnsbury II; this motion was seconded by Mr. Candon and carried, with Mr. Seelig and Chairman White abstaining. Together, these motions approve the "Resolution Regarding Low Income Housing Tax Credit Project Reservations" as attached to these minutes.

The proposed "Multi-Family Construction Loan Program" was reviewed by Ms. Jenkins, who referred the Board to her memo of September 13, included in the Board packet. In April 1994 the Board discussed and approved the Single Family Development Loan Program. The Multi-Family Construction Loan Program is designed to provide construction and/or bridge financing for the development of affordable multi-family housing. Mr. Seelig suggested eliminating specific references to Act 200; a requirement that projects be consistent with local planning would seem adequate. Ms. Jenkins asked the Board to recognize Mr. Cummings' efforts in developing this program. A motion was made by Mr. Seelig and seconded by Ms. Bradley to adopt the "Resolution Authorizing Implementation of Multi-Family Construction Loan Program" as attached to these minutes; the motion carried unanimously.

Mr. Falzone reviewed the "Multi-Family Management Report" of September 7, included in the Board packet. Mr. Falzone noted that two new preservation agreements had been signed in the last quarter, totalling 37 units. Owners and managers appear relieved that the Agency will be directly involved in tax credit compliance monitoring; the Joint Tax Credit committee will be briefed on the status of compliance monitoring at their next meeting. On Winchester Place, Mr. Falzone noted that the land lease is in the process of being renegotiated with St. Michael's college; the Agency has offered to become involved in these negotiations. There was some discussion of the energy conversion program and the demand-side management programs offered by the utility companies. The Board thanked Mr. Falzone for his efforts in preparing the report. No formal Board action was necessary.

Next, the Board reviewed Ms. Gent's memo of September 14, included in the Board packet, regarding "Strategic Planning—VHFA Mission, Overall Goals, and Objectives." A motion was made by Mr. Seelig and seconded by Mr. Rockford, and the final version of the mission statement, goals and objectives was unanimously adopted. Ms. Gent noted that the next steps would be for staff to review the list of strategies developed by the Board and reconvene the groups that produced the cost/benefit analyses to discuss programmatic steps. A document should be available for the Board's review and finalization in November. Once the working groups have finalized their recommendations for action, Ms. Gent will create a strategic planning document. Chairman White requested that the finished document be available by the time the 1994-1995 Legislature convenes.

In his Executive Director's report, Mr. Hunt reminded the Board that representatives of Smallingerland, an affordable housing company from The Netherlands, will be in the U.S. during the week of the next scheduled Board meeting, and a luncheon will be arranged immediately prior to the October Board meeting. Mr. Hunt also noted that he would be offering testimony at the Federal Home Loan Bank of Boston (FHLB) later in September, speaking about ways the Agency envisions FHLB as a benefit to the overall mortgage financing world. Current and former directors from both the Maine and Massachusetts HFAs are on the FHLB Board, which may lead to the organization being more proactive in the affordable housing arena. Turning to news on VHMGB, Mr. Hunt advised the Board that Freddie Mac will be requiring deeper coverage on the part of private mortgage insurers. During the 1993-1994 Legislative session, the legislature was asked to act upon increased coverage as required by Fannie Mae. Deeper coverage will again precipitate the need to ask for higher fees. The new Freddie Mac coverage requirements can be as high as 30% on high loan-to-value ratio loans. It is believed that Fannie Mae coverage requirements will be increased as well. Freddie Mac will also be doing a comprehensive audit of VHMGB this fall.

Mr. Schoenbeck reported that the annual audit of the Agency is underway and preliminary figures indicate that assets being held by the Agency as real estate owned (recovered due to foreclosure) are valued at close to $3 million. In the past, the financial statements carried those properties at whatever funds were invested in them; when the properties were disposed of, a gain or loss was recognized. During FY94 there were more losses than gains, and the auditors suggest that accounting rules require showing the loss in value prior to disposing of the properties. This could lead to a substantial reduction in the Agency's current year earnings.

Mr. Francis reported that the Venture Place building, which the Agency is considering purchasing, has undergone various environmental assessments, including tests of the air quality to detect volatile organic chemicals. The results indicate no detectable indications of problems in the main building, although trace amounts were registered in the "annex." Mr. Hunt reminded the Board that the Agency has made a commitment to close on the building by the end of September, providing there are no serious issues which need to be addressed. Mr. Francis indicated that additional tests would be conducted in the annex by the seller in an effort to better determine if problems existed. Before going forward with a closing, the Agency will be satisfied that there are no problems present.

According to Mr. Hunt, the commercial buildings on Dalton Drive at Fort Ethan Allen have been listed on the market for the past two years, with no success. There have been ongoing, active discussions with a community action organization interested in Building 600 for a daycare center and staff offices; however, that organization has not been successful in obtaining capital grants to acquire the building. Based on appraisals performed three years ago, Building 504 was valued at $225,000 and Building 600 at $320,000; a current appraisal by the same appraiser reflects values of $90,000 and $165,000, respectively, even after the facade improvements were made, at a cost of approximately $225,000. Mr. Seelig urged staff to consider the possibilities of converting either or both of those buildings for use as congregate care or elderly housing. A brief discussion ensued regarding having additional appraisals prepared. No Board action was taken.

The "Election of Housing Vermont Board of Directors" was reviewed by Mr. Hunt, as further detail to his memo of September 19, which was distributed at the Board meeting. A motion was made by Mr. Candon and seconded by Ms. Bradley to support the nomination of Les Seaver, Jan Eastman and Paul Bohne as members of the board of directors for Housing Vermont for two year terms. This motion carried unanimously.

Upon a motion made by Mr. Candon and seconded by Mr. Seelig, discussion of the "Salary and Benefits Information" as described by Mr. Francis in his memo of September 8, included in the Board packet, was tabled until the next Board meeting, so that Ms. Randall could be available for that discussion. Chairman White noted that the primary motivation for this review was not to consider eliminating benefits, but rather as a way for the Board to better understand what benefits are available to employees and to ensure that the package is appropriate and adequate.

Turning to his memo of September 16, "Fund Balance Structuring," Mr. Schoenbeck reminded the Board that consideration of this issue has been ongoing since the completion of the Evensen Dodge financial study in 1993. A major concern is that if all of the Agency's fund balances are transferred to the general fund, they appear to be liquid or available. The restrictions on the use of funds are the same whether they are contained within separate bond programs or the general fund; it is possible to transfer funds from a bond program to the general fund within 30 days. As Mr. Schoenbeck explained, for the most part fund balances in the bond programs are used to cover loan losses; loss reserves are funded either with letters of credit or with bond proceeds. If they are funded with bond proceeds, mortgage reserves are expected to be replaced from the provider, if used, and are eliminated when it is time to pay off bonds. Letters of credit only allow for the transfer of funds; adequate resources are needed to pay back any draws on the letters of credit. The expectation has been that when funds were contributed to the loan loss claim fund, they would eventually be returned to the Agency's fund balances; to the extent the Agency has recognized losses, those funds will not be available. Prepayments result in reserves, which can be used to cover losses, before being transferred back to the general fund. Following a lengthy discussion, the Board did not take any formal action; however, the general consensus of the Board was to allow usage of the paragraphs developed by Mr. Schoenbeck regarding "restricted fund balances" in the FY94 notes to the Agency's financial statements. The Board recognized the need to determine how best to restrict funds or show that they are not immediately available.

Next, Mr. Schoenbeck informed the Board that the multi-family refunding (refinancing) issue is again being reviewed, since HUD has come out with new proposals that appear to be much tougher on standards as far as approving bonds and the use of savings by housing agencies. The latest draft from HUD appears targeted toward local housing agencies rather than statewide housing agencies. Staff would like to go forward with the bond refunding, which would allow the sale of new bonds to replace old bonds, earning 1.5 points over the bond cost; expenses incurred in issuing new bonds would be paid and the Agency would share with HUD on a 50/50 basis any remaining savings generated with the proceeds of those bond issues. HUD is now allowing administrative fees to be paid to the Agency and the Vermont State Housing Authority on projects that would be refinanced, but it is questionable whether that practice will be allowed to continue if the new bonding issue transpires. Staff would also like to explore having HUD agree that savings from these refundings could be used for existing project improvements. No Board action was necessary.

Mr. Schoenbeck also noted that there would be a need for additional Single Family funds in October or November. Several options, such as a traditional bond structure, the direct sale of bonds to Fannie Mae, or the application of other available recycled funds are still being considered. No Board action was necessary.

The next meeting was scheduled for Thursday, October 20, in Montpelier. There being no further business, and following a motion duly made and seconded, the meeting adjourned at 4:45 p.m.

Respectfully submitted,

Allan S. Hunt

Allan S. Hunt,
Secretary

RESOLUTION PERTAINING TO ELECTION OF VERMONT HOUSING FINANCE AGENCY TO CONVERT MORTGAGE REVENUE BOND AUTHORITY TO MORTGAGE CREDIT CERTIFICATE AUTHORITY

WHEREAS, by a vote taken on January 29, 1993, the Emergency Board of the State allocated to the Agency $26,000,000 of the State's 1993 private activity bond volume cap ("Volume Cap") as provided in Section 146 of the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, the Governor of the State of Vermont allocated an additional $24,000,000 of the State's 1993 Volume Cap to the Agency on December 20, 1993; and

WHEREAS, the Agency carried forward the $50,000,000 in Volume Cap from 1993, which Volume Cap may be used for the purposes of mortgage revenue bonds or mortgage credit certificates and utilized $2,825,000 of that amount for its Single Family Housing Bonds, Series 5; and

WHEREAS, the Agency wishes to establish a new Mortgage Credit Certificate Program in 1995; and

NOW THEREFORE, in order to establish the Agency's 1995 Mortgage Credit Certificate Program and to satisfy the requirements of Section 25 of the Code and regulations issued thereunder, it is hereby RESOLVED:

1. The Vermont Housing Finance Agency has previously elected to utilize $50,000,000 of its 1993 private activity volume cap for the purposes of issuing qualified mortgage bonds and mortgage credit certificates.

2. The Vermont Housing Finance Agency hereby elects not to issue $20,000,000 principal amount of qualified mortgage bonds that it is otherwise authorized to issue during calendar year 1994.

3. The Executive Director, Director of Finance, and the Director of Single Family Operations are directed, and each of them is authorized, to take all steps necessary to the continuation of the Agency's Mortgage Credit Certificate Program including, but not limited to:

    A. Preparation, execution, and delivery of a Mortgage Credit Certificate Election in such form as may be required by the Internal Revenue Service and consistent in content and effect with this Resolution.

    B. Certification to the Governor as provided in the Code.

C. Preparation of any certificate required by the Code to be signed by the Governor.

D. Preparation and placement of the appropriate public notices, if any.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on September 20, 1994.

Allan S. Hunt
Executive Director and Secretary
Vermont Housing Finance Agency

**RESOLUTION REGARDING
LOW INCOME HOUSING TAX CREDIT
PROJECT RESERVATIONS**

WHEREAS, on November 18, 1993 the Board agreed with a staff recommendation that the Board consider and approve staff recommendations on specific Low Income Housing Tax Credit (LIHTC) project reservations after such recommendations had been presented to and considered by the Joint Tax Credit Committee (JTCC); and

WHEREAS, the JTCC met on September 7, 1994 and considered recommendations for a total of $395,449 in reservations of tax credits for five proposed projects; and

WHEREAS, the Agency staff recommended one of the projects to the JTCC for a reservation and one for an allocation and the JTCC accepted the staff's recommendations on each of the projects; and

WHEREAS, the JTCC had a meeting on September 14, 1994 and considered a recommendation for a reservation of $41,656 in tax credits for the Morse Block in Barre, which was accepted; and

WHEREAS, staff has prepared a memorandum dated September 8, 1994 containing descriptions of the two projects (the "Memorandum"), Olde Windsor Village and St. Johnsbury II and a supplemental memorandum (the "Supplemental Memorandum") dated September 14, 1994 and entitled "Morse Block Tax Credit Reservation"; and

NOW, THEREFORE, it is hereby RESOLVED:

1. The Board has considered the projects discussed in the Memorandum and the Supplemental Memorandum.

2. The Agency approves the reservations for the two projects recommended by staff for reservations in the Memorandum and accepted by the JTCC, Olde Windsor Village and St. Johnsbury II (Phase I), and the Morse Block discussed in the Supplemental Memorandum and accepted by the JTCC, subject to the payment of applicable reservation fees, as well as carryover allocations subject to the conditions discussed in the Memorandum.

3. The Agency staff may increase or decrease LIHTC allocations by up to five percent, if appropriate, based upon changes in development costs.

4. The Olde Windsor Village project may be approved in the discretion of the Executive Director as an "out-of-cap" allocation or as part of the State of Vermont's annual LIHTC ceiling, as explained in the Memorandum.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on September 20, 1994.

Allan S. Hunt
Executive Director and Secretary
Vermont Housing Finance Agency

RESOLUTION PERTAINING TO EXTENSION OF TERM OF LOAN RE: STARLAKE VILLAGE/TWIN PINES HOUSING TRUST DEVELOPMENT

WHEREAS, a proposal has been presented to the Agency by Twin Pines Housing Trust, a non-profit corporation located in Lebanon, New Hampshire (the "Sponsor"), involving the construction of 14 homes on a 14.9 acre site in Norwich (the "Development"); and

WHEREAS, the Development has been the subject of previous resolutions of the Agency on March 3, 1994, December 16, 1993, November 18, 1992, September 24, 1992, May 20, 1992 and June 26, 1991; and

WHEREAS, the Agency made a loan on October 26, 1992 of up to $500,000 for infrastructure work and construction (the "Loan"); and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible and that extending the construction loan is appropriate in carrying out and effectuating the purposes and provisions of the Vermont Housing Finance Agency Act;

WHEREAS, the Sponsor requested an extension of the repayment of the Agency's Loan from December 31, 1993 to September 30, 1994, which request was approved, and

WHEREAS, the Sponsor has been making diligent efforts to sell the remaining houses at the Development and only two houses remain to be sold; and

WHEREAS, the Sponsor has requested an additional extension of the repayment of the Agency's Loan from September 30, 1994 to February 28, 1995; and

WHEREAS, staff requests approval to give the Sponsor permission, in the discretion of the Executive Director, to construct foundations of the last two units to save money on winter construction costs;

NOW, THEREFORE, it is hereby DETERMINED:

1. The Determinations made in the Agency's prior resolutions relating to this Development are reaffirmed.

2. The Development will benefit if the Agency grants an extension of the deadline for repayment of the Agency's Loan.

3. The Development will benefit and save money on construction costs if the remaining two units' foundations can be constructed before winter.

WHEREFORE, it is hereby RESOLVED:

1. The recommendations contained in the September 12, 1994 staff memorandum are adopted and the Executive Director shall extend the maturity of the Sponsor's Loan from the Agency from September 30, 1994 to February 28, 1995 by entering into a modified loan agreement containing the following conditions:

   (a) The Sponsor will market the remaining units as ranch style homes in accordance with the marketing plan submitted to the Agency;

   (b) If, in the reasonable judgment of the Executive Director, conditions are such that it would benefit the Development to construct foundations for the last two units before winter conditions set in, the Executive Director is authorized to permit such construction.

3. If the Development funds are insufficient to fully pay the Agency's Loan at the maturity date of February 28, 1995, the Agency will permit its first mortgage to remain on the land, subject to the land leases given by the Sponsor to home buyers. The maximum amount outstanding in the Loan at that time will be $30,000. The interest rate on the outstanding amount will be 7.50% per annum until the sale of the last home in the Development, at which time the interest rate will increase to 8% per annum for a maximum term of six years. Principal payments of $5,000 will be due annually, together with accrued interest.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on September 20, 1994.

Allan S Hunt

Allan S. Hunt
Executive Director and Secretary
Vermont Housing Finance Agency

VERMONT HOUSING FINANCE AGENCY
RESOLUTION AUTHORIZING
IMPLEMENTATION OF
MULTI-FAMILY CONSTRUCTION LOAN PROGRAM

RESOLVED:

Pursuant to the Agency's rules entitled "Vermont Housing Finance Agency Loans to Multi-Family Housing Sponsors," as the same may be amended or replaced from time to time, the Executive Director is authorized to implement the Agency's Multi-Family Construction Loan Program substantially in accordance with the provisions of the attached Memorandum of Irene D. Jenkins and Paul M. Cummings, directed to the "VHFA Board of Commissioners" and dated September 13, 1994 and the Overview attached to the Memorandum. The specific conditions and requirements described in the forms attached to said Memorandum and Overview as Attachments C and E may be modified from case to case in the discretion of the Executive Director or counsel to the Agency provided that no such modification causes a violation of the Rules.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on September 20, 1994.

Allan S. Hunt

Allan S. Hunt
Executive Director and Secretary
Vermont Housing Finance Agency

Average Purchase Prices for Various Housing Types
Source: VT Dept. of Taxes Property Transfer Tax Returns: 1993, first 6 months 1994

County	Under 6 Acres	6+ Acres	MH w/o Land	MH with Land	County Average
Addison	99,483	129,504	19,810	43,492	97,283
	341	90	36	16	483
Bennington	102,523	184,773	14,188	41,708	98,744
	478	42	56	12	588
Caledonia	69,048	88,563	12,885	29,082	63,651
	255	63	41	25	384
Chittenden	123,134	180,735	31,349	56,144	118,855
	2775	132	214	21	3142
Chittenden Non-MSA	105,759	132,280	47,966	58,772	107,534
	83	25	3	6	117
Essex	46,782	61,989	0	28,642	48,665
	60	19	0	7	86
Franklin	87,302	103,577	21,359	39,275	81,506
	506	73	58	25	662
Grand Isle	119,403	109,623	29,949	41,540	97,549
	57	16	13	10	96
Lamoille	97,132	126,154	19,111	35,423	91,144
	218	56	26	25	325
Orange	80,830	123,439	10,367	31,750	83,619
	237	93	21	29	380
Orleans	57,181	88,272	10,031	22,702	55,109
	245	66	44	22	377
Rutland	84,502	145,494	21,498	45,704	87,602
	640	83	30	20	773
Washington	88,577	136,497	20,990	48,965	90,284
	642	95	38	16	791
Windham	100,762	144,923	18,176	51,607	99,224
	405	79	44	14	542
Windsor	102,285	171,937	17,026	39,653	102,942
	584	119	69	30	802
Statewide Average	102,358	137,104	21,661	39,028	98,408
# of cases	7443	1026	690	272	9431

Safe Harbor Limits	Burl MSA	All Others
Existing SF	128,047	102,654
Existing 2F	144,180	115,588
New	143,484	143,484

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VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: August 31, 1994

Lenders	Total Loans	30	Days	60	Days	90+	Days	Auth	FCL	Total Delinq		REO	
BancBoston Mortgage Corp.	320	12	3.75%	1	0.31%	4	1.25%	2	0.63%	19	5.94%	1	0.31%
Banknorth Mortgage Co.	739	24	3.25%	6	0.81%	10	1.35%	4	0.54%	44	5.95%	6	0.81%
Bennington Co-op S&L Assoc.	38	1	2.63%	1	2.63%	0	0.00%	0	0.00%	2	5.26%	0	0.00%
Brattleboro Savings & Loan	8	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Chittenden Bank	832	49	5.89%	8	0.96%	10	1.20%	5	0.60%	72	8.65%	4	0.48%
Citizens Savings Bank	63	1	1.59%	2	3.17%	1	1.59%	0	0.00%	4	6.35%	1	1.59%
Comfed Mortgage Co.	5	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Community National Bank	210	11	5.24%	2	0.95%	5	2.38%	0	0.00%	18	8.57%	1	0.48%
Factory Point Nat. Bank	27	5	18.52%	6	22.22%	0	0.00%	0	0.00%	11	40.74%	0	0.00%
First Brandon Nat. Bank	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
First Northern Mortgage Corp.	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Fleet Mortgage	14	0	0.00%	1	7.14%	0	0.00%	0	0.00%	1	7.14%	0	0.00%
Graystone Mortgage Company	158	9	5.70%	3	1.90%	10	6.33%	0	0.00%	22	13.92%	3	1.90%
Green Mountain Bank	182	6	3.30%	3	1.65%	0	0.00%	0	0.00%	9	4.95%	1	0.55%
Lomas & Nettleton Company	11	1	9.09%	0	0.00%	0	0.00%	0	0.00%	1	9.09%	0	0.00%
Lyndonville Savings Bank	60	3	5.00%	1	1.67%	0	0.00%	0	0.00%	4	6.67%	1	1.67%
Marble Bank	214	9	4.21%	3	1.40%	1	0.47%	0	0.00%	13	6.07%	0	0.00%
Merchants Bank	329	17	5.17%	6	1.82%	4	1.22%	0	0.00%	27	8.21%	3	0.91%
Mortgage Service Ctr. of NE	54	1	1.85%	0	0.00%	1	1.85%	0	0.00%	2	3.70%	4	7.41%
National Bank of Middlebury	62	2	3.23%	0	0.00%	0	0.00%	0	0.00%	2	3.23%	0	0.00%
New England IBM Employees FCU	47	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Northfield Savings Bank	108	7	6.48%	1	0.93%	2	1.85%	0	0.00%	10	9.26%	1	0.93%
Passumpsic Savings Bank	165	5	3.03%	3	1.82%	2	1.21%	0	0.00%	10	6.06%	3	1.82%
Peoples Trust Co.	110	4	3.64%	3	2.73%	1	0.91%	0	0.00%	8	7.27%	0	0.00%
Randolph National Bank	52	2	3.85%	0	0.00%	1	1.92%	0	0.00%	3	5.77%	0	0.00%
Union Bank	149	9	6.04%	1	0.67%	0	0.00%	0	0.00%	10	6.71%	0	0.00%
Vermont Development CU	5	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Vermont Federal Bank	785	41	5.22%	6	0.76%	7	0.89%	5	0.64%	59	7.52%	8	1.02%
Vermont National Bank	553	21	3.80%	6	1.08%	5	0.90%	0	0.00%	32	5.79%	1	0.18%
Wells River Savings Bank	35	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Totals August 31, 1994	5339	240	4.50%	63	1.18%	64	1.20%	16	0.30%	383	7.17%	38	0.71%
Totals Previous Month	5298	256	4.83%	72	1.36%	76	1.43%	13	0.25%	417	7.87%	38	0.72%

Series 5 Statistical Report
LTV 0% To 100%
Effective as of 10/12/1994
Loan Status: Committed, Underwritten and Purchased

Total Number of Loans: 479
Total Loan Amount: $30,696,418

	Amount	Percentage of Loans	
Existing:	$25,580,291	85.4%	409 Loans
New Construction:	$5,116,126	14.6%	70 Loans
New Detatched Housing:	$4,632,943	91.4%	64 Loans
New Condominium:	$483,183	8.6%	6 Loans

Total Insured or Guaranteed Loans: 479
Loans Guaranteed by VHMGB: 448

	ACED	NON-ACED	STATEWIDE
Avg Purchase Price	65,929.87	74,499.22	68,738.61
Avg Loan Amount	61,859.64	68,647.21	64,084.38
Avg Borrower Income	28,031.13	28,664.49	28,238.73
Avg Housing Debt-Income Ratio	25.80	27.47	26.35
Avg Total Debt-Income Ratio	33.94	33.53	33.80
Total Number of Loans	322	157	479
% of Total Loan Amount	64.9%	35.1%	100.0%
First Time Homebuyers	280	156	436
% Meeting Low Income Set Aside	54.0%	72.0%	59.9%

	Loans	% of Loans	$ Amount	* Households	% of Households	% Difference
ADDISON	21	4.4%	1,316,772	4,064	5.5%	-1.1%
BENNINGTON	20	4.2%	1,419,179	4,668	6.3%	-2.1%
CALEDONIA	43	9.0%	2,429,132	4,251	5.8%	3.2%
CHITTENDEN	84	17.5%	5,987,765	13,269	18.0%	-0.5%
ESSEX	6	1.3%	349,062	1,018	1.4%	-0.1%
FRANKLIN	61	12.7%	3,692,582	5,330	7.2%	5.5%
GRAND ISLE	5	1.0%	310,350	727	1.0%	0.0%
LAMOILLE	27	5.6%	1,727,187	3,001	4.1%	1.5%
ORANGE	22	4.6%	1,354,635	3,735	5.1%	-0.5%
ORLEANS	32	6.7%	1,807,522	3,774	5.2%	1.5%
RUTLAND	55	11.5%	3,684,022	8,815	12.0%	-0.5%
WASHINGTON	59	12.3%	3,804,023	7,196	9.8%	2.5%
WINDHAM	17	3.5%	1,070,636	6,151	8.3%	-4.8%
WINDSOR	27	5.6%	1,743,545	7,780	10.5%	-4.9%
Total :	479	100.0%	30,696,417	73,776	100.0%	

* Estimated Number of households, $15,000 to $35,000 income.
Source: CACI, 1990 Sourcebook of County Demographics.

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

DATE: OCTOBER 14, 1994

RE: MULTI-FAMILY REFUNDING PROGRAM

Historical Perspective

Between 1981 and 1983, VHFA issued three series of bonds to finance multi-family units under the Section 8 program. These projects were financed with very high coupon debt due to the then-current monetary environment. Bond interest rates were in the 12-13% range for 1981 and 1982 and 9.75% for the 1983 issue. Part of the agreement with HUD was that when the time came that it would be financially feasible, we would work to refinance the high coupon debt. There was a 10 year lockout on prepaying the existing bonds, so starting in 1991 we were allowed to refinance the first series of bonds. We have been working towards that goal since 1991. When the original developments were financed, VHFA opted to not mark up the bonds (taking a spread) and instead elected to collect administration fees under the individual HAP contracts. These fees were significantly lower than the 1.5 point spread that would have been allowed, but the developments were not feasible with the spread on top of the high coupon bond rates. The further complication to the original structure was that the Vermont State Housing Authority (VSHA) was receiving approximately one half of the fees because they provided the contract administration work for the majority of the developments. Currently, we are collecting about $110,000 in administration fees annually and VSHA is earning an additional $70,000.

Refunding Program

Since 1991 we have been negotiating with HUD and obtaining legal advice as to the structure of a financing to refund (take out) the old high coupon bonds and issue replacement bonds, while collecting the highest return to VHFA. It now appears that the only workable solution under current but constantly changing regulations is to issue new bonds, keep a spread of 1.5% and split any remaining savings with HUD. Prior structuring attempts were to keep all the savings and negotiate with individual owners to lock out early prepayment of their mortgages. The current program would not require any side agreements with the current owners and it appears that HUD has abandoned any thoughts of sharing more than one-half the saving with State HFA's. PaineWebber has run some numbers for us that show that we would earn approximately $310,000 annually as the 1.5% spread, and an additional $70,000 each year to recover costs of

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issuance. The remaining savings that would be split with HUD would amount to about $880,000 a year, of which $440,000 would be our share. HUD guarantees the savings even if some developments prepay their loans. However, our spread of $380,000 a year would be diminished if prepayments occurred. One of the other ideas we had was to translate our guaranteed savings stream of $440,000 a year into new bond money that could be put into new projects. The savings stream could support $4.8 million of new money at today's rates. HUD has recently issued a draft memorandum which seeks to limit state agencies from collecting both the 1.5% spread and the administration fees. Kutak Rock, our bond counsel, believes HUD will not be successful in their efforts and even if they were, our exposure would probably be limited to only those administration fees we collect directly which totals $40,000 annually.

Next Steps

We are required to submit a comprehensive package to HUD of our program for refunding. In addition to the financing matters discussed above, they are also interested in our program as to the use of the savings. Irene Jenkins has drafted a companion memo which addresses the program issues.

RECOMMENDED ACTION

Approval of the plan for the multi-family refunding to include working with underwriters to structure a new bond issue and submission of necessary documentation to HUD.

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Irene D. Jenkins, Director of Development

DATE: October 11, 1994

RE: Multifamily Refunding--Proposed VHFA Use of Refunding Savings

SUMMARY

With the Agency's refunding proposal, we must submit to HUD a general description of the Agency's proposed use of its share of the savings. By law, we must split the savings with HUD and we must use our share to benefit very low income people, currently defined as those with incomes at or below 50 percent of median income.

We anticipate having a total of $300,000 to $400,000 available each year for 20 years. In order to most efficiently use this resource, we are proposing to sell bonds in the amount of the present value of the stream of payments and to use the bond proceeds in accordance with this proposal. The bonds will be repayable from the annual installments from HUD.

Following is a brief description of the recommended programs, as proposed for submission to HUD. These programs will require detailed program development prior to implementation and will be presented to the Board for individual approval.

PLAN FOR USE OF MCKINNEY ACT SAVINGS

The following plan outlines how the Vermont Housing Finance Agency (the "Agency") proposes to utilize its share of the budget authority savings realized from the refunding of bonds issued to finance Section 8 projects.

In accordance with the McKinney Act, for no less than ten years all proceeds will be used for the benefit of very low income persons and all programs funded will include mechanisms to implement this requirement. The Agency's programs may provide for housing of very low income persons in economically diverse or integrated developments, in which case the use of the refunding savings will be based upon the extent to which very low income households will benefit.

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This plan outlines specific programs that are expected to be funded with the refunding savings; however, we reserve the right to modify these programs and to develop and fund other housing programs that will benefit very low income persons.

RENTAL/COOPERATIVE HOUSING

The Agency will establish one or more programs to assist in the development, rehabilitation, and/or preservation of affordable multifamily housing. Refunding savings will be used to provide subordinate mortgage financing, possibly in conjunction with the Agency's first mortgage financing programs and the Low Income Housing Tax Credit Program, in order to achieve financial feasibility and/or enhanced or extended affordability. Funds may be used for both rental and cooperative housing. Subordinate financing may be at lower than market interest rates and/or deferred payment loans. Where affordable housing is at risk of loss as a result of a delinquency or impending delinquency on first mortgage financing, refunding proceeds may also be used to assist in the workout or restructuring of such a loan, through interest rate subsidy, loan takeout, or other means.

HOMEOWNERSHIP

The Agency may establish one or more programs to assist in the development of homeownership opportunities for very low income persons or to assist very low income persons to purchase their own homes. Such assistance, which may be used in conjunction with the Agency's first mortgage financing programs, may take the form of subordinate mortgage loans to housing or mobile home park developers, subordinate mortgage loans to home purchasers, or loan loss reserves for high risk loans to purchasers. Funds may be used for the acquisition and/or rehabilitation of mobile home parks as well as for new mobile home park development.

RECOMMENDED BOARD ACTION

Approval of the above program description for submission to HUD with the Multifamily Refunding proposal.

Average Purchase Prices for Various Housing Types
Source: VT Dept. of Taxes Property Transfer Tax Returns: 1993, first 6 months 1994

County	Under 6 Acres	6+ Acres	MH w/o Land	MH with Land	County Average
Addison	99,483	129,504	19,810	43,492	97,283
	341	90	36	16	483
Bennington	102,523	184,773	14,188	41,708	98,744
	478	42	56	12	588
Caledonia	69,048	88,563	12,885	29,082	63,651
	255	63	41	25	384
Chittenden	123,134	180,735	31,349	56,144	118,855
	2775	132	214	21	3142
Chittenden Non-MSA	105,759	132,280	47,966	58,772	107,534
	83	25	3	6	117
Essex	46,782	61,989	0	28,642	48,665
	60	19	0	7	86
Franklin	87,302	103,577	21,359	39,275	81,506
	506	73	58	25	662
Grand Isle	119,403	109,623	29,949	41,540	97,549
	57	16	13	10	96
Lamoille	97,132	126,154	19,111	35,423	91,144
	218	56	26	25	325
Orange	80,830	123,439	10,367	31,750	83,619
	237	93	21	29	380
Orleans	57,181	88,272	10,031	22,702	55,109
	245	66	44	22	377
Rutland	84,502	145,494	21,498	45,704	87,602
	640	83	30	20	773
Washington	88,577	136,497	20,990	48,965	90,284
	642	95	38	16	791
Windham	100,762	144,923	18,176	51,607	99,224
	405	79	44	14	542
Windsor	102,285	171,937	17,026	39,653	102,942
	584	119	69	30	802
Statewide Average	102,358	137,104	21,661	39,028	98,408
# of cases	7443	1026	690	272	9431

Safe Harbor Limits	Burl MSA	All Others
Existing SF	128,047	102,654
Existing 2F	144,180	115,588
New	143,484	143,484

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

DATE: OCTOBER 14, 1994

RE: SINGLE FAMILY FINANCING

We have been working with Al Hans of Evensen Dodge on making a determination as to which method of financing would make the most sense for our single family MOVE program. Evensen Dodge examined the issues of continued use of recycling funds, a negotiated (our usual type of financing), a competitive financing or a private placement of bonds directly with Fannie Mae. Evensen Dodge's recommendation was to sell the entire bond issue to Fannie Mae. Evensen Dodge would like to act as our financial advisor in the transaction. I met with Jack Gallagher and other representatives of Fannie Mae to discuss their program of purchasing bonds directly from us and to question some of the mechanics of the transaction. They satisfactorily answered all the questions and concerns that were raised. Several other states have participated in the sale of bonds to Fannie Mae and the reports have been very favorable to this point in time.

We also spoke to Andy Gurley and Dan Irvin at PaineWebber about our plans and they indicated that a sale to Fannie Mae might not be in our best interest. This reaction is somewhat expected due to the impact of the financing on underwriters.

We have enclosed memorandums from both Evensen Dodge and PaineWebber for your review, as this is a very wide ranging topic with multiple implications. Since the information from PaineWebber was just received, we have not had a lot of time for review and comment. We will be prepared to discuss our recommendations in further detail at the Board meeting.

Recommended Action
To put a plan in place for financing after discussing the alternatives at the Board meeting, with the expectation of a sale of bonds by early November.

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EQUAL HOUSING OPPORTUNITY

cc: Attn

5-6 RAS

EVENSEN DODGE INC

September 28, 1994

Roger A. Schoenbeck
Director of Finance
Vermont Housing Finance Agency
One Burlington Square
Burlington, VT 05401-4414

Dear Roger:

The Agency is currently funding the purchase of single family mortgages from $11.5 million of recycled funds as discussed in our letter dated August 29, 1994. When these funds are committed, the Agency will want to be in position to sell bonds. The Agency is pleased with the services provided by its investment bankers, but is interested in examining alternative methods of raising capital. Evensen Dodge has been engaged to identify and review options for the Agency's issuance of bonds, and these options are as follows.

1. Negotiated sale
   - Base case
   - Premium bonds
   - Convertible option bonds
2. Competitive sale
3. Private placement sale

The Agency's objectives are to have a program which is workable for its lenders and affordable for its home buyers, and to have a bond structure which decreases the financial risks (e.g.: non origination) to the Agency and decreases costs (e.g.: transactions costs and negative arbitrage) to the Agency. Our analysis uses these parameters for evaluation.

Negotiated Sale - Base Case

The base case is likely to be very similar to the Series 5 bond issue which is a standard, straightforward structure. Non origination risks and negative arbitrage were reduced in Series 5 by making loan commitments in advance of the sale. This would also be advisable for the next bond issue even though short term reinvestment rates are higher today, which decreases negative arbitrage, and economic forecasts are generally for a continued increase in long term interest rates, which decreases non origination risks. In sizing the sale, the Agency will need to take into account the time of year and issue a smaller amount of bonds.

The underwriters' discount was $10.75 per bond which amounted to $402,480. There has been continued downward pressure on underwriters' discount during 1994 and this may result in a somewhat lower discount for the next sale.

Overall, the economics for a bond sale are improved since your Series 5 sale. The mortgage rate as of today would be 7.95% (0 points), which is at least 1% below the market rates, and negative arbitrage on the acquisition fund, while still present, is reduced.

Negotiated Sale - Premium Bonds

George K. Baum & Co developed the Access Program to address negative arbitrage, non-origination risks and cash poor home buyers. Enclosed is a copy of the Mississippi Home Corporation Official Statement which describes the program.

The program in its current form would not work for Vermont since it uses GNMA securities for FHA insured, VA guaranteed or FmHA guaranteed loans. But the bond concepts are worth describing since some of the concepts could be applicable to future Vermont sales.

Bond issues are in $10 million amounts in order to minimize non-origination risk and negative arbitrage. Costs for the small sales have been controlled. Underwriters' discount has been set at a constant $10 per thousand.

Premium bonds in the amount of 53% of the bond issue are sold with a 9% premium. This additional cash is used to provide a 4% cash advance to home buyers to assist them in down payments and closing costs. In exchange for this cash advance, a higher mortgage rate of 8.51% (July, 1994 rate with 1 point) is charged. In order to make the premium bonds marketable, optional redemption provisions have been made more restrictive.

The issuer receives 9 basis points on bonds outstanding every six months. Mississippi is very pleased with the program, especially the 4% cash advance feature.

Convertible Option Bonds

John Nuveen & Co. has created an interesting bond structure for New Mexico Mortgage Finance Authority. Enclosed is a copy of the Mississippi Home Corporation Official Statement which describes the program.

The program in its current form would not work for Vermont since it uses GNMA and FNMA securities for FHA insured, VA guaranteed, FmHA guaranteed and privately insured loans. But the bond concepts are worth describing since some of the concepts could be applicable to future Vermont sales.

Bond issues are in $10 million amounts in order to minimize non-origination risk and negative arbitrage. Costs for the small sales have been controlled. Underwriters' discount has been set at a constant $9.30 per thousand of which $4.40 is paid on the closing date and $4.90 is paid when and if the loans are originated.

Convertible option bonds are sold at a short term interest rate and the interest rate is reset to a preset long term interest rate in six months. This structure eliminates negative arbitrage and substantially reduces the costs of non origination since a portion of the underwriters' discount is deferred until delivery of GNMA/FNMA securities.

Premium bonds in the amount of 20% of the bond issue and discount bonds (at the time of the reset rate) in the amount of 56% of the bond issue are sold. The issuer completely gives up the opportunity of an optional call provision.

The issuer's receives 7.5 basis points on bonds outstanding every six months. New Mexico is satisfied with the program but is looking at other options.

Competitive Sale

Municipal housing bonds have historically been sold predominately on a negotiated basis, even though competitive sales have been used frequently for other types of municipal bond issues. More housing issuers are looking seriously at using competitive bond sales. During 1994, seven state housing agencies have sold bonds competitively.

Having a competitive sale, as one of its options, is a policy issue which staff would probably want to evaluate and discuss with the Board. It is therefore probably not appropriate for Evensen Dodge to make a recommendation to sell the next bond issue on a competitive basis. But Evensen Dodge does recommend that the Agency discuss and establish a policy on whether the Agency should consider competitive sales and under what circumstances would competitive sales be used.

If you are interesting in pursuing this method of sale, Evensen Dodge would be pleased to provide background materials and guidelines for when a competitive sale should be used, and to discuss this item with the Agency. Evensen Dodge believes that it is in the best interests of the issuer to have the competitive sales method as one of its options.

Private Placement

A private placement of bonds involves finding a buyer for the Agency's bonds directly as opposed to issuing bonds at a public sale. Selling the bonds directly to FNMA is an example of a private placement.

FNMA is currently offering to purchase "whole loan" municipal bonds, which may be issued under existing Bond Resolutions and rated Aa/AA or higher, directly from issuers. A letter from FNMA describing the process is enclosed.

The private placement of bonds with FNMA will eliminate the need to use bond proceeds to pay for the underwriters' discount. Based upon the Agency's last sale, the underwriters' discount was $10.75 and amounted to $402,480. Under the private placement, the funds which would otherwise be used to pay for the underwriters' discount would be invested in mortgage loans and all of this investment plus interest would be profit to the Agency. The Agency receives a greater benefit from the 1 1/8% interest rate spread since the underwriters' discount would normally have to be paid from the spread. Only a final official statement needs to be prepared and substantially fewer copies need to be printed.

An important objective of negotiating directly with FNMA is to receive an attractive interest rate on the bonds. With the Agency's knowledge of its bonds along with our experience in tracking the housing bond market and the use of indexes to measure interest rate levels of past Agency bond issues, we will know the appropriate interest rate level for your bonds. If an agreement with FNMA is not reached, the Agency is in a strong bargaining position in that the Agency will then offer its bonds at a public sale either on a negotiated or competitive basis. If a competitive sale is used, Evensen Dodge would qualify the bonds for bond insurance which would allow bidders to bid with or without bond insurance.

As mentioned earlier, a credit rating requirement exists. Bond insurance is one option for the Agency to consider. Three bond insurers have been contacted and the preliminary quote at this time is 8 1/2 to 9 1/2 basis points on bond outstanding per year. This price is very good, will lower the interest rate level on the bonds and is considered bond interest for arbitrage calculations, so that the benefit and the cost are passed on to home buyers. The bond insurance company does not have ongoing requirements other than receiving periodic reports which are already being produced. Bond insurance is acceptable to FNMA.

The second option is to structure a senior/subordinated bond issue. The senior bonds, the majority of the bond issue, would be rated double A and the subordinated bonds would be rated single A. The amount of subordinated bonds is based upon the rating agencies' worse case cash flow scenario. The senior portion of the bond issue would be sold to FNMA and the subordinated portion of the bond issue could be privately placed with a Vermont institutional investor. This structure is acceptable to FNMA and FNMA would prefer the higher yield of a double A bond issue. The main disadvantage is that this would require a separate bond resolution. The existing bond resolution contains "event of default" language that would not allow the senior bonds to qualify for a double A rating.

Other options which we considered were to increase the LOC to an amount sufficient for a double A rating or to increase the parity of the bond resolution from a contribution of funds from the Agency. Moody's indicated to us that it may be possible to consider a double A rating in the near future as the parity of the resolution increases. At this time, bond insurance is the best option for the Agency.

Conclusion and Summary

The FNMA private placement substantially decreases the Agency's costs of issuing bonds and substantially increases the amount of surplus revenues available to the Agency. FNMA has no legal or financial restrictions which are placed on the Agency's program. The Agency can size bond issues based upon expected demand and a number of smaller bond issues is financially feasible.

If Paine Webber has not supplied the Agency with its plan of finance for the next bond issue, a plan of finance can be requested in order to compare it to the financial attractiveness of the FNMA private placement.

Evensen Dodge would like to continue to serve as financial advisor to the Agency. If the Agency proceeds with a private placement with FNMA, Evensen Dodge is available to structure the bond issue, finalize negotiations with bond insurance companies, prepare cash flows, obtain credit ratings, assist the Agency in negotiating interest rates with FNMA and assist the Agency in closing the transaction.

We understand the Agency and Andy Gurley have a long term relationship which has been and will be valuable to the Agency. We would be pleased to work with Andy on this private placement transaction as well an any future public sale.

We appreciate the past opportunities to provide financial advice to the Agency.

Sincerely,
EVENSEN DODGE INC

Alan L. Hans
Senior Vice President

David Seibert
Assistant Vice President

enclosure

Municipal Securities Group

PaineWebber Incorporated
1285 Avenue of the Americas
New York, NY 10019
212 713-3000

PaineWebber

October 13, 1994

Mr. Roger A. Schoenbeck
Director of Finance
Vermont Housing Finance Agency
One Burlington Square
Burlington, VT 05401

Dear Roger:

The purpose of this letter is to present our thoughts on the advisability of VHFA's completing a private placement with one investor (in this case, FNMA) rather than offering your bonds through a public offering. Our comments are divided among financial considerations, marketing considerations, and issuance cost savings.

Financial Considerations

A negotiated public offering maximizes the Agency's flexibility and control and assures VHFA that it is receiving the lowest interest rate on its securities. We believe a public offering offers structuring opportunities which would not be realized in a placement with a single investor. For example, in August, we completed a $106,250,000 negotiated bond sale with the Maine State Housing Authority which had no negative arbitrage. PaineWebber deferred a portion of our fees on this issue until the last $40 million of bond proceeds are originated. As a result of the structure, the Authority was able to fund its Spring bonding program without risk of financial loss in the event of an unexpended proceeds call. The elimination of negative arbitrage and deferral of fees saving MSHA many times more money than simply eliminating the underwriters' discount would have.

For the record, we think it is important to correct the impression that Evensen Dodge obtained bond insurance for VHFA's bonds. VHFA was "prequalified" for bond insurance (without any conditions or document changes) by PaineWebber several years ago. We have evaluated this option for every bond sale, and each time the market has been prepared to pay such a high price for the Agency's securities without insurance that the use of insurance was not justified. Incidentally, we have generally negotiated lower premiums than those quoted by Evensen Dodge.

Page Two
October 13, 1994

We believe one element that should be considered by VHFA is the qualifications of the firm structuring the bonds, and we believe PaineWebber is far better qualified than FNMA or Evensen Dodge to perform this role.

As you know, FNMA is an investor and does not provide a plan of finance, structure bond issues, or develop or assist in the preparation of cash flows. For most of our clients, PaineWebber prepares cashflow projections in addition to structuring the financing. While VHFA has used Trepp & Co. to prepare cashflows, PaineWebber has been closely involved in structuring these issues and has worked with Trepp every step of the way in preparing cashflows.

Recently, the Minnesota HFA undertook a competitive sale of one of its single family financings. This issue was structured by Evensen Dodge. In the structure used for the competitive bid, over $13 million of pre-Ullman bonding authority, which was not restricted to post 1986 rules, was applied as 30-year debt in order to reduce the mortgage rate. The same result could have been achieved by structuring some AMT debt upfront in the low-cost serial bond maturities which was allowable after a careful analysis of the 32-year rule constraints. Instead the AMT debt was structured as 30 year debt, increasing the cost of these bonds and valuable 30-year non-AMT authority was wasted. The mortgage rate to MHFA's borrowers was 5 basis points higher than what could have been achieved using the optimal bond structure.

We believe there is real value to VHFA's using a firm such as PaineWebber, which has greater experience than Evensen Dodge or FNMA, to structure its issue and supervise its cashflow projections. We honestly believe that selecting Evensen Dodge to structure this issue would be shortsighted. Even if the Agency receives a market price for its bonds, a poorly structured issue can be very costly to both the VHFA and your borrowers. For example, negative arbitrage is a much larger cost to VHFA than issuance expense, and VHFA's underwriting team has been actively involved in mitigating this cost on recent issues.

<u>Marketing Conditions</u>

An important consideration in evaluating a private placement with FNMA is interest cost. Is FNMA's interest rate lower than what VHFA could achieve through a "search" of the universe of all buyers of housing bonds? FNMA's experience with Virginia HDA's competitive sale (see Exhibit 1) reflects the fact that it may be as much as 20 basis points "off the market". We disagree with FNMA's assertion that VHFA can be assured of being on the market based an "extrapolations" and "comparable pricings". Until a bond issue is offered to investors and they are given an opportunity to buy bonds it is impossible to know the best price for VHFA's bonds. On any given day, FNMA may or may not be the investor willing to pay the highest price for VHFA's term bonds. Interestingly, FHLMC has recently begun a major buying program for housing bonds as well (see Exhibit 2).

Evensen Dodge has no trading desk or marketing expertise and, in our view, is not in a position to advise the Agency as to whether the interest rate FNMA offers is "on the market". VHFA and its underwriters have gone to great lengths over a long period of time to develop a very strong retail and institutional following for its bonds. The benefit of this work has been significant interest cost savings over time. In our view, some of this benefit will be lost if VHFA denies investors access to its bonds. We doubt retail brokers or portfolio managers will be as willing to make room for VHFA bonds in investment portfolios if they perceive a likelihood that one investor may be given privileged access to the Agency's securities. Incidentally, it sounds to us as if Evensen Dodge and FNMA believe retail investors are not interested in the term bonds but only in serials; if so, they are misinformed; there has always been both retail and institutional interest in VHFA's longer term bonds.

Savings Initial Issuance Costs

We disagree with Evensen Dodge's assertion that placing bonds with FNMA will save VHFA $400,000 in issuance expenses for the following reasons:

Underwriters' fees and expenses include items unrelated to cost of placing securities. For example, management fees paid to PaineWebber and the co-managers generally represent compensation for a wide range of services including keeping VHFA abreast of market conditions, developing financing plans, and providing new financing ideas. It is not surprising that a financial advisory firm with no marketing expertise and far less experience structuring housing issues would attempt to duplicate these services for a lower fee. It is unclear to us that VHFA is receiving the same benefit.

In the past, we have deferred fees for VHFA and for other issuers until mortgages have been originated, reducing the risk that VHFA will not recoup its initial costs from the spread it earns on mortgages.

Eliminating initial costs of approximately 1% of a bond is approximately equal to 5 basis points in interest cost.

We believe the Agency achieves far more benefit in interest cost than 5 basis points by using an experienced team of underwriters to structure and market its bonds.

We understand the argument that a higher coupon interest payment is passed on to mortgagors, while underwriters' discount is paid by the Agency. However, underwriters discount is not the only direct cost of a bond issue to VHFA. For example, negative arbitrage has been many times more expensive to the Agency than the underwriters' compensation. As discussed above, we were able to eliminate negative arbitrage in Maine's last bond issue, which saved MSHA many times what it paid as compensation to underwriters.

Page Four
October 13, 1994

A $400,000 underwriters discount reflects a plan of finance in which VHFA's stated objective was to achieve the lowest all in interest cost. To achieve this result, the takedown on recent financings was established at a level designed to encourage participation by co-managers and selling group members. If VHFA's objective has changed from minimizing the true interest cost to minimizing initial issuance expenses or some combination of the two, PaineWebber would recommend a very different marketing plan than the Agency has used in the past.

Most of the $400,000 is not paid to PaineWebber but to other parties to the transaction, most of whom VHFA has made an independent business decision to compensate. For example, co-managers collectively receive the majority of the management fee (approximately $60,000 as compared to approximately $40,000 paid to PaineWebber.) Co-managers and selling group members also receive most of the takedown.

The largest portion of underwriters expenses is paid to Orrick Herrington to prepare disclosure and securities law opinions. This work is done as much for VHFA's protection as for any one else's benefit, and the same level of diligence is required whether the bonds are sold to many investors via an official statement or to one investor via a placement memorandum.

If VHFA were to restrict an offering to institutions only and to allow PaineWebber to sole manage a financing, the takedown could be dramatically reduced (by at least $120,000 on a $40,000,000 issue).

In total, the items described above account for $220,000 of the $400,000 that is used by Evensen Dodge in their analysis:

Orrick Herrington	$ 40,000
Co-Managers' Fee	60,000
Takedown that could be achieved if PaineWebber is sole manager	120,000
	$220,000

We understand VHFA's concern over conserving its limited resources, and we are prepared to work with the Agency to meet that objective. Indeed, we have been as concerned with that issue as anyone VHFA has worked with. PaineWebber never asked for, expected, or received any compensation when we developed a cross calling strategy that resulted in present value savings to VHFA in the millions of dollars. In the context of bond transactions, we have developed many approaches to maximizing earnings to VHFA; for example, with the pre-Ullman refunding PaineWebber senior managed, VHFA was able to realize a full 1.5% (vs. 1.125%) spread on its regular single family program by blending yields across the refunding and new money issues. We have deferred fees to minimize the risk that a bond call would result in VHFA losing its issuance expenses. Our ability to identify these opportunities is the result not only of our years of experience in housing finance but also our long experience with VHFA. We are somewhat surprised that an offer to work for a lower fee by a much smaller firm with much less experience in this area would have much appeal to the Agency.

Page Five
October 13, 1994

In conclusion, we believe VHFA is best served by having PaineWebber serve as its senior manager for this financing. We are asking for an opportunity to develop a marketing plan that minimizes issuance costs, if that is VHFA's principal objective. Our plan would include FNMA as a buyer of term bonds if that approach achieves VHFA's goals. We would propose to compensate Evensen Dodge based on bonds placed with FNMA.

We appreciate your giving us this opportunity to present our thinking on this issue.

Sincerely,

Andrew F. Gurley
Managing Director

$37,440,000
Vermont Housing Finance Agency
Single Family Housing Bonds
Series 5 (AMT)

Underwriters' Compensation

	$/Bond	Amount
Gross Spread		
Management Fee	$ 2.50	$ 93,600.00
Takedown	6.62	247,852.80
Expenses	1.63	61,027.20
Underwriting Risk	0.00	0.00
	$ 10.75	$402,480.00

The total underwriters' compensation for a public offering of bonds is the sum of four fees, each of which is a payment for a separate portion of the financing program. Each area is explained below.

Management Fee: This is a payment by the underwriting syndicate to the managing underwriter in recognition of their expertise in finance and marketing skills in the development and implementation of the program and for the amount of time and effort expended on the financing. Market conditions have little effect on the size of this fee, but it generally declines as the size of an issue increases.

Expenses: These represent the out-of-pocket disbursements made by the underwriters for expenses incurred during the development of the program and in connection with the sale of bonds. Underwriter's counsel fee and a fee to clear physically the Bonds at closing are the two major components of this category. Other expenses can include registration fees, computer costs, travel and advertising. Legal expenses and computer expenses vary depending upon the complexity of the financing. Generally, the expenses component of the spread is relatively independent of market conditions.

Underwriting Risk: This is the compensation to the members of the underwriting syndicate for the risk associated with the commitment of their capital to underwrite and the likelihood of underwriters taking bonds into their own portfolios, hence potentially taking substantial inventory losses. In strong markets, or in financings wherein the underwriting syndicate has minimal market risk, this portion of the gross spread can be reduced.

Selling Commission: Also referred to as "takedown", this item is the single largest component of the spread. The takedown is that portion which is paid as a commission to the underwriting syndicate's sales organizations for their efforts in selling the bonds. The takedown varies considerably with different bond issues, depending on the type of bonds, the maturity of the bonds, the size of the issues, the type of issuer, the nature of the credit behind the bonds and the stability of the credit markets, all of which effect the acceptance of the bonds in the market. The takedown usually increases as the maturity lengthens. Therefore, the takedown will be larger for term bond maturities and smaller for shorter maturities or notes.

$37,440,000
Vermont Housing Finance Agency
Single Family Housing Bonds
Series 5 (AMT)

Agency Costs of Issuance

	Amount	$/Bond
Costs of Issuance		
Bond Counsel	$ 50,000	
Printing	20,000	
Moody's	17,500	
Standard & Poor's	17,500	
Advertising	65,000	
Auditors	5,000	
Trepp & Company	40,000	
Trustee Acceptance	3,000	
Sanwa Counsel	15,000	
Miscellaneous	1,170	
	$ 234,170	$ 6.25

vhfa
VERMONT HOUSING FINANCE AGENCY

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

DATE: OCTOBER 13, 1994

RE: FISCAL YEAR JUNE 30, 1994 AUDIT RESULTS

The audited financial statements for the fiscal year ended June 30, 1994, are being completed by our auditors, KPMG Peat Marwick and should be available for distribution at the Board meeting. In addition to the audit, the auditors will also be preparing additional letters addressing internal controls and compliance with standards. All of these reports will be sent to the Auditor of Accounts as required.

Some highlights of the past year follow:

- Total assets decreased from $538 million to $514 million for the year, primarily due to the prepayment of mortgages and related redemption of bonds totalling $56 million, which exceeded the $45 million of new mortgages made.

- The General Fund balance increased by $685,000 due to transfers from bond programs exceeding the loss from operations for the fiscal year, to $6 million, of which only slightly over $2 million is available in cash.

- On an overall basis, the Agency's total expenses exceeded revenues for the year in the amount of $249,066 compared to a $2.4 million deficit in fiscal year 1993. Bond redemptions had the effect of a net loss of $523,000 and provision for loan losses on foreclosed properties added an additional $621,000 loss, of which $342,000 is a valuation reserve for properties we are currently holding.

I have also enclosed the final budget report for the General Fund for the fiscal year ended June 30, 1994, comparing final audited results with the approved budget. These numbers compare closely to the estimated report distributed in May.

The fee deferral line item shown on the bottom of the report indicates the amount of fee income collected in prior years that is recognized in the current year due to generally accepted accounting principles. This adjustment balances the budget report to the audit format.

If you have any questions regarding the contents of the audited financials, the special reports, the final budget comparison report or the contents of this memo, feel free to contact me at your earliest convenience.

Recommended Action

Acceptance of the audit as presented.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • FAX: 802/864-5746 • TDD: 1-800/586-5832

FINAL BUDGET PERFORMANCE REPORT
VERMONT HOUSING FINANCE AGENCY
JUNE 30, 1994

	APPROVED BUDGET	YR TO DATE JUN 30, 1994	% BUDGET RECOGNIZED TO DATE
INCOME			
SINGLE FAMILY FEES	56,350	20,224	35.89%
MULTI-FAMILY FEES	106,500	80,638	75.72%
PROJECT ADMIN FEES	122,000	120,529	98.79%
INTEREST INCOME	428,000	357,857	83.61%
MISCELLANEOUS	70,000	61,450	87.79%
TOTAL INCOME	782,850	640,698	81.84%
FUND TRANSFERS			
SINGLE FAMILY HOUSING	40,000	26,939	67.35%
SHAWMUT MTG PURCHASE	100,000	100,000	100.00%
HOWARD MTG PURCHASE	1,250,000	1,250,000	100.00%
HOWARD HOME MTG PURCH	305,000	321,600	105.44%
HOWARD MULTI-FAMILY	430,000	440,000	102.33%
CONN NATL MULTI-FAMILY	80,000	84,181	105.23%
HOUSING DEVELOP BDS-MF	10,000	20,000	200.00%
DIRECT PLACEMENT BONDS	35,000	50,500	144.29%
TOTAL TRANSFERS	2,250,000	2,293,220	101.92%
TOTAL INC & TFRS	3,032,850	2,933,918	96.74%
EXPENSES			
ADVERTISING & PROMOTION	163,100	156,496	95.95%
AUDIT	27,500	27,950	101.64%
ANNUAL REPORT	10,000	5,690	56.90%
COMMISSIONERS EXPENSES	8,000	6,856	85.70%
CONSTRUCTION INSPECTION	20,000	11,948	
CONSULTING FEES	75,000	73,547	98.06%
DUES & SUBSCRIPTIONS	33,200	23,855	71.85%
INSURANCE	188,336	170,647	90.61%
INTEREST EXPENSE	57,000	55,475	97.32%
LEGAL	55,000	35,091	63.80%
MISCELLANEOUS	7,800	8,258	105.87%
OFFICE EXPENSES	30,000	24,029	80.10%
PENSION PLAN	100,000	97,919	97.92%
POSTAGE	22,500	20,388	90.61%
RENT	116,000	120,318	103.72%
REPAIRS & MAINTENANCE	55,000	59,602	108.37%
SALARIES & WAGES	1,297,860	1,267,786	97.68%
STAFF TRAVEL & TRAINING	68,745	62,151	90.41%
SUBSIDY-HVT, ERH, ETC.	90,000	94,341	104.82%
TAXES-PAYROLL	97,600	97,270	99.66%
TELEPHONE	30,000	28,964	96.55%
TRUSTEE & CREDIT FEES	260,000	192,582	74.07%
DEPRECIATION	120,000	123,942	103.29%
TOTAL EXPENSES	2,932,641	2,765,105	94.29%
SURPLUS (DEFICIT)	100,209	168,813	168.46%
FEE DEFERRAL		517,779	
AUDIT BASED SURPLUS		686,592	

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VERMONT HOUSING FINANCE AGENCY

Financial Statements

June 30, 1994

(With Independent Auditors' Report Thereon)

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VERMONT HOUSING FINANCE AGENCY

June 30, 1994

Table of Contents

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INDEPENDENT AUDITORS' REPORT

To the Honorable Edward Flanagan,
Auditor of the Accounts of the
State of Vermont and

The Commissioners
Vermont Housing Finance Agency:

We have audited the accompanying balance sheet of Vermont Housing Finance Agency as of June 30, 1994, and the related statements of revenues, expenses and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vermont Housing Finance Agency at June 30, 1994, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

September 30, 1994

Vt. Reg. No. 92-0000241

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VERMONT HOUSING FINANCE AGENCY
Balance Sheet
June 30, 1994
(With Comparative Totals for 1993)

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	1994				1993
	General Fund	Single Family Mortgage Programs	Multi-Family Mortgage Programs	(Memorandum Only) Totals	Totals
Assets					
Cash and cash equivalents	$ 4,522,238	90,323,752	5,486,236	100,332,226	117,115,012
Investments	1,449,063	34,226,438	10,121,619	45,797,120	45,011,355
Mortgage and construction loans receivable	6,235,116	266,402,624	85,514,447	358,152,187	365,431,835
Accrued interest receivable:					
On mortgage and construction loans and notes receivable	60,236	1,929,036	509,083	2,498,355	2,635,595
On investments	31,681	869,668	293,602	1,194,951	1,682,738
Deferred costs of bond issuance	-	1,800,791	427,114	2,227,905	2,315,270
Land	725,000	-	-	725,000	725,000
Office furniture and fixtures, at cost, less accumulated depreciation of $704,625 in 1994 and $580,682 in 1993	328,288	-	-	328,288	340,187
Other receivables and prepaid expenses	373,723	154,992	-	528,715	462,336
Interfund receivables (payables)	(2,142,811)	2,648,047	(505,236)	0	-
Real estate owned	-	2,416,927	-	2,416,927	1,935,568
Total assets	$ 11,582,534	400,772,275	101,846,865	514,201,674	537,654,896
Liabilities and Fund Balances					
Deferred loan origination fees, net	1,233,061	-	-	1,233,061	1,756,298
Accounts payable	138,512	548,210	5,713	692,435	350,342
Escrowed cash deposits	3,427,344	1,712	-	3,429,056	3,385,193
Notes payable	125,000	-	-	125,000	181,520
Accrued interest payable	25,111	3,075,806	2,644,878	5,745,795	5,997,702
Accreted interest payable	-	3,331,061	-	3,331,061	7,788,870
Bonds payable	637,487	371,050,806	95,063,002	466,751,295	485,926,801
Unamortized discount on bonds payable	-	(4,996,555)	(1,555,565)	(6,552,120)	(7,426,987)
Total liabilities	5,586,515	373,011,040	96,158,028	474,755,583	497,959,739
Fund balances - restricted	5,996,019	27,761,235	5,688,837	39,446,091	39,695,157
Commitments and contingencies					
Total liabilities and fund balances	$ 11,582,534	400,772,275	101,846,865	514,201,674	537,654,896

See accompanying notes to financial statements.

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VERMONT HOUSING FINANCE AGENCY
Statement of Revenues, Expenses and Changes in Fund Balances
Year ended June 30, 1994
(With Comparative Totals for 1993)

	1994				1993
	General Fund	Single Family Mortgage Programs	Multi-Family Mortgage Programs	(Memorandum Only) Totals	Totals
Revenues:					
Interest income:					
Mortgage and construction loans receivable	$ 230,485	23,412,659	8,184,259	31,827,403	33,828,527
Investments	127,373	7,346,703	1,262,995	8,737,071	12,838,112
Fee income:					
Multi-Family Mortgage Programs	80,200	-	121,017	201,217	179,574
Single Family Mortgage Programs	489,063	-	-	489,063	198,681
Grant income	-	-	-	-	39,637
Gain on sales of investments	-	737,502	-	737,502	1,504,206
Miscellaneous income	61,451	-	-	61,451	73,022
Total revenues	988,572	31,496,864	9,568,271	42,053,707	48,661,759
Expenses:					
Financing costs, including interest and amortization of premium, discount and costs of issuance	56,785	27,949,485	8,652,067	36,658,337	42,671,053
Mortgage service and contract administration fees	-	1,035,169	68,334	1,103,503	1,157,916
Salaries and benefits	1,584,243	-	-	1,584,243	1,560,537
Operating expenses	819,077	-	-	819,077	694,655
Professional fees	63,042	-	-	63,042	82,066
Trustee and assignee fees	192,582	-	-	192,582	280,298
Loss on bond redemptions	-	1,260,514	-	1,260,514	4,234,487
Property disposition expenses	-	621,475	-	621,475	372,818
Total expenses	2,715,729	30,866,643	8,720,401	42,302,773	51,053,830
Excess (deficiency) of revenues over expenses	(1,727,157)	630,221	847,870	(249,066)	(2,392,071)
Fund balances at beginning of year	5,309,427	28,829,553	5,556,177	39,695,157	42,087,228
Transfers to program funds	(13,790)	13,790	-	-	-
Transfers to general fund	2,427,539	(1,712,329)	(715,210)	-	-
Fund balances at end of year	$ 5,996,019	27,761,235	5,688,837	39,446,091	39,695,157

See accompanying notes to financial statements.

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VERMONT HOUSING FINANCE AGENCY
Statement of Cash Flows
Year ended June 30, 1994
(With Comparative Totals for 1993)

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	1994				1993
	General Fund	Single Family Mortgage Programs	Multi-Family Mortgage Programs	(Memorandum Only) Totals	Totals
Cash flows from operating activities:					
Excess (deficiency) of revenues over expenses	$ (1,727,157)	630,221	847,870	(249,066)	(2,392,071)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used for) operating activities:					
Transfers from (to) other programs	2,413,749	(1,698,539)	(715,210)	-	-
Depreciation	123,943	-	-	123,943	100,934
Amortization of discounts on bonds payable	-	188,054	70,365	258,419	285,366
Amortization of costs of bond issuance	-	61,172	18,777	79,949	19,722
Amortization of discounts on investments	-	6,298	(36,105)	(29,807)	(51,743)
Loss on bond redemptions	-	1,260,514	-	1,260,514	3,241,387
Loss on sale of real estate owned	-	619,081	-	619,081	372,818
Gain on sales of investments	-	(737,502)	-	(737,502)	(1,504,206)
Changes in assets and liabilities:					
Decrease (increase) in accrued interest receivable	(18,080)	573,634	69,473	625,027	1,155,700
Decrease (increase) in other receivables and prepaid expenses	(28,920)	(37,459)	-	(66,379)	302,495
Decrease (increase) in interfund receivables and payables	2,404,050	(2,613,165)	209,115	-	-
Increase (decrease) in deferred loan origination fees, net	(523,237)	-	-	(523,237)	168,777
Increase (decrease) in accounts payable	(22,627)	459,244	(94,524)	342,093	(337,241)
Decrease in interest accrued or accreted on bonds and notes payable	(1,230)	(4,659,450)	(49,036)	(4,709,716)	(4,787,913)
Net cash provided by (used for) operating activities	2,620,491	(5,947,897)	320,725	(3,006,681)	(3,425,975)

See accompanying notes to financial statements.

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(Continued)

VERMONT HOUSING FINANCE AGENCY
Statement of Cash Flows, Continued

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	1994 General Fund	1994 Single Family Mortgage Programs	1994 Multi-Family Mortgage Programs	1994 (Memorandum Only) Totals	1993 (Memorandum Only) Totals
Cash flows from investing activities:					
Purchases of individual mortgages	$ (1,080,478)	(44,136,502)	-	(45,216,980)	(39,476,370)
Purchases of Multi-Family mortgage loans and advances on construction loans	(2,934,408)	-	(2,723,000)	(5,657,408)	(2,122,023)
Principal collections on mortgage loans, notes receivable and construction loans	1,207,933	53,270,888	1,659,398	56,138,219	52,436,167
Purchases of long-term investments	(1,349,063)	(15,192,388)	(1,967,268)	(18,508,719)	(8,655,000)
Proceeds from sales of long-term investments	-	10,466,860	523,403	10,990,263	8,654,098
Net decrease in short-term investments	-	5,500,000	2,000,000	7,500,000	23,933,923
Increase (decrease) in escrowed cash deposits	64,058	1,712	(21,907)	43,863	(554,880)
Cost of real estate owned	-	(636,151)	-	(636,151)	(1,694,137)
Proceeds from sales of real estate owned	-	1,551,528	-	1,551,528	940,358
Purchases of office furniture and fixtures	(112,044)	-	-	(112,044)	(240,890)
Net cash provided by (used for) investing activities	(4,204,002)	10,825,947	(529,374)	6,092,571	33,221,246
Cash flows from non-capital financing activities:					
Net proceeds from issuance of bonds payable	-	37,037,520	-	37,037,520	102,238,291
Payments on bond principal	(3,452)	(54,716,875)	(1,895,179)	(56,615,506)	(184,347,005)
Proceeds from issuance of notes payable	125,000	-	-	125,000	180,000
Repayment of notes payable	(181,520)	-	-	(181,520)	(3,248,561)
Cost of bond issuance	-	(234,170)	-	(234,170)	(523,627)
Net cash used for non-capital financing activities	(59,972)	(17,913,525)	(1,895,179)	(19,868,676)	(85,700,902)
Net decrease in cash and cash equivalents	(1,643,483)	(13,035,475)	(2,103,828)	(16,782,786)	(55,905,631)
Cash and cash equivalents at beginning of year	6,165,721	103,359,227	7,590,064	117,115,012	173,020,643
Cash and cash equivalents at end of year	$ 4,522,238	90,323,752	5,486,236	100,332,226	117,115,012
Supplemental cash flow information:					
Interest paid	$ 56,707	27,842,639	7,921,436	35,820,782	42,810,595

See accompanying notes to financial statements

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VERMONT HOUSING FINANCE AGENCY
Notes to Financial Statements
June 30, 1994

(1) Authorizing Legislation and Nature of Funds

(A) Authorizing Legislation

Vermont Housing Finance Agency (the "Agency") was created as a body politic and corporate of the State of Vermont by an Act of the General Assembly approved on April 11, 1974 (the "Act"). The purpose of the Agency is to promote the expansion of the supply of funds available for mortgages on residential housing and to encourage an adequate supply of safe and decent housing at reasonable costs.

The Agency is empowered by the Act and subsequent amendments to issue bonds and notes in an amount not to exceed $900,000,000 outstanding at any one time. Instruments so issued do not constitute a debt or obligation of the State of Vermont and are payable solely from revenues or assets of the Agency.

The State of Vermont has pledged and agreed with the holders of bonds and notes of the Agency not to impair in any way the rights and remedies of such holders until the bonds and notes are fully discharged.

(B) Basis of Presentation and Nature of Funds

The financial statements are presented on a program basis, combining the various restricted funds required by each bond resolution into groups that account for the various bonds issued, related costs of issuance and debt service activity and the investment and related earnings of the bond proceeds in mortgages or loans and temporary investments and the maintenance of certain reserve fund requirements - all under the specific requirements of each resolution.

These funds are in turn grouped according to type as relating to single family mortgage programs, multi-family mortgage programs and the unrestricted general fund of the Agency.

(a) General Fund

This fund derives its revenue principally from fees from mortgage lenders and mortgagors and investment income. Operating expenses of the Agency are paid from this fund.

Transfers from program funds to the General Fund represent amounts allowed to be transferred pursuant to the terms of the Agency's bond resolutions.

(b) Single Family Mortgage Program Funds

These funds have been established under the Single Family Insured Mortgage Bond Resolution adopted in September 1976, the Single Family Mortgage Purchase Bond Resolution adopted in June 1978, the Home Mortgage Purchase Bond Resolution adopted in July 1983 and the Single Family Housing Bond Resolution adopted in September 1990. These funds have been used by the Agency to purchase mortgage loans on single family residential housing units for persons and families of low and moderate income in Vermont. Part of the bond proceeds in the Single Family Housing Program funds has been used by the Agency to advance refund the Agency's Single Family Mortgage Purchase Program, 1978, 1979 and 1980 Series Bonds.

(Continued)

VERMONT HOUSING FINANCE AGENCY
Notes to Financial Statements

(c) Multi-Family Mortgage Program Funds

These funds have been established under the Multi-Family Mortgage Bond Resolution adopted in February 1977, the Multi-Family Housing Bond Resolution adopted in September 1981, the Enosburg Housing Bond Resolution adopted in December 1985, the Canterbury Inn Housing Bond Resolution adopted in December 1986, the Housing Development Bond Resolution adopted in July 1989, the Northgate Housing Bond Resolution adopted in December 1989, the Highgate Housing Note Resolution adopted in March 1991 and various Individualized Taxable Bond Resolutions adopted between August 1990 and March 1993. These funds are used by the Agency to make and finance mortgage loans to sponsors of multi-family residential housing units for persons and families of low and moderate income within the State of Vermont.

Under various bond resolutions of the Agency, certain amounts from bond proceeds are required to be set aside and maintained for potential debt service requirements in trusteed accounts. As of June 30, 1994, reserve requirements totalled $29,131,872 for the Single Family Mortgage Programs and $8,517,933 for the Multi-Family Mortgage Programs. Amounts actually held in trusteed accounts as of June 30, 1994 exceeded the required balances in all cases.

Pursuant to an agreement with Sanwa Bank, Ltd., the Agency is required to maintain assets free and clear of all encumbrances in the amount of $4,434,547. At June 30, 1994 the requirement has been met.

(C) Segment Financial Data

Balance sheet and operating data of the Agency's Single Family and Multi-Family Mortgage Program funds are delineated as follows:

	Balance Sheet Data		
	Total Assets	Bonds Payable	Fund Balances
Insured Mortgage Program	$ 13,747,517	9,495,000	4,261,318
Mortgage Purchase Program	4,659,384	-	4,659,235
Home Mortgage Purchase Program	197,049,411	181,875,806	13,049,280
Housing Program	185,315,963	179,680,000	5,791,402
Total Single Family Mortgage Programs	$ 400,772,275	371,050,806	27,761,235
Mortgage Program	44,985,312	40,665,000	3,848,936
Housing Program	29,494,691	27,540,000	1,358,511
Direct Placement Programs	18,625,111	18,348,002	108,186
Housing Development Program	8,741,751	8,510,000	373,204
Total Multi-Family Mortgage Programs	$ 101,846,865	95,063,002	5,688,837

(Continued)

VERMONT HOUSING FINANCE AGENCY
Notes to Financial Statements

(C) Segment Financial Data, Continued

	Operating Data		
	Revenues	Financing and Related Costs	Excess of Revenues over Expenses
Insured Mortgage Program	$ 766,665	618,944	116,995
Mortgage Purchase Program	158,121	-	157,002
Home Mortgage Purchase Program	19,379,898	17,199,128	30,516
Housing Program	11,192,180	10,131,413	325,708
Total Single Family Mortgage Programs	$ 31,496,864	27,949,485	630,221
Mortgage Program	3,751,683	3,161,421	521,928
Housing Program	3,625,837	3,451,445	174,392
Direct Placement Programs	1,427,424	1,365,673	61,751
Housing Development Program	763,327	673,528	89,799
Total Multi-Family Mortgage Programs	$ 9,568,271	8,652,067	847,870

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The Agency follows the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when incurred.

(b) Cash Equivalents

The Agency considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

(c) Mortgage Loans Receivable

Mortgage loans receivable are carried at their uncollected principal balances.

(d) Investments

Investments are carried at amortized cost. Discounts or premiums, if any, are accreted or amortized using the straight-line method over the term to maturity.

(e) Depreciation

The Agency records purchases of office furniture and fixtures at cost and amortizes that cost over the estimated useful lives of the assets, generally five years, using the straight-line method.

(Continued)

(2) Summary of Significant Accounting Policies, Continued

(f) Costs of Bond Issuance and Discount or Premium

Costs of bond issuance and discount or premium on bonds payable are amortized over the lives of the respective bond issues using the straight-line method.

(g) Income Tax Status

The Agency is exempt from Federal and state income taxes.

(h) Deferred Loan Origination Fees and Costs

Loan origination fees and certain related costs are deferred and amortized over the estimated lives of the respective loans.

(i) Totals - Memorandum Only

The columns on the financial statements entitled "Totals - Memorandum Only" reflect the totals of the similar accounts of the various funds. Since the assets of certain of the funds are restricted by the related bond resolutions, the totalling of the accounts is for illustrative purposes only and does not indicate that the combined assets are available in any manner other than that provided for in the separate bond resolutions of the individual funds. The totals for June 30, 1993 are presented for comparative purposes only.

(j) Reclassifications

Certain reclassifications have been made to the 1993 financial statements in order to conform with the 1994 presentation.

(3) Cash, Cash Equivalents and Investments

For mortgage program investments, bond resolution requirements mandate specific classes of investment vehicles. Qualified investments are: direct obligations of the United States of America; obligations unconditionally guaranteed by the United States of America; indebtedness issued by certain Federal agencies; bank time deposits evidenced by certificates of deposits insured by the FDIC or FSLIC and, if in excess of insured limits, collateralized in full by the aforementioned Federal government investments; obligations of the State of Vermont, and/or Federal or state insured mortgages; collateralized repurchase agreements secured by obligations of the Federal government with the collateral held by or at the direction of the appropriate trustee; and, investment agreements with banks or bank holding companies rated in the top categories by nationally recognized rating agencies.

Cash and cash equivalents are defined to be actual cash or investments which have original maturities of three months or less. This category also includes mortgage payments which are in transit to the trustee to be invested in collateralized repurchase agreements. Investments are comprised of short-term investments other than cash equivalents that mature in one year or less, and long-term investments with maturities in excess of one year. At June 30, 1994, gross unrealized gains pertaining to these investments amounted to $1,360,097.

(Continued)

VERMONT HOUSING FINANCE AGENCY
Notes to Financial Statements

(3) Cash, Cash Equivalents and Investments, Continued

A summary of amortized cost and market values of cash, cash equivalents and investments at June 30, 1994 is as follows:

	Amortized Cost		Market Value	
	Cash and Cash Equivalents	Investments	Cash and Cash Equivalents	Investments
General Fund:				
Cash	$ 4,522,238	-	4,522,238	0
U.S. Treasury and Agency securities	-	1,349,063	-	1,221,950
Certificates of deposit	-	100,000	-	100,000
Total General Fund	4,522,238	1,449,063	4,522,238	1,321,950
Single Family Mortgage Programs:				
Cash	13,251,850	-	13,251,850	-
U.S. Treasury and Agency securities	-	34,226,438	-	34,914,685
Repurchase and investment agreements	77,071,902	-	77,071,902	-
Total Single Family	90,323,752	34,226,438	90,323,752	34,914,685
Multi-Family Mortgage Programs:				
Cash	4,944,768	-	4,944,768	-
U.S. Treasury and Agency securities	-	10,121,619	-	10,920,582
Repurchase and investment agreements	541,468	-	541,468	-
Total Multi-Family	5,486,236	10,121,619	5,486,236	10,920,582
Total Agency	$ 100,332,226	45,797,120	100,332,226	47,157,217

(Continued)

VERMONT HOUSING FINANCE AGENCY
Notes to Financial Statements

(4) Mortgage Loans Receivable

(A) Single Family Mortgage Loans Receivable

Single Family mortgage loans earn interest at annual rates ranging predominantly from 6.95% to 10.5%. Debt service is received monthly by the Agency from which either .50% or .375% is retained as a fee by the servicing banks.

At June 30, 1994, approximately 90% of the single family mortgage portfolios consist of primary insured mortgages. Primary insurance is provided principally by the Vermont Home Mortgage Guarantee Board.

Conventional mortgage loans, not requiring primary insurance, are limited to 75% of the appraised value of the property.

(B) Multi-Family Mortgage Loans Receivable

Multi-Family mortgage loans receivable earn interest at annual rates ranging from 7.25% to 14%, and are collateralized by a first mortgage lien on all real and personal property of the mortgaged premises. As of June 30, 1994, $562,113 of the Multi-Family mortgage loans receivable under the Multi-Family Housing Program were financed from funds transferred from the Agency's General Fund, which includes interest for the initial three-year period during which no payments were required to be made.

(5) Real Estate Owned

Real estate owned at June 30, 1994 consists of the mortgage principal balance, accrued interest and advanced expenses relating to properties held pending sale as a result of foreclosure by the Agency. Real estate owned is carried at the lower of cost or fair market value less estimated costs to sell. A valuation allowance has been established to account for the reduction in value of properties held.

(6) Escrowed Cash Deposits

Escrowed cash deposits are received primarily from multi-family housing developers at the time the Agency makes permanent mortgage loans. Escrowed deposits are governed by agreements, and released upon satisfactory compliance with their terms.

The Agency also requires multi-family housing developers to meet certain equity, working capital and other escrow requirements. These requirements may be satisfied by the submission to the Agency of irrevocable letters of credit. At June 30, 1994, the Agency was holding such letters of credit totalling $571,219.

(Continued)

VERMONT HOUSING FINANCE AGENCY
Notes to Financial Statements

(7) Bonds Payable

All bonds payable are general or special obligations of the Agency and are collateralized by the revenues, loans, funds, and investments pledged pursuant to the respective bond resolutions. Interest is payable semi-annually. All bonds are subject to redemption after various dates at prices ranging from 100% to 103% of par value.

Outstanding bonds payable at June 30, 1994 are as follows:

A. Single Family Mortgage Programs:	
Insured Mortgage Program:	
1976 Series A, maturing 1994 to 2002, interest at 6.7%	$ 4,245,000
1977 Series A, maturing 1994 to 2003, interest at 5.75%	5,250,000
Total	9,495,000
Home Mortgage Purchase Program:	
1987 Series A, maturing 1994 to 2006, interest at 7.25% to 8.7% and Term Appreciation Bonds maturing 2023 yielding approximately 9.75%	5,945,806
1988 Series A, maturing 1994 to 2014, interest at 6.7% to 8.4%	8,195,000
1988 Series B, maturing 1994 to 2022, interest at 6.6% to 8.1%	62,060,000
1989 Series A, maturing 1994 to 2029, interest at 6.9% to 7.85%	53,720,000
1989 Series B, maturing 1994 to 2024, interest at 6.5% to 7.6%	51,955,000
Total	181,875,806
Housing Program:	
Series 1, maturing 1994 to 2025, interest at 4.25% to 8.15%	19,360,000
Series 2, maturing 1994 to 2025, interest at 3.65% to 7.3%	39,615,000
Series 3, maturing 1994 to 2025, interest at 3.65% to 6.875%	32,315,000
Series 4, maturing 1994 to 2025, interest at 4.0% to 6.40%	50,950,000
Series 5, maturing 1996 to 2027, interest at 4.4% to 7.0%	37,440,000
Total	179,680,000
Total Single Family Mortgage Programs	371,050,806

(Continued)

VERMONT HOUSING FINANCE AGENCY
Notes to Financial Statements

(7) Bonds Payable, Continued

B. Multi-Family Mortgage Programs:

Mortgage Program:	
1977 Series A, maturing 1995 to 2017, interest at 6.5%	$ 3,640,000
1977 Series B, maturing 1995 to 2019, interest at 5.85% to 6.3%	6,500,000
1978 Series A, maturing 1995 to 2020, interest at 6.6% to 7.125%	8,430,000
1979 Series A, maturing 1995 to 2021, interest at 7.8% to 8.5%	14,260,000
1986 Series A, maturing 1995 to 2018, interest at 6.875% to 8.25%	5,040,000
1988 Series A, maturing 1995 to 2020, interest at 8.375%	2,795,000
Total	40,665,000
Housing Program:	
1981 Series A, maturing 1995 to 2013, interest at 13.375%	12,935,000
1982 Series A, maturing 1995 to 2014, interest at 12.75%	7,690,000
1983 Series A, maturing 1995 to 2015, interest at 9.75%	6,915,000
Total	27,540,000
Direct Placement Programs:	
Enosburg Housing Program:	
1985 Series A, maturing 1994 to 2010, interest at 8.75% through 1996, variable to maturity at rate of 92% of Eleven General Obligation Bond Index	350,700
Canterbury Inn Housing Program:	
1986 Series A, maturing 1994 to 2011, interest at 5.795% through 1995, variable to maturity at rate of 95% of Eleven General Obligation Bond Index	403,000
Northgate Housing Program:	
Eleven series of bonds, issued December 1989, maturing 1994 to 2031, interest at 7.085% to 9.23%	9,482,697
Highgate Housing Program:	
Two series of bonds, issued May 1991, maturing 1994 to 2031, interest at 6.45% to 7.741%	2,518,430

(Continued)

VERMONT HOUSING FINANCE AGENCY
Notes to Financial Statements

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(7) Bonds Payable, Continued

B. Multi-Family Mortgage Programs, Continued:	
Direct Placement Programs, Continued:	
St. Johnsbury Housing Development Bond:	
Taxable bond, issued August 1990, maturing 1994 to 2005, interest at 7.5%	$ 409,200
French Hill Manor Mobile Home Park Bond:	
Taxable bond, issued November 1990, maturing 1994 to 2010, interest at 9% to 11.25%	118,600
Town and Country Mobile Home Park Bond:	
Taxable bond, issued January 1991, maturing 1994 to 2011, interest at 9% to 11.25%	1,039,225
Fernwood Manor Mobile Home Park Bond:	
Taxable bond, issued January 1991, maturing 1994 to 2011, interest at 9% to 11.25%	1,170,050
Pine Meadow Development Bond:	
Taxable bond, issued July 1991, maturing 1994 to 2016, interest at 9%	773,100
Whitney Hill Housing Development Bond:	
Taxable bond, issued January 1992, maturing 1994 to 2007, interest at 9%	1,238,900
Lazy Brook Mobile Home Park Bond:	
Taxable bond, issued January 1992, maturing 1994 to 2012, interest at 10%	518,900
Hillside Mobile Home Park Bond:	
Taxable bond, issued March 1993, maturing 1994 to 2013, interest at 9% to 12.25%	325,200
Total	18,348,002
Winchester Housing Development Program:	
1989 Series A, maturing 1995 to 2016, interest at 7.5% to 7.75%	8,510,000
Total Multi-Family Mortgage Programs	95,063,002
C. General Fund:	
Northgate Housing Site Acquisition, issued December 1989, maturing 1994 to 2031, interest at 7%	637,487
Total bonds payable	$ 466,751,295

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(Continued)

VERMONT HOUSING FINANCE AGENCY
Notes to Financial Statements

(7) Bonds Payable, Continued

Future maturities on bonds payable as of June 30, 1994 are as follows:

	Principal Amount								
	Single Family Mortgage Programs			Multi-Family Mortgage Programs					
Year ending June 30:	Insured Mortgage Program	Home Mortgage Purchase Program	Housing Program	Mortgage Program	Housing Program	Direct Placement Program	Housing Development Program	General Fund	Total
	(Amounts in Thousands)								
1995	$ 620	1,745	3,550	970	395	175	120	3	7,578
1996	650	1,845	3,985	1,010	440	188	160	4	8,282
1997	685	1,975	2,995	1,090	495	201	170	4	7,615
1998	725	2,115	2,170	1,185	550	215	185	5	7,150
1999	740	2,195	2,430	1,195	620	236	195	5	7,616
Thereafter	6,075	172,001	164,550	35,215	25,040	17,333	7,680	616	428,510
	$ 9,495	181,876	179,680	40,665	27,540	18,348	8,510	637	466,751

(8) Accreted Interest Payable

Term Appreciation Bonds are payable upon redemption or at maturity in an amount equal to the initial principal amount of such bonds plus an amount of interest which, based on semi-annual compounding (June 1 and December 1 of each year) from the date of such bonds, will produce a yield to the stated maturity as disclosed in Note 7. This "Accreted Value" increases the original issuance amount of Term Appreciation Bonds and is not paid until redemption or maturity.

(9) Notes Payable

The Agency has a promissory note in the amount of $125,000 payable to a local credit union at the rate of 8% and due August 19, 1994. This note provided short term funding for energy loans.

(10) Restricted Fund Balances

Pursuant to the Act and agreements with bondholders and other parties, the Agency's assets are pledged to secure specific obligations or are otherwise restricted.

Programs which are financed by the issuance of bonds are accounted for separately in accordance with each of the general bond resolutions. Program assets and revenues are pledged to bondholders. Revenues in excess of required amounts are available to be transferred to the General Fund.

Amounts transferred to the General Fund from the bond resolutions are free and clear of any lien or pledge created by the bond resolutions, and may be used for any lawful purpose under the Act, including payments to various accounts within the bond resolutions. All of the outstanding bonds, except for the Single Family Housing Bonds, are general obligations of the Agency. For general obligations bonds, the Agency covenants that it will restore deficiencies to the bond programs, as defined by the bond resolutions, from the General Fund.

The General Fund is also the primary source to pay administrative expenses in connection with current and future housing programs, to cover loan losses incurred and to provide collateral for credit agreements.

(Continued)

(11) Loss on Bond Redemptions

During the year ended June 30, 1994, the Agency redeemed $40,376,875 of its Single Family Home Mortgage Purchase Program Bonds and $7,840,000 of its Single Family Housing Program Bonds at par value. A loss of $1,260,514 was recognized which represents the unamortized balance of bond discount and cost of issuance expenses associated with the bonds retired. Following is a summary of the redeemed bonds:

Home Mortgage Purchase Program:	
1985 Series B	$ 23,771,875
1987 Series A	14,445,000
1988 Series A	2,160,000
	$ 40,376,875
Single Family Housing Program:	
Series 1	$ 7,840,000

(12) Pension Plan

Upon meeting certain eligibility requirements, the Agency's employees are eligible to participate in a non-contributory defined contribution pension plan. For the year ended June 30, 1994, the Agency had a total payroll of $1,235,625, of which $1,087,478 was covered by the pension plan. The Agency's contribution to the Plan is 10% of the covered payroll. Forfeitures of nonvested benefits by terminated employees reduce the Agency's contribution. The cost of the plan was $97,919 for the year ended June 30, 1994, and is included in salaries and benefits expense.

(13) Commitments and Contingencies

At June 30, 1994, the Agency had outstanding commitments in the amount of $12,952,809 to purchase or finance mortgage loans pursuant to its normal funding from bond proceeds. In addition, there were commitments of $651,991 for general loans or future program subsidy purposes.

The Agency has guaranteed the collection of a portion of loan proceeds on a real estate development financed by a commercial bank. The guarantee is in the amount of $353,500 expiring on September 1, 1994.

The Agency has entered into an agreement with the Vermont Home Mortgage Guarantee Board insuring the payment of losses limited to 5% of the original mortgage loan amount incurred on mortgages purchased under the Down Payment Assistance Program. Under terms of the program, 150 mortgages are expected to be originated on an annual basis. As of June 30, 1994, $15,106,668 of mortgages have been purchased under the program. Legislation has been enacted which requires interest earned on real estate deposits to be placed into a fund, which is directed to the Agency to be used to assist in the payment of losses under the program.

Under the terms of its continuing lease for office space which expires in 1995, the Agency is committed to pay an annual rental of $125,580 through 1995. Rent expense for the year ending June 30, 1994 was $120,319.

(Continued)

VERMONT HOUSING FINANCE AGENCY
Notes to Financial Statements

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(13) Commitments and Contingencies, Continued

Under the Single Family Mortgage Programs, the Agency has obtained irrevocable letters of credit to satisfy the requirements of certain bond resolutions. The letters of credit each have five year terms and are in the following amounts:

	Amount	Expiration Date
Home Mortgage Purchase Program Bonds:		
1989 Series B	$ 700,000	12/21/94
Housing Program Bonds:		
Series 1	$ 1,367,125	09/27/95
Series 2	1,401,747	11/10/96
Series 3	1,458,175	01/31/98
Series 4	1,008,500	03/09/98
Series 5	1,647,500	06/14/99
Total	$ 6,883,047	

The letters of credit are held by the trustee for each respective bond issue and are to be used only in conjunction with a "Special Redemption" of the bond issue resulting from the inability to purchase mortgage loans under the Program, or due to excess prepayments of mortgage loans. $3,434,547 of the Housing Program Bond letters of credit are available to pay losses incurred on mortgage loans.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Glenn A. Jarrett, General Counsel GAJ

DATE: October 13, 1994

RE: Multi-family Rules Revision

BACKGROUND:

In May we discussed revisions to the Agency's rules, which were adopted many years ago and were showing their age. We began the process with the Multi-family rules. After several drafts by Frank Kochman, and comments from the Development and Multi-family Management departments, we are recommending the attached rules to the Board. The following is a brief discussion of the philosophy of our redraft and an explanation of the major changes to the rules. Many of the changes are to conform the rules to the current practices of the Agency. Attached is a clean set of proposed rules as well as an annotated version showing additions and deletions to the former rules,

GENERAL PRINCIPLES:

1. With certain exceptions for matters of special importance, eliminate mere replications of statutory matter.

2. Allow case-by-case flexibility and executive discretion to the extent consistent with the statute.

CHAPTER ONE:

Definitions. The mere replication of statutory definitions has been eliminated. They are incorporated by cross-reference. Generally, we want the definitions to float with the statute, that is, changing automatically as the statute is amended. The definitions that remain reflect necessary concepts not included in the statute and/or interpretive gloss on statutory terms developed over time.

CHAPTER THREE:

Occupancy: Former requirement of 100% "low and moderate" initial occupancy with dispensation down to 75% has been changed to 75% requirement with dispensation down to "more than half."

References to "tax-exempt" bonds modified to reflect the Code.

CHAPTER FOUR:

Language implementing 40 year maximum term of loans has been modified to include the gloss developed with Palmer and Dodge for Northgate. (40 year from date of first payment rather than 40 years from date of note.)

Change in "Collateral Security" language is because of an obvious mistake in the statute.

CHAPTER FIVE:

Contents of Applications. Expressly allows for flexibility in shaping requirements of applications.

CHAPTER SIX:

Project Selection Criteria: Deleted, but Agency may require showing of compliance with the Agency's Act 200 Plan.

Letter of Interest: This is now the only letter which precedes the issuance of a commitment letter (and it too can be skipped, if desired). The intermediate "Letter of Intent" has been eliminated as a concept. The Letter of Interest may impose specific conditions on the issuance of a subsequent commitment, but the items specified in the regs are now examples rather than requirements. Also, the Agency may impose pre-conditions on the issuance of a commitment by unspecified means other than a Letter of Interest.

CHAPTER SEVEN:

Letter of Commitment to Finance: Either the Board, or (if the Board has already made the mandatory §625 findings and if it has authorized him to do so in the particular case) the executive director, may issue a Commitment Letter.

Conditions of Closing: Unlike the case with a Letter of Interest, which is not the exclusive place for establishing conditions of further action, the regs contemplate that any remaining conditions will be fully set forth in the Commitment Letter, and the §625 findings will have already been made.

CHAPTER EIGHT:

Findings. Modified to reflect statutory changes. Included (rather than cross-referenced) because fundamental to authority to go forward.

Representation by Counsel. Used to say Agency shall be "represented" at closings. Interpretation was representation by counsel. Here, same thing is express.

Certificate of Completion. Used to say may require owner to provide "certificate of completion." Seemed to be directed toward certificate of substantial completion. So changed.

RECOMMENDED ACTION:

Board approval of the attached Agency Rules for Loans to Housing Sponsors for Multi-family Developments and directive to the Executive Director to take all actions necessary to promulgate these rules pursuant to the Administrative Procedures Act.

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VERMONT HOUSING FINANCE AGENCY
RULES FOR LOANS TO HOUSING SPONSORS
FOR MULTI-FAMILY DEVELOPMENTS

CHAPTER ONE
SCOPE AND DEFINITIONS

1. Scope

These rules are made and published pursuant to section 621(12) and 624(b) of the Vermont Housing Finance Agency Act, being No. 260 of 1973 (adjourned session), as amended, (the "Act") and relate to the providing of mortgage loans to qualified housing sponsors for the acquisition, construction and rehabilitation of multi-family developments primarily for occupancy by persons and families of low and moderate income.

2. Definitions

All terms used herein and not otherwise defined shall have the same meaning as they have in the Act, as amended from time to time; provided, that no change in meaning resulting from an amendment to the Act shall be construed to affect adversely any action taken in reliance on the Act as it read prior to such amendment. Unless the context requires a different meaning, the following definitions shall apply.

1. "Agency" means the Vermont housing finance agency created by the Act.

2. "Bonds" means bonds, notes, or other obligations evidencing financial indebtedness of the Agency and issued pursuant to the Act.

3. "Code" means the federal Internal Revenue Code of 1986, as amended, including the regulations adopted thereunder from time to time, or, if applicable, the Internal Revenue Code of 1954, as amended, including the regulations adopted thereunder.

4. "Construction" means the creation or addition of new residential housing or the conversion of existing structures to residential housing;

5. "Land value" means the appraised value of the land as determined by an appraiser approved by the Agency; if pur-

chased less than two years prior to the date of application the purchase price of the land or the appraised value, whichever is lower;

6. "Limited profit" refers to the basis of organization of a housing sponsor. A housing sponsor is organized on a limited profit basis if its organizational document, whether directly or by reference to a controlling agreement, imposes significant limitations on rental charges, builder's and developer's fees, the right of disposition of the sponsor's property and franchise, or other sources of profit as the Agency may determine on a case by case basis.

7. "Mortgage loan" means an interest-bearing obligation secured by a mortgage or note or bond within the meaning of the Act;

8. "Multi-Family development" means a residential housing development, including, without limitation, mobile home parks, containing dwelling units or mobile home lots intended for occupancy pursuant to leasehold estates or cooperative ownership by persons and families of low and moderate income as authorized by the Act, as from time to time amended.

9. "Persons and families of low and moderate income" includes persons and families so defined from time to time by the Agency for purposes of its multi-family programs, having due regard for changing economic conditions and the criteria set forth in 10 V.S.A. §601(11).

10. "Regulatory agreement" means an agreement by and between the Agency and the mortgagor, to be executed at the closing of the mortgage loan, setting forth financial and management policies to be followed by the mortgagor in the operation of a multi-family development financed under the Act;

3. Waivers

To the extent not required by the Act, the provisions of these rules may be waived by the Commissioners upon their determination that the application of such rules, in specific cases, may result in undue hardship.

4. Separability

If any word, phrase, sentence, paragraph, section or part of these rules is finally adjudged by a court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of these rules.

CHAPTER TWO
QUALIFICATIONS OF HOUSING SPONSORS

1. Eligible Housing Sponsors

No mortgage loan for a Multi-family development shall be made or disbursed until such time as the housing sponsor is an eligible sponsor. An eligible sponsor is a housing sponsor within the meaning of the Act that has obtained the Agency's approval of its organizational documents, including proposed or existing articles of incorporation, proposed or existing partnership agreement, joint venture agreement, trust agreement or other document of basic organization, and proposed amendments thereto, together with such other documents as the Agency may determine, in specific cases, are necessary in order to determine eligibility. The housing sponsor must have the ability and intention to maintain and operate the housing for the purpose for which the loan is made.

2. Ownership or Control of Land

The housing sponsor must own the housing and related land, or hold an option to buy, or hold a fully marketable long-term lease.

CHAPTER THREE
QUALIFICATIONS OF OCCUPANTS

1. Occupancy

Initial occupancy in seventy-five per cent of the housing units in any multi-family development financed by the Agency shall be limited to persons and families of low and moderate income. The Agency may waive the requirements of this paragraph, provided that more than half of such units shall remain reserved for initial occupancy by persons and families of low and moderate income.

Where housing is proposed to be financed with the proceeds of bonds the interest on which is excludable from gross income under provisions of the Code, the Agency's contract with the housing sponsor shall include such additional restrictions on occupancy as the Agency deems necessary or desirable to assure compliance with the conditions of such exclusion.

CHAPTER FOUR
FINANCING TERMS

1. Amount and Terms of Mortgage Loans

The mortgage loan may be in an amount not to exceed the land value plus the value of the residential housing (exclusive of land) as determined by the Agency. Each loan will also be subject to the following additional requirements:

(a) For private nonprofit corporations and State or local public agencies the amount of the loan will be limited to the housing development cost or the security value of each project, whichever is less.

(b) For all other housing sponsors the amount of the loan will be limited to no more than 95 percent of the housing development cost or 95 percent of the security value of the project, whichever is less. The applicant's contribution must be in the form of either cash or land or a combination of both.

(c) Each loan will be scheduled for payment within such period as may be necessary to assure that the loan will be adequately secured taking into account the probable depreciation of the security. The period of repayment will not exceed 40 years from the date the first payment is due.

2. Financing Charges

The mortgage loan shall bear interest at a rate determined by the Agency. The interest rate shall be established by the Agency at the lowest level consistent with the Agency's cost of operation and its responsibilities to the holders of its bonds. In addition to such interest charges, the Agency may make and collect such fees and charges, including, but not limited to, reimbursement of the Agency's operating expenses, financing costs, service charges, insurance premiums and mortgage insurance premiums, as the Agency determines to be reasonable.

3. Regulatory Agreement

Each mortgage loan to a housing sponsor for residential housing shall be subject to a regulatory agreement between the Agency and the housing sponsor which will subject the housing sponsor and its principals or stockholders, if any, to limitations established by the Agency as to rental and other charges, builder's and developer's profits and fees, and the disposition of its property and franchise to the extent more restrictive limitations are not provided by the law under which the housing sponsor is incorporated or organized or by the Act; the regulatory agreement shall require the housing sponsor to submit financial reports and statements and establish certain funds and accounts, and shall specify the conditions under which disbursements may be made from those funds and accounts in order to maintain the security value of the project.

Significant limitations upon sources or amounts of revenue shall be deemed to constitute limitations upon profits and fees.

4. Collateral Security

The Agency may require that mortgage loans to housing sponsors be additionally secured in such manner and in such amounts as the Agency shall determine to be necessary to assure the payment of the debt service thereon as it falls due.

CHAPTER FIVE
APPLICATION PROCEDURES

1. Preapplication Procedures

The Agency may provide staff services to assist a housing sponsor in complying with the requirements of the Act and these rules and may establish a preapplication procedure.

2. Application Procedures

With respect to each Multi-family development program instituted by the Agency, the Agency shall prepare instructions setting forth uniform procedures by which applications for loans shall be submitted and the contents thereof. Such procedures may include the establishment of deadlines for submission and the establishment of certain fees to cover reasonable costs of the Agency in reviewing the application.

3. Contents of Applications

In addition to such other substantive requirements as the Agency may require in instructions distributed pursuant to paragraph 2, above, an application by a housing sponsor for a mortgage loan shall contain information with respect to:

(a) Eligibility of the housing sponsor, or with respect to the steps which have been taken by such sponsor to become eligible.

(b) The site of the proposed housing project, including location, dimensions, site plan, ownership, present zoning, present use and on-site utilities and streets, utility charges and liens or other charges on the land and all physical characteristics on or off-site which might affect construction or occupancy.

CHAPTER SIX
PRELIMINARY APPROVAL

1. Application Review Procedures

The Agency shall establish an orderly procedure for review of applications and may amend this procedure from time to time.

2. Act 200

The Agency may require the applicant to demonstrate that the proposed development is consistent with the Agency's Act 200 Plan.

3. Letter of Interest

If the housing sponsor is eligible and the multi-family development appears eligible in all respects, the Agency may issue a letter of interest to the housing sponsor. The letter of interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The letter of interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.

4. Conditions to Issuance of Letter of Commitment to Finance

As preconditions to issuance of a Letter of Commitment, in the letter of interest or otherwise, the Agency may impose such requirements as it deems appropriate including, without limitation:

a. Payment of an earnest money deposit in an amount to be established by the Agency on a case by case basis. The charges toward which the earnest money deposit may be credited, and conditions of refundability, if any, will be determined by the Agency on a case by case basis.

b. Delivery of the following documents:

(i) Copies of any proposal submitted for Section 8 housing assistance payments (or other rental subsidy) and evidence of approval by the Department of Housing and Urban Development or other source of subsidy;

(ii) Evidence of environmental review and approval under Act 250;

(iii) Evidence of all required local zoning and subdivision approvals;

(iv) Financing plan;

(v) Construction and operating budgets;

(vi) Any and all design and development drawings and specifications.

(vii) Certification of design quality and compliance with all applicable codes by the housing sponsor's architect.

(viii) The sponsor's organizational documents and internal authorizations pertaining to the multi-family development and the mortgage loan.

CHAPTER SEVEN
COMMITMENT TO FINANCE

1. Letter of Commitment to Finance

Upon satisfaction of the conditions established by the Agency for issuance of a Letter of Commitment, the Agency shall issue to the housing sponsor a Letter of Commitment to Finance. If it has made the determinations required by Section 625 of the Act, the Agency in particular cases may authorize the executive director to determine whether conditions established by the Agency for issuance of a Letter of Commitment have been fulfilled and to issue a Letter of Commitment upon such determination.

2. Conditions of Closing: Sponsor Performance

As conditions of closing a mortgage loan, the Agency may require, in the Letter of Commitment to finance, such further preliminary performance by the housing sponsor as it deems appropriate, including, without limitation, the following:

(a) Submission of any documents that could have been requested as a condition of the Letter of Interest, and any appropriate updated versions thereof;

(b) Evidence of timely availability of all rental or other subsidies and all contributions of equity and/or non-Agency financing on which the construction and/or operating budgets depend;

(c) Submission of the construction schedule;

(d) Submission of satisfactory evidence of labor and material surety bonds and contractor's performance bonds posted by the contractor, or other security deemed by the Agency to constitute reasonable comparable security for the contractor's obligations;

(e) Commitment for ALTA form lender's policy of title insurance, insuring the mortgage securing the mortgage loan as a lien having priority consistent with the requirements of the Letter of Commitment, and in an amount at least equal to the maximum possible principal balance of the mortgage loan.

(f) Submission of all contracts, deeds, and proposed deeds applicable to the acquisition, design, construction or rehabilitation, and operation of the multi-family development, in form and substance satisfactory to the Agency.

(g) Proof of satisfactory sponsor's casualty, worker's compensation, and public liability insurance during construction and during operation of the multi-family development.

(h) Proof of satisfactory contractor's insurance for motor vehicles, comprehensive general liability, and worker's compensation.

(i) Such opinions of counsel as may be appropriate to the case, including, by way of example, opinions as to due organization and authority of the sponsor, compliance with applicable securities laws, title to the multi-family development, sufficiency of governmental permits and approvals, and enforceability of the loan documents evidencing the mortgage loan.

(j) Such financial statements and certifications as the Executive Director may require.

3. Conditions of Closing: Issuance of Bonds

As a condition of closing a mortgage loan, the Agency may establish, in the Letter of Commitment to finance, the requirement that it be able to issue Bonds contemplated as the entire or partial source of funds for the mortgage loan.

4. Conditions of Closing: Payment of Fees

As a condition of closing a mortgage loan, the Agency may require, in the Letter of Commitment to finance, the payment of commitment fees, origination fees, and/or other fees and charges for reimbursement of the Agency's operating expenses, financing costs, service charges, insurance premiums, mortgage insurance premiums, and such other costs as the Agency determines to be reasonable. The Agency may require submission of a commitment fee at or before any loan closing.

CHAPTER EIGHT
MAKING OF MORTGAGE LOANS

1. Authorization of Mortgage Loans

No mortgage loan for a multi-family development shall be made until the Commissioners have received and reviewed the recommendation of the Executive Director relating to such loan and until the Commissioners have adopted a resolution approving such loan; which resolution shall include determinations that:

(1) The residential housing is primarily for occupancy by persons and families of low and moderate income;

(2) The acquisition, construction or rehabilitation costs incurred or to be incurred by the housing sponsor under agreement are for housing development costs within the meaning of the Act;

(3) There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low or moderate income are able to afford within the general housing market area or there is a shortage of temporary transitional or emergency housing to be served by the proposed residential housing and that private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing for occupancy by the persons or families; and

(4) The housing sponsor or sponsors undertaking the proposed housing development will maintain or increase the supply of well-planned, well-designed permanent, temporary transitional or emergency housing for persons or families of low and moderate income and that the sponsors are financially responsible persons or institutions.

2. Closing of Mortgage Loans

After adoption of a resolution substantially in the form of paragraph 1 of this chapter, and after satisfaction of the conditions set forth in the Letter of Commitment, the Agency may close the mortgage loan.

3. Evidence of Mortgage Loans

The Executive Director of the Agency shall not permit any disbursement of an approved mortgage loan until such loan is evidenced by a fully executed note or other evidence of indebtedness, a mortgage, and by such other instruments as the Executive Director may in specific cases deem necessary or appropriate.

4. Representation by Counsel

The Agency shall be represented by counsel at the loan closing.

5. Certificate of Completion and Escrow Account

In connection with the closing of a permanent mortgage loan, the Agency may require a certificate of substantial completion. An escrow account shall be established for the deposit and disbursement of funds required to complete any work deferred beyond the effective date of the certificate of substantial completion due to seasonal or climatic factors, material shortages, labor disputes or other reasons beyond the control of the housing sponsor.

VERMONT HOUSING FINANCE AGENCY
RULES FOR LOANS TO ~~MULTI-FAMILY~~ HOUSING SPONSORS
FOR MULTI-FAMILY DEVELOPMENTS

CHAPTER ONE
SCOPE AND DEFINITIONS

1. Scope

These rules are made and published pursuant to section 621(12) and 624(b) ~~of subchapter 3~~ of the Vermont Housing Finance Agency Act ~~of 1974, ("~~, being No. 260 of 1973 (adjourned session), as amended, (the "Act") and relate to the providing of mortgage loans to qualified housing sponsors for the acquisition, construction and rehabilitation of ~~housing projects~~ multi-family developments primarily for occupancy by persons and families of low and moderate income.

~~2. Purpose~~

~~It is the basic purpose of VHFA loans to sponsors to expand the supply of funds available for mortgages on multi-family residential housing and to encourage an adequate supply of safe and decent multi-family housing at reasonable cost.~~

3. Definitions

~~The following words and terms, unless the context clearly indicates~~ All terms used herein and not otherwise defined shall have the same meaning as they have in the Act, as amended from time to time; provided, that no change in meaning resulting from an amendment to the Act shall be construed to affect adversely any action taken in reliance on the Act as it read prior to such amendment. Unless the context requires a different meaning, ~~shall have the following meaning:~~ definitions shall apply.

~~(1)~~1. "Agency" means the Vermont ~~Housing Finance Agency~~ housing finance agency created by the Act~~;~~.

~~(2) "Bonds, notes and other obligations" or "bonds, bond anticipation notes or other obligations" means any bonds, notes, debentures, interim certificates or other evidences of~~2. "Bonds" means bonds, notes, or other obligations evidencing financial indebtedness ~~issued by~~ of the Agency and issued pursuant to the Act~~;~~.

~~(3)~~3. "Code" means the federal Internal Revenue Code of 1986, as amended, including the regulations adopted thereunder from time to time, or, if applicable, the Internal Revenue Code of 1954, as amended, including the regulations adopted thereunder.

4. "Construction" means the creation or addition of new residential housing or the conversion of existing structures to residential housing;~~(4)-"Eligible-security"-means-any security-or-obligation-payable-from-or-evidencing-an-interest-in-mortgages-or-other-obligations-securing-loans-to finance-residential-housing-in-the-State-of-Vermont;~~

~~(5)-"Federally-insured-mortgage-loan"-means-a-mortgage-loan for-residential-housing-insured-or-guaranteed-by-the-United States-or-an-agency-or-instrumentality-thereof,-or-a-commitment-by-the-United-States-or-an-agency-or-instrumentality thereof-to-insure-such-a-mortgage;~~

~~(6)-"Federal-mortgage-loan"-means-a-mortgage-loan-for residential-housing-made-by-the-United-States-or-an-agency or-instrumentality-thereof-or-a-commitment-by-the-United States-or-an-agency-or-instrumentality-thereof-to-make-such a-mortgage-loan;~~

~~(7)-"Housing-development-costs"-means-the-cost-incurred-in connection-with-the-construction-or-rehabilitation-of residential-housing-including-the-costs-of-its-physical-construction,-the-costs-of-acquisition-of-land,-real-or-personal-property,-rights,-rights-of-way,-easements-and franchise-necessary-or-convenient-for-the-construction,-and the-costs-of-legal,-administrative,-architectural-and-related-professional-services,-the-costs-of-insurance,-project reports,-reserves-and-carrying-charges;~~

~~(8)-"Housing-sponsor"-or-"sponsor"-means-a-person-who-is-organized-on-a-nonprofit-or-limited-profit-basis-and-who-is approved-by-the-Agency-as-qualified-either-to-own,-construct,-acquire,-rehabilitate,-operate,-manage-or-maintain residential-housing;~~

~~(9)~~5. "Land value" means the appraised value of the land as determined by an appraiser approved by the Agency; if purchased less than two years prior to the date of application the purchase price of the land or the appraised value, whichever is lower;

6. "Limited profit" refers to the basis of organization of a housing sponsor. A~~(10)-"Limited-Profit"-means-a-~~ housing sponsor ~~that~~ is organized on a limited profit basis if its organizational document, whether directly or by reference to a controlling agreement, imposes significant limitations on rental charges, builder's and developer's fees, the right of disposition of the sponsor's property and franchise, or other sources of profit as the Agency may determine on a case by case basis.~~(11)-"Mortgage"-means-a mortgage-deed,-deed-of-trust,-or-other-instrument-which~~

~~shall-constitute-a-first-lien-on-real-property-in-fee-simple or-on-a-leasehold-under-a-lease-having-a-remaining-term,-at the-time-such-mortgage-is-acquired,-which-does-not-expire for-at-least-that-number-of-years-beyond-the-maturity-date of-the-obligation-secured-by-the-mortgage-as-is-equal-to-the number-of-years-remaining-until-the-maturity-date-of-the obligation;~~

~~(12)-"Mortgage-lender"-means-any-bank-or-trust-company, federal-national-mortgage-association-approved-mortgage banker,-savings-bank,-savings-and-loan-association,-industrial-bank,-credit-union,-national-union-or-other-financial-institution-or-governmental-agency-or-instrumentality which-customarily-provides-or-otherwise-aids-in-the-financing-of-mortgages-on-residential-housing-located-in-the State;~~

~~(13)~~7. "Mortgage loan" means an interest-bearing obligation secured by ~~either~~ a mortgage or note or bond ~~constituting-a first-lien-on-land-and-improvements-in-the-State;~~ within the meaning of the Act;

~~(14)-"Persons~~8. "Multi-Family development" means a residential housing development, including, without limitation, mobile home parks, containing dwelling units or mobile home lots intended for occupancy pursuant to leasehold estates or cooperative ownership by persons and families of low and moderate ~~income"-means~~ income as authorized by the Act, as from time to time amended.

9. "Persons and families of low and moderate income" includes persons and families ~~irrespective-of-race,-creed,-national-origin-or-sex-deemed-by-the-Agency-to-require-such assistance-as-is-made-available-by-the-Act-on-account-of-insufficient-personal-or-family-income,-taking-into-consideration,-without-limitation,-such-factors-as:~~ so defined from time to time by the Agency for purposes of its multi-family programs, having due regard for changing economic conditions and the criteria set forth in 10 V.S.A. §601(11).

~~(A)-The-amount-of-the-total-income-of-such-persons-and families-available-for-housing-needs;~~
~~(B)-The-size-of-the-family;~~

~~(C)-The-cost-and-condition-of-residential-housing-available;~~

~~(D)-The-cost-and-availability-of-mortgage-loans-on-residential-housing-in-the-State;~~

~~(E)-The-eligibility-of-such-persons-and-families-for-Federal housing-assistance-of-any-type-predicated-upon-a-low-income basis-or-upon-the-basis-of-the-age-of-such-persons;~~

~~(F)-The-ability-of-such-persons-and-families-to-compete-successfully-in-the-normal-housing-market-and-to-pay-the amounts-at-which-private-enterprise-is-providing-decent, safe, and-sanitary-housing, and-deemed-by-the-Agency-therefore-to-be-eligible-to-occupy-residential-housing-constructed-and-financed, wholly-or-in-part, with-insured-or guaranteed-construction-loans-or-insured-or-guaranteed mortgages, or-with-other-public-or-private-assistance-other than-as-provided-by-the-Act;~~

~~(15)-"Real-property"-means-all-lands, including-improvements and-fixtures-thereon, and-property-of-any-nature-appurtenant thereto, or-used-in-connection-therewith, and-every-estate, interest-and-right, legal-or-equitable, therein, including terms-of-years-and-liens-by-way-of-judgment, mortgage-or otherwise-and-the-indebtedness-secured-by-such-liens;~~

~~(16)~~10. "Regulatory agreement" means an agreement by and between the Agency and the mortgagor, to be executed at the closing of the mortgage loan, setting forth the financial and management policies to be followed by the mortgagor in the operation of ~~housing~~ a multi-family development financed under the Act;

~~(17)-"Rehabilitation"-means-the-rehabilitation, improvement-and repair-of-residential-housing-and-facilities-incidental-thereto undertaken-primarily-to-provide-dwelling-accommodations-for-occupancy-by-persons-and-families-in-the-State;~~ 3. Waivers

~~(18)-"Residential-housing"-means-single-or-multi-family residential-housing-units-designed-primarily-to-provide-principal dwelling-accommodations-for-persons-or-families, including-the land-and-improvements-thereon-and-such-non-housing-facilities-considered-necessary-or-convenient-by-theAgency-in-connection-with the-residential-housing.~~

~~4.-Waivers~~

~~The~~ To the extent not required by the Act, the provisions of these rules may be waived by the Commissioners upon their determination that the application of such rules, in specific cases, may result in undue hardship.

~~5~~ 4. Separability

If any word, ~~phase~~ phrase, sentence, paragraph, section or part of these rules is finally adjudged by a court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of these rules.

CHAPTER TWO
QUALIFICATIONS OF HOUSING SPONSORS

1. Eligible Housing Sponsors

No mortgage loan for a Multi-family development shall be made or disbursed until such time as the housing sponsor is an eligible sponsor. An eligible ~~housing-sponsor-is-a-sponsor-which is-authorized-by-the-Act-to-receive-a-mortgage-loan-and-which~~ sponsor is a housing sponsor within the meaning of the Act that has obtained the Agency's approval of its organizational documents, including proposed or existing articles of incorporation, proposed or existing partnership agreement, joint venture agreement, trust agreement or other document of basic organization, and proposed amendments thereto, together with such other documents as the Agency may determine, in specific cases, are necessary in order to determine eligibility. The housing sponsor must have the ability and intention to maintain and operate the housing for the purpose for which the loan is made.

2. Ownership or Control of Land

The housing sponsor must own the housing and related land, or hold an option to buy, or hold a fully marketable long-term lease.

CHAPTER THREE
QUALIFICATIONS OF OCCUPANTS

1. Occupancy

Initial occupancy in seventy-five per cent of the housing units in any multi-family development financed by the Agency shall be limited to persons and families of low and moderate income ~~provided-however,-that-(i)-to-the-extent-necessary-to-avoid economic-loss-resulting-from-inability-to-achieve-full-occupancy, and-(ii)-in-order-to-encourage-economic-integration,-a-housing sponsor-may,-with-the-prior-written-approval-of-the-Agency,-permit-initial-occupancy-of-up-to-25%-of-the-units-in-the-housing project-by-persons-and-families-who-are-not~~. The Agency may waive the requirements of this paragraph, provided that more than half of such units shall remain reserved for initial occupancy by persons and families of low and moderate income.

Where housing is proposed to be financed with the proceeds of bonds~~,-notes,-or-other-obligations~~ the interest on which is ~~exempt~~ excludable from ~~the-~~Federal gross income ~~tax~~ under provisions of the Code, the Agency's contract with the housing sponsor shall include such additional restrictions on occupancy as the Agency deems necessary or desirable to assure compliance with the conditions of such ~~exemption-imposed-by-the-applicable-Federal law~~ exclusion.

CHAPTER FOUR
FINANCING TERMS

1. Amount and Terms of Mortgage Loans

The mortgage loan may be in an amount not to exceed the land value plus the value of the residential housing (exclusive of land) as determined by the Agency. Each loan will also be subject to the following additional requirements:

(a) For private nonprofit ~~corporation~~ corporations and State or local public agencies the amount of the loan will be limited to the housing development cost or the security value of each project, whichever is less.

(b) For all other housing sponsors the amount of the loan will be limited to no more than 95 percent of the housing development cost or 95 percent of the security value of the project, whichever is less. The applicant's contribution must be in the form of either cash or land or a combination of both.

(c) Each loan will be scheduled for payment within such a period as may be necessary to assure that the loan will be adequately secured taking into account the probable depreciation of the security. The ~~payment~~ period of repayment will not exceed 40 years from the date ~~of note~~ the first payment is due.

2. Financing Charges

The mortgage loan shall bear interest at a rate determined by the Agency. The interest rate shall be established by the Agency at the lowest level consistent with the Agency's cost of operation and its responsibilities to the holders of its bonds~~, bond-anticipation-notes-or-other-obligations~~. In addition to such interest charges, the Agency may make and collect such fees and charges, including, but not limited to, reimbursement of the Agency's operating expenses, financing costs, service charges, insurance premiums and mortgage insurance premiums, as the Agency determines to be reasonable.

3. Regulatory Agreement

Each mortgage loan to a housing sponsor for residential housing shall be subject to a regulatory agreement between the Agency and the housing sponsor which will subject the housing sponsor and its principals or stockholders, if any, to limitations established by the Agency as to rental and other charges, builder's and developer's profits and fees, and the disposition of its property and franchise to the extent more restrictive limitations are not provided by the law under which the housing sponsor is incorporated or organized or by the Act; the regulatory agreement shall require the housing sponsor to submit financial reports and statements and establish certain funds and accounts, and shall specify the conditions under which disbursements may be made from ~~these~~ those funds and accounts in order to maintain the security value of the project.

Significant limitations upon sources or amounts of revenue shall be deemed to constitute limitations upon profits and fees.

4. Collateral Security

The Agency ~~shall~~ may require that ~~the~~ mortgage loans to housing sponsors be additionally secured ~~by-a-pledge-of-and-lien-upon collateral-security~~ in such manner and in such amounts as the Agency shall ~~by-resolution~~ determine to be necessary to assure the payment of the ~~loans-thereon-as-they-become-due.--The-collateral-security-shall-consist-of-obligations-and-mortgages-pursuant-to-the-act~~ debt service thereon as it falls due.

CHAPTER FIVE
APPLICATION PROCEDURES

1. Preapplication Procedures

The Agency may provide staff services to assist a housing sponsor in complying with the requirements of the ~~act~~ Act and these rules and may establish a preapplication procedure.

2. Application Procedures

With respect to each ~~mortgage-loan~~ Multi-family development program instituted by the Agency, the Agency shall prepare instructions setting forth uniform procedures by which applications for loans shall be submitted and the contents thereof. Such procedures may include the establishment of deadlines for submission and the establishment of certain fees to cover reasonable costs of the Agency in reviewing the application.

3. Contents of Applications

~~An~~ In addition to such other substantive requirements as the Agency may require in instructions distributed pursuant to paragraph 2, above, an application by a housing sponsor for a mortgage loan shall contain information with respect to:

(a) Eligibility of the housing sponsor, or with respect to the steps which have been taken by such sponsor to become eligible.

(b) The site of the proposed housing project, including location, dimensions, site plan, ownership, present zoning, present use and on-site utilities and streets, utility charges and liens or other charges on the land and all physical characteristics on or off-site which might affect construction or occupancy.

CHAPTER SIX
PRELIMINARY APPROVAL ~~AND-SALE-OF-BONDS~~

~~1.-Project-Selection-Criteria~~
~~In-determining-whether-to-accept-applications-of-housing-sponsors for-mortgage-loans,-the-Agency-shall-examine-the-following-facts:~~

~~(a)-Whether-a-need-exists-in-the-geographical-area-for-the proposed-development.~~

~~(b)-Whether-adequate-provision-has-been-made-for-housing-opportunities-for-minority,-elderly-persons-and-families.~~

~~(c)-Whether-the-proposed-development-is-consistent-with-orderly growth-and-development-in-the-geographical-area.~~

~~(d)-The-impact-of-the-proposed-development-on-the-physical-environment-of-the-surrounding-neighborhood.~~

~~(e)-Whether-the-housing-sponsor-has-adequate-capacity-to-proceed promptly-to-the-construction-and-completion-of-the-proposed development.~~

~~(f)-The-extent-to-which-the-proposed-development-will-create minority-employment-and-business-opportunities.~~

~~(g)-The-effect-of-the-proposed-development-in-eliminating-substandard-housing-and-preventing-the-recurrence-of-such-conditions.~~

~~(h)-The-extent-to-which-the-proposed-development-will-reduce-rentals-for-low-and-moderate-income-persons-and-families.~~

~~(i)-The-extent-to-which-the-proposed-development-will-house-persons-and-families-of-varied-economic-means-and-of-a-wide-range-of incomes.~~

~~(j)-The-relationship-of-the-proposed-development-to-public facilities,-sources-of-employment-and-services-(including-public transportation,-health,-education-and-recreation-facilities,-and public-utilities)-essential-to-orderly-growth.~~

~~(k)-The-relationship-of-the-housing-development-to-any-housing assistance-plans,-comprehensive-plans,-policies,-procedures-and programs-adopted-and-approved-according-to-law-by-an-agency-of State-or-local-government-acting-pursuant-to-legislative authority-and-binding-on-the-Agency,-including-but-not-limited-to the-plans,-policies,-procedures-and-programs-of-regional-planning and-development-commissions.~~

~~(l)-Whether-the-proposed-development-is-financially-feasible,-including-the-following-considerations:~~

~~(1)-Is-the-proposed-construction-budget-within-a-range-which-will permit-high-quality-construction-yet-not-exceed-a-reasonable level-of-costs?~~

~~(2)-Is-the-proposed-operating-budget-within-a-range-which-will permit-adequate-maintenance-and-management-yet-preserve-modest rents?~~

~~(3)-Is-the-quality-of-construction,-amenities,-management-and maintenance-likely-to-be-sufficient-to-provide-decent,-safe-and sanitary-housing,-to-attract-a-high-level-of-occupancy,-and-to ensure-sufficient-cash-flow-to-pay-debt-service-for-the-duration of-the-mortgage?~~

~~(m)-Whether-a-loan-would-otherwise-be-available,-wholly-or-in part,-from-a-private-lender-upon-equivalent-terms-and-conditions.~~

~~(n)-Whether-the-proposed-development-will-assist-in-fulfilling the-purposes-of-the-act.~~

~~2.~~ 1. Application Review Procedures

The Agency shall establish an orderly procedure for review of applications and may amend this procedure from time to time.

~~If~~ 2. Act 200

The Agency may require the applicant to demonstrate that the proposed development ~~is-eligible-in-all-respects~~ is consistent with the Agency's Act 200 Plan.

3. Letter of Interest

If the housing sponsor is eligible and the multi-family development appears eligible in all respects, the Agency may issue a letter of interest ~~in-financing~~ to the housing sponsor. The letter of interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The letter of interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.

~~3.-Letter-of-Intent~~ 4. Conditions to Issuance of Letter of Commitment to Finance

As preconditions to issuance of a Letter of Commitment, in the letter of interest or otherwise, the Agency may impose such requirements as it deems appropriate including, without limitation:

a. Payment of an earnest money deposit in an amount to be established by the Agency on a case by case basis. The charges toward which the earnest money deposit may be credited, and conditions of refundability, if any, will be determined by the Agency on a case by case basis.

b. Delivery of the following documents:

(i) Copies of any proposal submitted ~~After-satisfactory-completion-by-the-housing-sponsor-of-such-requirements-as-may-have-been-imposed-by-the-Agency,-including-(if-applicable)-A-95-review,-local-government-approval,-approval-by-U.S.-Department-of-Housing-and-Urban-Development-of-a-preliminary-proposal~~ for Section 8 housing assistance payments ~~,-and-submission-of-preliminary-drawings-and-plans-and-outline-specifications,-the-Agency-may,-upon-recommendation-by-the-Executive-Director-or-the-Program-Director-and-approval-by-the-Commissioners,-issue-a-Letter-of-Intent-to-Finance-to-the-housing-sponsor.~~(or other rental subsidy) and evidence of approval by the Department of Housing and Urban Development or other source of subsidy;

~~The-Letter-of-Intent-to-Finance-is-not-a-commitment-to-finance-and-shall-be-conditioned-upon-the-receipt-of-earnest-money-from-the-housing-sponsor-and-upon-the-availability-of-funds,-and-upon-satisfactory-completion-of-such-further-requirements-as-the-Agency-may-establish-in-each-case.-The-Letter-of-Intent-may-be-used-by-the-housing-sponsor-in-support-of-applications-for-operating-subsidies,-mortgage-insurance-construction-financing,-or-for-other-purposes-with-the-consent-of-the-Agency.~~(ii) Evidence of environmental review and approval under Act 250;

~~4.-Earnest-Money~~(iii) Evidence of all required local zoning and subdivision approvals;

~~Upon-execution-of-the-Letter-of-Intent-to-Finance,-the housing-sponsor-shall-remit-to-the-Agency-an-earnest money-deposit-in-an-amount-to-be-established-by-the Agency.-The-earnest-money-deposit-may-be-credited-as part-of-the-housing-sponsor's-equity-or,-at-the-election-of-the-sponsor,-credited-toward-fees-and-charges payable-to-the-Agency,-but-shall-not-be-refundable,-unless-the-issuance-of-bonds-or-notes-is-unsuccessful-and the-Letter-of-Intent-to-Finance-is-cancelled,-all without-any-breach-or-failure-of-responsibility-or-condition-attributable-to-the-housing-sponsor.~~(iv) Financing plan;

~~5.-Issuance-of-Bonds-or-Notes~~(v) Construction and operating budgets;

~~Upon-satisfactory-completion-of-all-requirements-and upon-receipt-of-the-earnest-money-deposit,-and-providing-that-proposals-have-been-approved-comprising-a-total-dollar-amount-sufficient-in-the-judgment-of-the Agency-to-warrant-the-issuance-of-bonds-or-notes,-the Agency-may-issue-bonds-or-notes-in-anticipation-of mortgage-loans-to-housing-sponsors~~(vi) Any and all design and development drawings and specifications.

(vii) Certification of design quality and compliance with all applicable codes by the housing sponsor's architect.

(viii) The sponsor's organizational documents and internal authorizations pertaining to the multi-family development and the mortgage loan.

CHAPTER SEVEN
~~FINAL-APPROVAL-AND-CONSTRUCTION-PROCEDURES~~ COMMITMENT TO FINANCE

~~1.-Design-Review-and-Approval~~

~~The-Agency-may-require-adherence-to-standards-of-design-quality which,-in-its-judgment,-are-equivalent-or-superior-to-HUD's-minimum-property-standards.-Prior-to-final-approval-of-the-proposed development,-the-Agency-may-require-the-housing-sponsor-to-submit the-following-documents:~~

~~(a)-Copies-of-any-final-proposal-submitted-for-Section-8-housing assistance-payments-and-evidence-of-approval-by-the-Department-of Housing-and-Urban-Development;~~

~~(b)-Evidence-of-environmental-review-and-approval-under-Act-250;~~

~~(c)-Evidence-of-all-required-local-zoning-and-subdivision-approvals;~~

~~(d)-Preliminary-construction-financing-plan;~~

~~(e)-Final-construction-and-operating-budgets;~~

~~In-addition,-the-Agency-shall-participate-in-and-approve-or-disapprove-development-of-the-project-design,-and-the-housing-sponsor shall-furnish-copies-of-any-design-and-development-drawings-for this-purpose.~~

~~2.~~ 1. Letter of Commitment to Finance

Upon ~~final-approval-of-project-design-by-the-Agency~~ satisfaction of the conditions established by the Agency for issuance of a Letter of Commitment, the Agency shall issue to the housing sponsor a Letter of Commitment to Finance. ~~The~~ If it has made the determinations required by Section 625 of the Act, the Agency in particular cases may authorize the executive director to determine whether conditions established by the Agency for issuance of a Letter of Commitment ~~shall-be-conditional-upon-the-receipt-of working-drawings-and-specifications,-certification-of-design quality-by-the-housing-sponsor's-architect,-satisfactory-completion-of-construction,-and-such-further-conditions-as-the-Agency may-require.-If-deemed-convenient-by-the-Agency,-the-Letter-of Intent-and-the~~ have been fulfilled and to issue a Letter of Commitment ~~may-be-consolidated-in-a-single-document.~~ upon such determination.

~~3.-Actions-Prior-to-Start-of-Construction~~ 2. Conditions of Closing: Sponsor Performance

~~After-issuance-of-the-Letter-of-Commitment,~~ As conditions of closing a mortgage loan, the Agency may require ~~satisfactory~~, in the Letter of Commitment to finance, such further preliminary performance by the housing sponsor ~~of-the-following-actions-prior-to the-start-of-construction~~ as it deems appropriate, including, without limitation, the following:

(a) Submission of ~~working-drawings-and-specifications;~~ any documents that could have been requested as a condition of the Letter of Interest, and any appropriate updated versions thereof;

(b) Evidence of timely availability of all rental or other subsidies and all contributions of equity and/or non-Agency financing on which the construction and/or operating budgets depend;

(c) Submission of the construction schedule ~~and-construction-and-operation-cost-schedules;~~

~~(c)-Architect's-certification-of-working-drawings-and-design content;~~

(d) Submission of satisfactory ~~copies-of-applicable-housing assistance-payments-contracts;~~

~~(e)-Submission-of~~ evidence of labor and material surety bonds and ~~construction-performance-surety-bonds-posted-by the-contractor,-or-an-irrevocable-letter-of-credit.~~ contractor's performance bonds posted by the contractor, or other security deemed by the Agency to constitute reasonable comparable security for the contractor's obligations;

~~(f)-Evidence-of-title-insurance.~~(e) Commitment for ALTA form lender's policy of title insurance, insuring the mortgage securing the mortgage loan as a lien having priority consistent with the requirements of the Letter of Commitment, and in an amount at least equal to the maximum possible principal balance of the mortgage loan.

~~4.-Construction-Loan-Closing~~(f) Submission of all contracts, deeds, and proposed deeds applicable to the acquisition, design, construction or rehabilitation, and operation of the multi-family development, in form and substance satisfactory to the Agency.

~~The-Agency-shall-be-represented-at-the-construction-loan closing.~~(g) Proof of satisfactory sponsor's casualty, worker's compensation, and public liability insurance during construction and during operation of the multi-family development.

(h) Proof of satisfactory contractor's insurance for motor vehicles, comprehensive general liability, and worker's compensation.

(i) Such opinions of counsel as may be appropriate to the case, including, by way of example, opinions as to due organization and authority of the sponsor, compliance with applicable securities laws, title to the multi-family development, sufficiency of governmental permits and approvals, and enforceability of the loan documents evidencing the mortgage loan.

(j) Such financial statements and certifications as the Executive Director may require.

3. Conditions of Closing: Issuance of Bonds

As a condition of closing a mortgage loan, the Agency may establish, in the Letter of Commitment to finance, the requirement that it be able to issue Bonds contemplated as the entire or partial source of funds for the mortgage loan.

4. Conditions of Closing: Payment of Fees

As a condition of closing a mortgage loan, the Agency may require, in the Letter of Commitment to finance, the payment of commitment fees, origination fees, and/or other fees and charges for reimbursement of the Agency's operating expenses, financing costs, service charges, insurance premiums, mortgage insurance premiums, and such other costs as the Agency determines to be reasonable. The Agency may require submission of a commitment fee at or before any loan closing. ~~the-construction-loan-closing.~~

~~5.-Agency-Powers~~

~~The-Agency-shall-have-the-power-at-all-times-during-the-construction-or-rehabilitation-of-residential-housing-and-its operation:~~

~~(A)-To-enter-upon-and-inspect-any-residential-housing-including-all-parts-thereof,-for-the-purpose-of-investigating-the physical-and-financial-condition-thereof,-and-its-construction,-rehabilitation,-operation,-management-and-maintenance, and-to-examine-all-books-and-records-of-the-housing-sponsor with-respect-to-capitalization,-income-and-other-matters relating-thereto-and-to-make-charges-as-may-be-required-to cover-the-cost-of-the-inspections-and-examinations;~~

~~(B)-To-order-such-alterations,-changes-or-repairs-as-may-be necessary-to-protect-the-security-of-its-investment-in residential-housing-or-the-health,-safety,-and-welfare-of the-occupants-or-its-users-and-to-ensure-that-the-residential-housing-is-or-has-been-constructed-or-rehabilitated-in conformity-with-all-applicable-plans-and-specifications-and building-codes;-and~~
~~(C)-To-order-any-managing-agent-or-sponsor-of-residential housing-to-do-those-acts-as-may-be-necessary-to-comply-with the-provisions-of-all-applicable-laws,-ordinances-or-building-codes-or-any-rule-or-regulation-of-the-Agency-or-the terms-of-any-agreement-concerning-the-residential-housing-or to-refrain-from-doing-any-acts-in-violation-of-it,-and-in this-regard-the-Agency-shall-be-a-proper-party-to-file-a-complaint-and-to-prosecute-thereon-for-any-violations-of-law, ordinances-or-building-codes-as-set-forth-in-this-chapter.~~

~~6.-Certificate-of-Completion-and-Escrow-Account~~

~~Prior-to-closing-on-the-permanent-mortgage-loan,-the-Agency may-require-a-certificate-of-completion-from-the-housing sponsor.-An-escrow-account-shall-be-established-for-the deposit-and-disbursement-of-funds-required-to-complete-any work-deferred-beyond-the-certificate-of-completion-due-to seasonal-or-climatic-factors,-material-shortages,-labor-disputes-or-other-reasons-beyond-the-control-of-the-housing sponsor.~~

CHAPTER EIGHT
MAKING OF MORTGAGE LOANS

1. Authorization of Mortgage ~~Loan~~ Loans

No mortgage loan for a multi-family development shall be made until the Commissioners have received and reviewed the recommendation of the Executive Director relating to such loan and until the Commissioners have adopted a resolution approving such loan; which resolution shall include determinations that:

(1) The residential housing is primarily for occupancy by persons and families of low and moderate income;

(2) The acquisition, construction or rehabilitation costs incurred or to be incurred by the housing sponsor under agreement are for housing development costs within the meaning of the Act;

(3) There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low or moderate income are able to afford within the general housing market area or there is a shortage of temporary transitional or emergency housing to be served by the proposed residential housing and that private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing for occupancy by the persons ~~and~~ or families; and

(4) The housing sponsor or sponsors undertaking the proposed housing development will maintain or increase the supply of well-planned, well-designed permanent, temporary transitional or emergency housing for persons or families of low and moderate income and that the sponsors are financially responsible persons ~~for~~ or institutions.

2. Closing of Mortgage Loans

After adoption of a resolution substantially in the form of paragraph 1 of this chapter, and after satisfaction of the conditions set forth in the Letter of Commitment, the Agency may close the mortgage loan.

3. Evidence of Mortgage Loans

The Executive Director of the Agency shall not permit any disbursement of an approved mortgage loan until such loan is evidenced by a fully executed note or other evidence of indebtedness, a mortgage, and by such other instruments as the Executive Director may in specific cases deem necessary or appropriate.

~~Each-mortgage-and-promissory-note-accompanying-the-mortgage-shall contain-such-terms-and-provisions-and-be-in-such-form-as-approved by-the-Agency.~~ 4. Representation by Counsel

FK:lme/94 The Agency shall be represented by counsel at the loan closing.

5. Certificate of Completion and Escrow Account

In connection with the closing of a permanent mortgage loan, the Agency may require a certificate of substantial completion. An escrow account shall be established for the deposit and disbursement of funds required to complete any work deferred beyond the effective date of the certificate of substantial completion due to seasonal or climatic factors, material shortages, labor disputes or other reasons beyond the control of the housing sponsor.

VERMONT HOUSING FINANCE AGENCY

November 8, 1994

Ms. Marie Carpenter
Department of Administration
Secretary of Administration's Office
Pavilion Office Building
109 State Street
Montpelier, VT 05602

Dear Ms. Carpenter:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Thursday, November 17, at 1:30 p.m., in the office of the Commissioner of Banking, Insurance and Securities, 89 Main Street, Montpelier, Vermont.

If you have any questions, please do not hesitate to contact me at 864-5743, ext. 255.

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • FAX: 802/864-5746 • TDD: 1-800/586-5832

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VERMONT HOUSING FINANCE AGENCY

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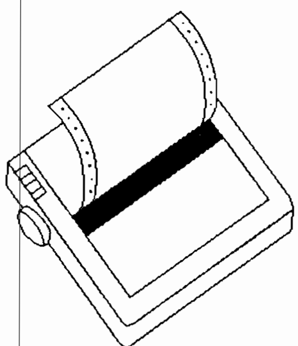
Time	4:30



DATE 11-8-94

TIME 4:30

TO NAME Burlington Free Press

ORGANIZATION Newsroom

TITLE/DEPT

FAX PHONE NUMBER (____) 660-1802

FROM NAME Glenn Jarrett , ext. 226

TITLE/DEPT General Counsel

FAX PHONE NUMBER: (802) 864-5746

DOCUMENT CONSISTS OF 2 PAGES INCLUDING COVER SHEET.

REMARKS: To satisfy public meeting requirements. Call if questions

IF YOU EXPERIENCE ANY PROBLEMS IN RECEIVING THIS TRANSMISSION, PLEASE CALL SENDER AT (802) 864-5743

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VERMONT HOUSING FINANCE AGENCY

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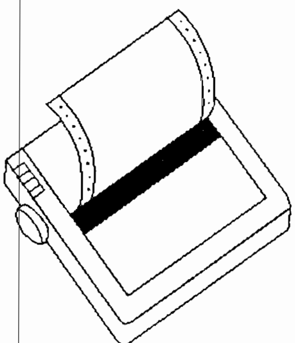

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Date	11-8
Time	1:05

DATE 11-8-94

TIME 4:30

TO NAME Rutland Herald

ORGANIZATION Newsroom

TITLE/DEPT

FAX PHONE NUMBER ( ) 775-2423

FROM NAME Glenn Jarrett, ext. 226

TITLE/DEPT General Counsel

FAX PHONE NUMBER: (802) 864-5746

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VERMONT HOUSING FINANCE AGENCY

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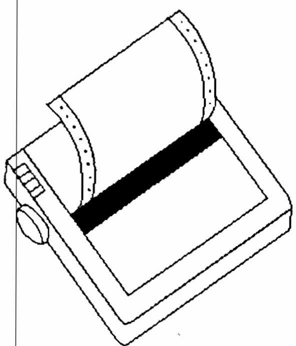

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DATE 11-8-94

TIME 4:30

TO

NAME WCAX-TV

ORGANIZATION Newsroom

TITLE/DEPT

FAX PHONE NUMBER (____) 658-6300 ext. 140

FROM

NAME Glenn Jarrett, ext. 226

TITLE/DEPT & General Counsel

FAX PHONE NUMBER: (802) 864-5746

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NOTICE OF SPECIAL MEETING

The Board of Commissioners of the Vermont Housing Finance Agency will meet via telephone conference call on Thursday, November 10, 1994, at 9:30 a.m. to consider the pricing of an issue of mortgage revenue bonds to be issued by the Vermont Housing Finance Agency, as well as any other matters properly before the meeting. The public may attend the meeting in the Board Room at the Agency's offices at One Burlington Square, Burlington, Vermont 05401.

vhfa
VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: November 11, 1994

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:30 p.m. Thursday, November 17, at the office of the Commissioner of Banking, Insurance and Securities, 89 Main Street, Montpelier, Vermont.

Attached is the agenda and Board packet. The master copy of the Board minutes kept on file here at the Agency includes any attachments that may be referenced in the minutes; copies will be made available should any Board members be interested in reviewing them.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier at 1:30 November 17!

REMINDER: *VHFA's annual holiday party will be held Friday, December 9, at the Ramada Inn on Williston Road in South Burlington. Details will follow.*

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VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA
Office of the Commissioner of Banking, Insurance and Securities
89 Main Street
Montpelier, Vermont

Thursday, November 17, 1994 at 1:30 p.m.

1. Review and approval of minutes of October 20, 1994

2. Review and approval of minutes of November 10, 1994

3. Development
   - St. Johnsbury Housing Partnership Loan **[Jenkins/Erdelyi//Encl.]**
   - LIHTC Allocations (Fourth Round) **[Jenkins/Erdelyi//Encl.]**
   - Bromur Apartments (Barre) Proposed Resolution of Interest/Commitment Letter **[Jenkins/Erdelyi//Encl.]**
   - Proposed Lead Based Paint Hazard Abatement Loan Program **[Jenkins/Cummings//Encl.]**

4. Operations
   - MOVE/Mortgage Plus Updates/Delinquency Report **[Lothrop//Enclosure]**
   - VHMGB Update **[Lothrop]**

5. Administration
   - Executive Director's Report **[Hunt]**

6. Finance
   - Housing Vermont Bridge Loan Agreement **[Schoenbeck//Enclosure]**
   - FY94 Audit/Management Letters **[Schoenbeck//Enclosure]**
   - Single Family Bond Financing **[Schoenbeck//Enclosure]**

7. Legal
   - Proposed Revisions to SF Regulations **[Jarrett//Enclosure]**

8. Communications
   - Strategic Planning Update **[Gent//Enclosure]**
   - Summary of Housing Needs Study **[Gent//Enclosure]**

9. Multi-Family Management
   - LIHTC Compliance Monitoring Status **[Falzone//Enclosure]**

10. Other old or new business to come before the Board

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
Capitol Plaza Hotel and Conference Center
100 State Street
Montpelier, Vermont

Thursday, October 20, 1994

PRESENT: Chairman White; Commissioners Seelig, Rockford (designee of Ruse), Candon (designee of Costle), Bradley (designee of Shouldice), Randall, Canney

Agency Staff: Mr. Hunt, Mr. Francis, Mr. Schoenbeck, Mr. Jarrett, Ms. Jenkins, Ms. Gent, Mrs. Parker

The meeting was called to order by the Chairman at 1:40 p.m. A motion was made by Mr. Seelig to amend the minutes of September 20 by clarifying the second paragraph on page 4 to indicate that the Multi-Family Construction Loan Program should not contain specific references to Act 200, but instead should refer to local or regional planning requirements. After being seconded by Mr. Rockford, this motion carried; Ms. Canney and Ms. Randall abstained.

The "County Purchase Price Analysis" was distributed by Ms. Jenkins. The data does not support contesting the US Treasury's safe harbor limits; no further changes in the purchase price or income limits are recommended at this time. No Board action was necessary.

Mr. Hunt informed the Board that through the first 18 days of this month, $6.2 million has been reserved, compared with $3.7 for October 1993. The no down payment program was released October 3 and has helped boost reservations considerably. However, only 94 no down payment loans have been reserved thus far, out of 150 available loans. Mr. Hunt observed that this appears to indicate that lenders are able to reserve loans in a more thoughtful way, based more upon the need of the borrower. Turning to delinquencies, Mr. Hunt noted the report shows 383 delinquencies for August; due to staff efforts, there are only 356 delinquent loans in September. Since last month's Board meeting the Agency has disposed of four REO properties; four others are under contract, with one pending. During the period from January through October 1994, the Agency sold a total of 18 REO properties. Staff has been discussing setting up a pool of low interest money in the next Single Family bond financing that would allow borrowers interested in REO properties to qualify at a lower interest rate. While the numbers of REO properties are decreasing slowly, staff is discouraged that there are still more than 30 of these properties in the Agency's portfolio. As the overall number of delinquencies are reduced, there is likely to be a general slowing in the number of REO properties. Ms. Canney noted that the percentages for Factory Point's delinquencies appear to be high; Mr. Hunt indicated that staff will determine if this is due to a relatively small portfolio or if there is cause for concern. No Board action was necessary.

Beginning his Executive Director's Report, Mr. Hunt noted that the purchase of Venture Place occurred September 30, as scheduled. The final environmental assessments indicated there is no air pollution within the building. The Vail Design Group has been retained to develop floor plans and design efficient space usage; efforts will be made to contain the Agency's offices on two floors, with the remaining floor to be available for rental income. Another part of the building project is to complete renovations as suggested by Hallam Associates; a construction manager will be hired to direct these activities. Every effort will be made to have exterior work completed before the onset of winter. It is anticipated that the recommendations made by Hallam Associates can be completed, including painting the interior of the building and recarpeting the first floor, within the $150,000 budgeted for these activities. Some additional heating and/or cooling zones may be created at this point as well, in order to improve air circulation. A meeting with representatives from the Howard Bank and the City of Burlington will be scheduled to discuss the possible development of a multi-story parking lot on Howard Bank property; this lot would accommodate them and meet the Agency's needs as well. Several leased parking spaces are already available, as well as public parking in a lot across the street from Venture Place.

Mr. Hunt further noted that a major task confronting the Agency and the Guarantee Board concerns Freddie Mac; a management audit of the Guarantee Board programs is slated for November. A tremendous amount of work is necessary to prepare for their visit; these efforts will probably strain the resources of the Single Family Operations staff as they prepare the required documentation and background information.

The recent visit of Mr. Tiny Derks, representing Smallingerland, a nonprofit company based in The Netherlands, has proved to be worthwhile in terms of a useful exchange of information and ideas. Mr. Derks and his organization are interested in perhaps doing some kind of pilot/model project here in Vermont; they have not defined this project entirely, but are considering something focussed on the needs of the frail elderly which would include supportive services. Mr. Derks had discussions with Housing Vermont (HVT) and Cathedral Square Corporation; there appears to be a market niche that needs to be filled. Smallingerland might be willing to bring investment capital as well as an investor for tax credits, if Low Income Housing Tax Credits could be used for such a project. Mr. Hunt has agreed to have the Agency provide market data; HVT would work directly with Mr. Derks and his representatives, rather than having the

Agency be directly involved in development of this pilot project. Mr. Hunt also noted that The Netherlands are the third largest investor in the United States, after Japan and Great Britain.

Turning to an update on Dalton Drive, Mr. Hunt informed the Board that there has been renewed interest in the two commercial buildings in recent weeks. Mr. Hunt met with representatives of Cathedral Square Corporation, which is interested in a shared housing concept, utilizing one or both buildings. Mr. Hunt reported that during these discussions he indicated that the purchase price for those buildings may be significantly lower than when they were first placed on the market. There has also been some private interest in these buildings. As far as the reappraisal, Mr. Hunt reported that he has written to Keller/Navin, who completed both the original and the most recent appraisals, asking for justification of the widely varying values; to date, no response has been received. Repairs to the HeatMaker boilers have been completed, with a one year warranty on the work conducted. Mr. Hunt stated that he was hopeful the problems had been solved.

Continuing his report, Mr. Hunt advised the Board that he had attended a Legislative Committee meeting to discuss a "Housing Support Fund" that would provide a state-run rental subsidy program for a targeted group of over 400 people who are currently on a waiting list for Section 8 subsidies. As preliminarily described, the funding source would come from de-linking the individual mortgage deduction from the federal tax form, thus allowing less of a reduction for people who earn in excess of $50,000/year. Mr. Hunt assured the Board that he has not yet testified on this matter, nor has he taken any formal position. There is a need to provide people at very low incomes with rental assistance, but it is difficult to determine if the state can afford to do so. It is questionable whether this plan, as outlined, will go forward. Mr. Hunt indicated that he had offered to testify to give factual information and explain who the Agency's clients are; it is likely that these borrowers would not be impacted by this proposal. It is anticipated that there would be a loss of $40-50 per year for households with an income over $50,000. Ms. Randall observed that it would appear to be an extremely controversial issue, and further noted that many of the Agency's existing borrowers may be affected, as their incomes most likely have grown to be within the range proposed to be affected. Ms. Randall also cautioned that while the Agency should consider supporting an initiative to provide housing to people with very low incomes, this initiative is too controversial. Mr. Seelig pointed out that this issue affects a whole range of the Agency's clients; this would appear to be a national issue rather than something that should be addressed on the state level. While no formal Board action was taken, it was the general consensus of the Board that the Agency should not take a stance on this issue at this time.

A motion was made by Mr. Candon, seconded by Mr. Seelig, and carried unanimously allowing the Board to take from the table the discussion of the "Salary and Benefits Information" as detailed in Mr. Francis' memo of September 8, which was distributed at the September Board meeting. Mr. Francis observed that the Agency's benefits package appears to be competitive to liberal when compared with governmental or other comparable organizations in the Chittenden County area. To clarify a question from the Board, Mr. Schoenbeck explained that the short term disability is offered through an insurance policy; the first 30 calendar days are not covered under the policy, but an employee may apply accrued sick time to cover the average of 22 working days in that calendar period. According to Mr. Schoenbeck, an employee's benefits average between 30-40 percent of salary. Mr. Hunt noted that any discussion relevant to reducing operating costs in general should include a review of the benefits package. Chairman White suggested that consideration of other providers could help to cut costs while allowing the Agency to continue to provide the same benefits; self-insurance could also be considered for certain portions of the program. As Mr. Francis pointed out, the trend in state government has been to reduce benefits where opportunities presented themselves; however, the risk of demoralizing staff by reducing benefits should be avoided. Ms. Canney asked if a "menu" or "cafeteria-style" program had been considered; this would allow families with children to select items not of interest to those with no children. Mr. Francis cautioned the Board that a cafeteria plan would likely have high administrative overhead due to the relatively small number of staff at the Agency.

Ms. Randall suggested that employee involvement in the review and creation of a benefits package might be useful. Other organizations have had great success by letting employees create a package, given specific goals and guidelines. For example, if a goal were to reduce costs by a certain percentage, employees could participate in achieving that reduction. Premiums could be lowered without increasing costs. Chairman White concurred. Mr. Seelig also agreed, noting that the Agency should be proud of being able to offer such a benefits package rather than viewing it as a problem. Ways to cut costs should be considered when each segment of the plan is due for renewal. Mr. Seelig also noted that discussions on pay adjustments for state employees appear to be focussing on a 4.9 percent adjustment; this should be considered during FY96 salary and budget preparations.

Turning to salary comparisons, Ms. Randall noted that salaries for senior underwriters are quite comparable for senior underwriters at both New England IBM Federal Credit Union and the Agency. Mr. Seelig also observed that middle or upper/level compensation looks attractive and appropriate, but a direct comparison with the private sector should be considered. Mr. Candon further noted that the salary ranges appear to be appropriate. Chairman White further noted that the Board should allow the Agency to attract and maintain good employees; the salary and benefits package should not be excessive, but should be competitive and available to all employees on an equal basis. Mr. Francis reminded the Board that this is the first discussion the Board has had on this topic for quite some time, and noted that staff recognizes an obligation to save money for the Agency, in a fashion that does not affect morale. Although no formal Board action was taken, staff was urged to review the benefits package and consider options to ensure that the Agency is getting good value for the premiums paid or other costs involved.

Mr. Schoenbeck then reviewed the "Fiscal Year June 30, 1994, Audit Results" as described in his memo of October 13, included in the Board packet, and distributed a draft copy of the auditors' financial statements for FY94. It is anticipated that a $250,000 loss will be shown in the final analysis. The balance sheet and statement of revenues were further reviewed. Value reductions for REO properties were considerable; over $600,000 was lost on properties taken back as a result of foreclosure. These properties are insured and claims are filed with the insurers; however, losses often reach $20,000 per property after insurance, due to the poor condition of a property when it is added to the Agency's portfolio of other real estate owned. Associated costs are property taxes, insurance and maintenance on properties remaining in the Agency's portfolio. Interest is suspended when the Agency gains title to the property; VHMGB and other primary mortgage insurers continue to pay claims on interest until the property is sold. Ms. Randall observed that most institutions follow a 90-day non-accrual of interest policy, which affects the overall amount of resulting losses or gains. Mr. Schoenbeck noted that the Agency's new computer system is not set up to allow this method of tracking; however, Chairman White suggested that staff might want to evaluate the implications and make recommendations to change procedures as necessary. Mr. Jarrett explained that the Agency does not normally seek repayment from the borrower(s) for deficiencies; however, the Agency is prepared to do so if the borrower has a steady income and appears able to pay. The individual circumstances of each delinquent borrower will be considered before repayment is demanded.

Continuing his review of the audit results, Mr. Schoenbeck noted that prior to the one-time write-off of REO valuation for properties in the Agency's portfolio at June 30, 1994, the Agency's financial situation was positive for the fiscal year. There should be some improvement during FY95, depending on the general economy and losses on REO properties. Budget performance for FY94 was in line with expectations, although income was lower than expected. This is primarily due to no point mortgages, when the Agency pays points to lenders rather than collecting them. Final drafts of the financial statements should be available shortly and will be forwarded to the Board prior to the next Board meeting. No Board action was necessary.

Mr. Schoenbeck then directed the Board to his memo of October 14, included in the Board packet, regarding the Agency's proposed "Single Family Financing." An analysis depicting the underwriters' compensation was distributed to the Board as supplemental information. Evensen Dodge has examined the issues of continued use of recycling funds, a negotiated financing as has been done in the past, a competitive financing or a private placement of bonds directly with Fannie Mae. The recommendation from Evensen Dodge is that the Agency consider the sale of the entire bond issue to Fannie Mae. This would eliminate the majority of a $600,000 fee to the underwriters, but would require payment of a $15,000 to $25,000 fee to a financial advisor. One drawback to an offering of this type is that bonds would not be available for investors in Vermont, whether retail or institutional, as Fannie Mae would buy the entire issue. If Fannie Mae does not come up with a price to purchase the bonds that is agreeable to the Agency, the issue would need to be sold on the market. Mr. Hunt noted that the Agency's flexible underwriting standards, necessary to address Vermont's uniquely rural housing and property characteristics, limit the utilization of other bond financing structures offered throughout the country. The financing proposed with Fannie Mae would not impact any of the basic loan standards criteria currently employed by the Agency; rather, it allows the Agency to continue the loan review process within the same structure already in place.

Mr. Schoenbeck assured the Board that other than being a private placement, this bond issue would be similar to other bond offerings the Agency has previously completed. The currently projected mortgage interest rate would be 8 percent for a no point mortgage and 7.75 percent for a two point mortgage. After some further discussion, a motion was made by Mr. Seelig and seconded by Ms. Bradley authorizing the staff to pursue the financing to result in up to $60 million in lendable proceeds, with the final number to be determined based on staff recommendations; staff was further directed to consult with the Chairman prior to determining the final amount, and to pursue normal underwriting options if Fannie Mae is unable or unwilling to purchase the bonds as offered. This motion carried unanimously.

The "Multi-Family Refunding Program" was reviewed by Mr. Schoenbeck, as further detail to his memo of October 14, included in the Board packet. Between 1981 and 1983 the Agency issued three series of bonds to finance multi-family units under HUD's Section 8 program. These projects were financed with very high coupon debt due to the then-current monetary environment. When the original developments were financed, the Agency opted to not mark up the bonds (taking a spread) and instead elected to collect administration fees under the individual Housing Assistance Payment (HAP) Contracts. At the outset of these mortgages owners signed agreements with HUD not to prepay or sell without HUD's approval; this also directly affects their ability to refinance. Mr. Schoenbeck noted that this would be the first time the Agency has undertaken a refunding in the Multi-Family arena, although the same procedure has been performed in the Agency's Single Family programs. It is expected that the Agency will earn a 1.5 percent spread on the financing, pay the costs of bond issuance, and split any remaining savings with HUD on a 50-50 basis. The Agency's spread is estimated to be $300,000 annually, with the 50 percent share of the savings reaching approximately $440,000 per year. These savings will be used to assist either new developments or existing troubled projects. A motion was made by Mr. Rockford to authorize staff to begin working with bond underwriters to develop a multi-family refunding strategy to structure a new bond issue and submit necessary documentation to HUD. After being seconded by Mr. Candon, this motion carried unanimously.

At this time, Mr. Candon expressed his regrets and stated that he would be unable to remain for the rest of the meeting.

Ms. Jenkins reviewed the "Multi-Family Refunding—Proposed Agency Use of Refunding Savings" as described in her memo of October 11, included in the Board packet. A general description of the Agency's proposed use of its share of the savings anticipated through the multi-family refunding must be submitted to HUD. The description in the memo is general, but specific programs will be fully outlined for the Board's review. According to Ms. Jenkins, the programs described are more specific than other models submitted to HUD, which bond counsel provided for staff review. A motion was made by Ms. Bradley and seconded by Ms. Canney approving the program description contained in Ms. Jenkins' memo for submission to HUD with the Multi-Family Refunding proposal. This motion carried unanimously.

Mr. Hunt asked the Board to recognize Mr. Schoenbeck's efforts in terms of the audit preparation, two current financings, the upcoming VHMGB audit and Freddie Mac's audit of VHMGB. Along with his staff, Mr. Schoenbeck has done an outstanding job over the last few months, under nearly unrelenting pressure and deadlines.

The "Multi-Family Rules Revision" was reviewed by Mr. Jarrett, as further detail to his memo of October 13, included in the Board packet. The various changes in the rules and their implications were described by Mr. Jarrett. A motion was made by Mr. Seelig and seconded by Ms. Randall to adopt the "Rules For Loans To Housing Sponsors For Multi-Family Developments" as revised, further authorizing the Executive Director to take all actions necessary to promulgate these rules pursuant to the Administrative Procedures Act. This motion carried unanimously.

Mr. Francis informed the Board that the Agency's annual holiday party is scheduled to take place on Friday, December 9, at the Ramada Inn in South Burlington. Details are still being finalized, and it was suggested that the Board consider rescheduling the December Board meeting to coincide with that date. No Board action was taken.

The next meeting was scheduled for Thursday, November 17, in Montpelier. There being no further business, and following a motion duly made and seconded, the meeting adjourned at 3:40 p.m.

Respectfully submitted,

Allan S. Hunt,
Secretary

vhfa
VERMONT HOUSING FINANCE AGENCY

CONFERENCE CALL BOARD MINUTES
Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont

Thursday, November 10, 1994

PRESENT: Via Speakerphone: Chairman White; Commissioners Candon (designee of Costle), Randall, Canney

Agency Staff: Mr. Hunt, Mr. Schoenbeck, Mr. Jarrett, Mr. Lothrop, Ms. Gent, Mrs. Parker

Guests: Mr. Hans (Evensen Dodge); via speakerphone: Mr. Amsden (Kutak Rock); Mr. Seibert (Evensen Dodge); Mr. Clancy (Trepp & Co.)

The meeting was called to order by Chairman White at 9:35 a.m. Participants were identified by roll call, and it was agreed that all votes would be taken by roll call as well.

Mr. Schoenbeck noted that drafts of various documents had been sent to the Board members for their review, including the "Purchase Contract", the "Ninth Supplemental Single Family Housing Bond Resolution" and the "Private Placement Memorandum". The representatives from Kutak Rock, Evensen Dodge, and Trepp & Co. were introduced to the Board. Mr. Schoenbeck reported that negotiations with Fannie Mae have been ongoing, and there is every indication that they are interested in purchasing the bonds, although a price still needs to be determined. Present indications are that a one-point mortgage rate no higher than 8.5 percent would be possible. A $6 million pool of HOUSE funds would be available at stepped mortgage rates. Lendable proceeds would be $60 million, as discussed at the October 1994 Board meeting, with the total size of the issue no more than $66 million. A bond reserve fund of $5 million would be established, which is expected to earn 8 percent. Based on projections, the bond cost would be 7.42 percent, with some earnings anticipated on the bond reserve funds. Selling the bonds to Fannie Mae would allow the Agency to save underwriter fees of $600,000, with these savings directed to fund balances and reserves. Bond insurance at an initial cost of $52,000 per year, declining as bonds are paid off, assures a Triple A rating on these bonds, the highest possible rating, which makes possible the purchase by Fannie Mae.

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According to Mr. Schoenbeck, a letter of credit would need to be established for loan loss coverage; 1.85 percent of the mortgage pool ($1.1 million) must be set aside to cover potential loan losses. Negotiations with Sanwa Bank for this letter of credit have been inconclusive, but indications are that approval should be forthcoming. Representatives of Sanwa Bank have expressed some concern about the Agency's delinquencies and overall financial status, based on losses in the last two years and the Evensen Dodge financial analysis. The Agency already has a total of $7.5 million in letters of credit from Sanwa, and it is possible that exceeding $8 million might not be acceptable to the bank. However, Mr. Schoenbeck noted that the Agency could fund a letter of credit partially in cash up to $610,000, which might later be refunded by a letter of credit. In response to a question from Chairman White, Mr. Schoenbeck further explained that using the Agency's funds for a short term, and then converting to a letter of credit, would not pose a problem for the Agency's overall financial position. The deposited funds would go into bond funds and should earn between five to eight percent.

Regarding negative arbitrage, Mr. Clancy explained that the cash flows indicate that negative arbitrage, the earnings that earn less than the bonds (acquisition fund and collection account) would be offset by the mortgage earnings and positive arbitrage on the bond reserve fund. Mr. Schoenbeck clarified this point by noting that there would be some loss on the mortgage purchase accounts in the first few years of the program, but that would be a short term loss with no contribution needed from the Agency. This bond issue is expected to have earnings that would offset any loss on the program account. If market mortgage rates go below the final rate set for this bond issue, it would be possible, through the remarketing agreement, to have the bond underwriters resell the bonds through normal channels at a lower interest rate. Although there would be costs involved, they would be less than those incurred in an expended call and new bond issue. Mr. Hunt noted that the Agency has a past history of continuing to originate mortgages even when conventional interest rates are at or below the rate offered by the Agency. Originations may slow somewhat occasionally, as conventional rates fluctuate, but lenders do continue to reserve funds.

Turning to the issue of timing, Mr. Hans addressed the Board and reported that the bond market had been in terrible condition in the past two weeks due to quickly rising interest rates on government and municipal securities. The market appears to have stabilized a bit, with a reduction in municipal market rates, the first time in the past ten business days. If this were a negotiated sale and there were no buyers in the marketplace, the advice would be to wait for a stabilized market. However, Fannie Mae is a willing buyer that has bought other issues in the last few weeks. The specific rates have not yet been discussed with Fannie Mae, but they do appear to be interested in purchasing these bonds. A favorable rate with Fannie Mae, below the projections in the current cashflows, would make the issuance of these bonds desirable.

Ms. Randall asked about the demand for the Agency's one point mortgage program, and Mr. Lothrop noted that there are currently no Agency loans available at zero points, but 85 percent of last week's reservation activity was for the one point program. There has been no appreciable slowdown in reservations, even though the Agency is currently offering mortgage rates above 9 percent.

The volume of the bond sale was discussed, but Mr. Jarrett cautioned the Board that another public notice and hearing would be required if the Board decided to issue more than $60 million in lendable proceeds. Mr. Hans also noted that if interest rates decline greatly, the Agency does have the ability to renegotiate a lower interest rate with Fannie Mae. According to Mr. Hunt, the current sizing would allow for slightly more than one year of reservations, which would seem to be prudent as it is difficult to project future mortgage interest rates over extended periods of time.

Mr. Amsden reviewed the transaction documents sent to the Board. The "Ninth Supplemental Single Family Housing Bond Resolution" is the main document that approves the issuance of bonds and gives the Agency the option to have PaineWebber remarket the bonds publicly, should Fannie Mae be unwilling to reduce interest rates if conventional rates decline. The "Private Placement Memorandum" is the disclosure document for Fannie Mae; this document replaces an official statement, which would have been produced for a transaction taking place in the public market. A Vermont form of "Purchase Contract" (the document that sets the terms of sale of the bonds between the Agency and Fannie Mae) is being used, rather than what Fannie Mae typically requires. Fannie Mae does not require any comfort letters from auditors regarding the Agency's financial information, which results in some additional savings for the Agency. Although there are no pricing terms indicated in the draft of the "Ninth Supplemental Single Family Housing Bond Resolution," these would be completed before the bond sale is finalized, and a final version of this Resolution will be made available for the Board to ratify. As drafted, this Resolution gives the Chairman and the Executive Director the ability to execute the Series Certificate which would spell out the basic pricing terms of the transaction; the Certificate would also include provisions on the deposit of funds at the actual closing. There are limits to the amount of discretion given the Chairman and Executive Director, such that the bond yield cannot exceed 7.75 percent and the latest maturity date would be 2033. Without a formal motion, the Board agreed that the yield should be limited to 7.50 percent. Mr. Amsden noted that the AMBAC insurance premium was included in the draft, but the amount of actual expenses would need to be increased to include the premium in addition to the current limit of $10,000. A motion was made by Mr. Candon and seconded by Ms. Randall to adopt the "Ninth Supplemental Single Family Housing Bond Resolution" in substantially the form presented to the Board, which would in turn approve the remarketing agreement, the private placement memorandum and the purchase contract; this motion carried unanimously.

Mr. Hunt assured the Board that he and Mr. Schoenbeck would talk with representatives from Fannie Mae as soon as possible to develop a successful pricing structure and draft the series certificates, and would take any other action necessary to complete this transaction successfully, if possible before the end of the day.

Turning to other business, Mr. Schoenbeck reminded the Board that Housing Vermont (HVT) had previously borrowed money from the Agency on a short term basis to fund equity bridge components on financings. HVT is now interested in borrowing $500,000 for two projects they are financing; these funds would be repaid in within three months. A resolution had been adopted by the Board in September 1988 authorizing short term bridge financing, allowing the Agency to make loans to HVT for this purpose at one percent above the normal short term reinvestment rate, which would currently be six percent. HVT does not presently have any outstanding loans from the Agency. Although this financing would technically fall under the Agency's construction loan program, that program has an interest rate of eight percent. A motion was made by Mr. Candon and seconded by Ms. Canney to authorize the loan of up to $500,000 to Housing Vermont at six percent. This motion carried unanimously, and staff agreed to bring a formal resolution to the next Board meeting for ratification.

The next meeting was scheduled for Thursday, November 17, in Montpelier. There being no further business, and following a motion duly made and seconded, the meeting adjourned at 10:20 a.m.

Respectfully submitted,

Allan S. Hunt,
Secretary

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Irene D. Jenkins, Director of Development

DATE: November 11, 1994

RE: St. Johnsbury Housing Partnership Loan

This is to update the Board on the status of negotiations undertaken to avoid default on the loan.

In August 1994 the Board authorized the Executive Director, after consultation with a three-member committee of the Board, to accept full or partial prepayment of the VHFA loan to St. Johnsbury Housing Partnership without prepayment penalty and to renegotiate the terms of the remaining loan, including rate, term and amortization schedule. A condition precedent to any concession on the part of the Agency was that staff determine that changes in loan terms in combination with other resources to be provided would result in long-term viability of the development and likely repayment of the VHFA loan on terms as advantageous as possible to the Agency.

Attached is a proposal that has resulted from discussions with staff of the general partners, review and revision of operating projections, and consideration of the positions of all parties. Also attached is a copy of the most recent development and operating projections upon which the proposal is based.

We are preparing a request to the Bank of Vermont and the Federal Home Loan Bank of Boston to approve VHFA recycling of any prepaid loan amount.

We request any comments or suggestions from the Board that might improve the proposal by increasing either the Agency's security or the long-term viability of the project.

M E M O R A N D U M

TO: Allan

FROM: Irene, Joe JE

DATE: November 11, 1994

RE: St. Johnsbury I Loan Workout Proposal

The following revised proposal is in response to NCHC and HV's request for interest rate reduction and debt service moratorium on the VHFA loan and is based upon review of the most recent operating expense and income projections from NCHC, discussions with Chris Owre of NCHC and Kathy Kehoe representing HV, and a number of key assumptions, including:

1. that proposed rehabilitation expenditures will occur in 1995-1996;
2. that VHCB will award additional funds to this project in 1995 in the amount necessary to fund the proposed rehabilitation and other costs after taking into account all other available sources of funds;
3. that VHFA will allocate tax credits in the future to the full extent of eligible and qualified basis to be generated by the additional rehabilitation;
4. that the investors will provide additional equity in an amount that is reasonable and appropriate in view of the status of the project, the total amount of tax credits available, and the projected return on investment;
5. that NCIC and HV will each immediately inject $25,000 (for a total of $50,000) to guarantee debt service payments and pay operating deficits;
6. that the Federal Home Loan Bank of Boston (FHLBB) will permit us to recycle any prepayments for other projects or to partially prepay the advance without penalty.
8. that the Bank of Vermont will approve any workout plan that does not reduce its return on the loan or conflict with its obligations to the FHLBB. (In this proposal, Bank of Vermont is essentially held harmless.)

We are assuming that investor equity (and tax credits) will be maximized and that VHCB will be requested to provide the least amount of funding possible consistent with the requirements of the workout plan.

VHFA Management staff have reviewed the NCHC projections of income and expense for 1994 and concur with those projections.

Other assumptions are indicated in the attached spreadsheets.

The proposal is subject to review and approval of applicable provisions by VHFA and St. Johnsbury Housing Partnership attorneys, to resolution of relatively small discrepancies in VHFA and St. Johnsbury Housing Partnership projections and verification of exit tax calculations, and to approval by a three-member subcommittee of our Board.

We propose that:

1. NCIC and HV each inject $25,000 (for a total of $50,000) to guarantee debt service and pay operating deficits. In the event that VHCB or other funds are not available in 1995 to fund the proposed additional rehabilitation and that project cash flow cannot sustain operations and first mortgage debt service, this $50,000 will be available to reimburse VHFA for deferred or missed debt service payments.

2. VHFA agree to an interest rate reduction of 100 basis points (to 7.5%), effective at the commencement of the debt service moratorium, thereby relinquishing our spread on the first mortgage financing.

3. VHFA agree to a debt service moratorium for a period of 12 months, from January 1995 through December 1995. Deferred interest will not be added to the principal balance, but will be paid in full at the end of the moratorium, at which time the remaining loan balance less any prepayments will be amortized over the balance of the amortization schedule.

4. Limited partners commit, prior to the beginning of the debt service moratorium, to approximately $173,000 in additional equity investment in 1995-1996 subject only to the availability of approximately $25,000 in tax credits. (The amounts of equity and tax credits are subject to final determination based upon reconciliation of VHFA and NCHC projections and verification of exit tax calculations.) Reduction in the available tax credits will reduce the obligation to provide additional equity on account of those tax credits so that the rate of return on equity remains at the level allowed by VHFA as computed in accordance with a VHFA-approved methodology. However, such reduction will not relieve the partnership of its existing obligations under the loan agreement with VHFA or in any way reduce or eliminate the remedies available to VHFA in the event of delinquency or default.

5. VHCB provide a letter of intent to consider and make a good faith effort to provide additional funding in the amount of approximately $894,000 in 1995, as shown in the attached development budget, subject to availability of funding from the State in FY 1996.

6. The Borrower use approximately $250,000 in additional equity and other proceeds (e.g. VHCB funds) to prepay that amount of the VHFA loan by the end of 1995 plus approximately $30,000 to pay deferred 1995 interest, for a total of $280,000.

7. VHFA extend the <u>term</u> of the note to 2010 (the end of the second tax credit 15 year compliance period) while the amortization schedule remain fixed at the original thirty years. After the moratorium, payments on the outstanding balance of the loan will be based upon amortization of the loan balance over the remaining portion of the thirty year period, with a balloon payment due in 2010. (Current projections indicate a shortfall of approximately $73,000 in the amount of cash available for that balloon payment.) (At the end of the original 15-year term of the loan, VHFA will pay the outstanding balance of the loan to Bank of Vermont, unless Bank of Vermont also extends the term.)

8. Whether or not additional funding is available for rehabilitation and prepayment of debt, the partnership agree to pay VHFA all accrued interest and to resume debt service payments on the VHFA loan in January, 1996.

9. Upon default, the partnership agree to provide VHFA, upon request, with a deed in lieu of foreclosure for all mortgaged properties.

10. FHLBB agree either to partial prepayment of its advance without penalty or reuse of the prepaid amount by VHFA for other projects.

11. Bank of Vermont provide any required approvals.

ST JOHNSBURY HOUSING PARTNERSHIP SUMMARY b:\shp2-13 11-Nov-94

Total Units	32			Assumptions	
Tax Credit Units	29	6 new TC units		Income incr	1.50%
HOME Units	0	0 HOME units		Expense incr	3.50%
1995:	Total	PUM		Appreciation	2.75%
Post Rehab Rent	135,875	354		Vacancy Rate	6.00%
Post Rehab Exp	96,997	253		Tax Rate	34.00%
NOI	38,878	101		Depreciation	27.5
Reserves	(13,824)	(36)		LIHTC % BOND	3.74%
Debt Service	(13,172)	(34)		LIHTC % HOME	8.73%
Cash	11,882	31		Tax Credits	25,031
* net rent				Invest Rate	3.00%

	First Round	Second Round	Total	Per Unit
Equity	514,898	172,724	687,622	21,488
VHFA *	411,608	0	411,608	12,863
VHCB **	432,900	893,637	1,326,537	41,454
CDBG ***	369,600	0	369,600	11,550
HOME ***	0	0	0	0
G.P. Equity		50,000	50,000	1,563
Other Grants ****	5,000		5,000	156
Unadjusted Total	1,734,006	1,116,361	2,850,367	89,074
Adjust for VHFA pay off	1,734,006	866,361	2,600,367	81,261
Sink Fund, Wkg Cap	79,000	18,312	97,312	3,041
Total less this cash	1,655,006	848,049	2,503,055	78,220
Construction (w/o super)	725,135	657,370	1,382,505	43,203
NCHC/HV Fees Taken	151,062	0	151,062	4,721
Percent Total Devel Cost				5.30%
NCHC/HV Fees Foregone	0	97,272	97,272	3,040
Percent Total Devel Cost				3.41%

* VHFA partially repd from other sources Round 2
** VHCB repaid 1991 11,000
VHCB drawn 1994 53,000
*** CDBG Round 2 unlikely; Town wants lead program not limited to SJHP; so far no one to administer.
*** HOME may be substituted for some VHCB Round 2 Bond $.
Will not get 9% tax credit; can't afford to further restrict occupancy.

ST. J. HOUSING PARTNERSHIP — 15 YEAR PRO FORMA — 11-Nov-94

FORECAST CASH FLOW		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Gross Possible Rent					141,128	144,548	146,716	148,917	151,151	153,418	155,719	158,055	160,426	162,832	165,275	167,754
Less Vacancy/Delinquency					(19,840)	(17,346)	(8,803)	(8,935)	(9,069)	(9,205)	(9,343)	(9,483)	(9,626)	(9,770)	(9,916)	(10,065)
Rental Income from Tenants					121,288	127,202	137,913	139,982	142,082	144,213	146,376	148,572	150,800	153,062	155,358	157,689
Rent Subsidies (Affiliates)		50,000					3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333
use 1/15th for 15 yrs, balance (from interest) in yr 16																
Total Income					121,288	127,202	141,247	143,315	145,415	147,546	149,709	151,905	154,134	156,396	158,692	161,022
Less Operating Exp.					(118,814)	(104,317)	(100,392)	(103,906)	(107,543)	(111,306)	(115,202)	(119,234)	(123,407)	(127,727)	(132,197)	(136,824)
Net Operating Income					2,474	22,885	40,855	39,410	37,873	36,240	34,507	32,671	30,726	28,669	26,494	24,198
Less VHFA Debt Service	CAN'T PAY WHEN S FUND GONE				(41,145)	0	(13,172)	(13,172)	(13,172)	(13,172)	(13,172)	(13,172)	(13,172)	(13,172)	(13,172)	(13,172)
Less VHCB Debt Service					0	0	0	0	0	0	0	0	0	0	0	0
Less Reserves					(11,520)	(11,693)	(11,868)	(12,046)	(12,227)	(12,410)	(12,596)	(12,785)	(12,977)	(13,172)	(13,369)	(13,570)
Cash Flow before Sink Fund					(50,191)	11,192	15,815	14,191	12,474	10,658	8,739	6,714	4,577	2,325	(47)	(2,544)
Cover deficit from sink fund					51,191	0	0	0	0	0	0	0	0	0	1,047	3,544
Cash flow after sink fund					1,000	11,192	15,815	14,191	12,474	10,658	8,739	6,714	4,577	2,325	1,000	1,000
Cash Flow Added to Sink Fund if Positive				86,685	0	11,192	15,815	14,191	12,474	10,658	8,739	6,714	4,577	2,325	0	0
	3.00% Interest Rate, Discount Rate				1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
S Fund Beg Bal	NPV: Deficit Cover 1994-2010			90,865	53,000	1,809	13,001	28,816	43,007	55,481	66,139	74,878	81,591	86,168	88,494	87,447
Plus Cash Flow	Fund from Round One			53,000	0	11,192	15,815	14,191	12,474	10,658	8,739	6,714	4,577	2,325	0	0
Less Deficit	Addnl Avail from Cash Fl			86,685	(51,191)	0	0	0	0	0	0	0	0	0	(1,047)	(3,544)
Plus Interest	Addnl Needed Above That			0	822	222	627	1,077	1,477	1,824	2,115	2,347	2,516	2,620	2,639	2,570
End Balance	Cash Balance End 2010			23,992	1,809	13,001	28,816	43,007	55,481	66,139	74,878	81,591	86,168	88,494	87,447	83,903
							1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
NCIC/HV Rental Subsidy Fund																
Beg Balance							50,000	48,067	46,075	44,024	41,912	39,736	37,494	35,186	32,808	30,359
Less Subsidy Used							(3,333)	(3,333)	(3,333)	(3,333)	(3,333)	(3,333)	(3,333)	(3,333)	(3,333)	(3,333)
Plus Interest							1,400	1,342	1,282	1,221	1,157	1,092	1,025	956	884	811
End Balance							48,067	46,075	44,024	41,912	39,736	37,494	35,186	32,808	30,359	27,836

ST. J. HOUSING PARTNERSHIP ST. J. HOUSING PARTNERSHIP 15 YEAR PRO FORMA

FORECAST CASH FLOW		2006	2007	2008	2009	2010
Gross Possible Rent		170,270	172,824	175,417	178,048	180,719
Less Vacancy/Delinquency		(10,216)	(10,369)	(10,525)	(10,683)	(10,843)
Rental Income from Tenants		160,054	162,455	164,892	167,365	169,875
Rent Subsidies (Affiliates)		3,333	3,333	3,333	3,333	3,333
Total Income		163,387	165,788	168,225	170,698	173,209
Less Operating Exp.		(141,613)	(146,569)	(151,699)	(157,009)	(162,504)
Net Operating Income		21,774	19,219	16,526	13,690	10,705
Less VHFA Debt Service		(13,172)	(13,172)	(13,172)	(13,172)	(13,172)
Less VHCB Debt Service		0	0	0	0	0
Less Reserves		(13,774)	(13,980)	(14,190)	(14,403)	(14,619)
Cash Flow before Sink Fund		(5,171)	(7,933)	(10,836)	(13,885)	(17,086)
Cover deficit from sink fund		6,171	8,933	11,836	14,885	18,086
Cash flow after sink fund		1,000	1,000	1,000	1,000	1,000
Cash Flow Added to Sink Fund if Posit		0	0	0	0	0
	3.00%	2006	2007	2008	2009	2010
S Fund Beg Bal	NPV:	83,903	77,732	68,799	56,963	42,078
Plus Cash Flow		0	0	0	0	0
Less Deficit		(6,171)	(8,933)	(11,836)	(14,885)	(18,086)
Plus Interest		2,425	2,198	1,886	1,486	991
End Balance		77,732	68,799	56,963	42,078	23,992
		2006	2007	2008	2009	2010
NCIC/HV Rental Subsidy Fund						
Beg Balance		27,836	25,238	22,562	19,806	16,966
Less Subsidy Used		(3,333)	(3,333)	(3,333)	(3,333)	(3,333)
Plus Interest		735	657	577	494	409
End Balance		25,238	22,562	19,806	16,966	14,042

FORECASTED TAXABLE LOSSES (91-91 FROM TAX RETURNS)

Year	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Net Operating Income	42,218	39,211	15,629	2,474	22,885	40,855	39,410	37,873	36,240	34,507	32,671	30,726	28,669	26,494	24,198
Plus Interest	3,475	1,901	1,172	822	222	2,027	2,419	2,760	3,045	3,273	3,439	3,541	3,576	3,523	3,381
Less Interest Expense	(63,504)	(60,819)	(61,636)	(55,194)	(51,408)	(32,730)	(32,717)	(32,692)	(32,656)	(32,608)	(32,546)	(32,469)	(32,376)	(32,266)	(32,137)
Less Deprec (Basis to 94)	(31,611)	(48,400)	(48,657)	(48,657)	(48,657)	(48,657)	(48,657)	(48,657)	(48,657)	(48,657)	(48,657)	(48,657)	(48,657)	(48,657)	(48,657)
Less Addnl Deprec (Long Term)						(13,855)	(27,710)	(27,710)	(27,710)	(27,710)	(27,710)	(27,710)	(27,710)	(27,710)	(27,710)
Less Addnl Deprec (Short Term)						(1,705)	(1,705)	(1,705)	(1,705)	(1,705)					
Taxable Income (Loss)	(49,422)	(68,107)	(93,492)	(100,555)	(76,958)	(54,066)	(68,960)	(70,133)	(71,444)	(72,901)	(72,803)	(74,569)	(76,499)	(78,615)	(80,925)

FORECASTED AFTER TAX BENEFITS

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Cash Distributions	0	0	1,000	0	0	0	0	0	0	0	0	0	0	0	0
Tax Savings (Cost)	16,803	23,156	31,787	34,189	26,166	18,382	23,446	23,845	24,291	24,786	24,753	25,353	26,010	26,729	27,515
Tax Savings (Cost) on Sale															
Plus Historic Tax Credit *	181,182														
Plus 1st round tax cr	11,170	45,263	45,283	45,283	45,283	45,283	45,283	45,283	45,283	45,283	34,093	0	0	0	0
Plus 2nd round tax cr						12,515	25,031	25,031	25,031	25,031	25,031	25,031	25,031	25,031	25,031
After Tax Cash Flow	209,155	68,419	78,070	79,472	71,449	76,181	93,760	94,159	94,605	95,100	83,877	50,384	51,040	51,760	52,545

Capital Contributions	687,622
Plus Cum Income (Loss)	(1,555,486)
Less Cum Cash Distrib	1,000
Cap Accts 2010	(866,864)
Gain on Sale 2010	866,864
Tax on Sale	294,734

Partners' Shares		Equity in	Addnl	Total
Gen Partners	1.00%	5,149	1,727	6,876
Passumpsic	53.41%	275,007	92,252	367,259
Merchants	35.88%	184,745	61,973	246,719
Howard	9.71%	49,997	16,772	66,768
Total	100.00%	514,898	172,724	687,622

FORECASTED TAXABLE LOSSES

Year	2006	2007	2008	2009	2010
Net Operating Income	21,774	19,219	16,526	13,690	10,705
Plus Interest	3,160	2,855	2,463	1,980	1,400
Less Interest Expense	(31,987)	(31,816)	(31,620)	(31,399)	(31,150)
Less Deprec (Basis to 94)	(48,657)	(48,657)	(48,657)	(48,657)	(48,657)
Less Addnl Deprec (Long Term)	(27,710)	(27,710)	(27,710)	(27,710)	(27,710)
Less Addnl Deprec (Short Term)					
Taxable Income (Loss)	(83,421)	(86,109)	(88,999)	(92,097)	(95,412)

FORECASTED AFTER TAX BENEFITS

	2006	2007	2008	2009	2010
Cash Distributions	0	0	0	0	0
Tax Savings (Cost)	28,363	29,277	30,260	31,313	32,440
Tax Savings (Cost) on Sale					(294,734)
Plus Historic Tax Credit *					
Plus 1st round tax cr	0	0	0	0	0
Plus 2nd round tax cr	12,515	0	0	0	0
After Tax Cash Flow	40,878	29,277	30,260	31,313	(262,294)

ST. J. HOUSING PARTNERSHIP EQUITY CALCULATIONS 11-Nov-94

			1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
ADDITIONAL EQUITY BASED ON INCREMENTAL DIFFERENCE IN BENEFITS BETWEEN INITIAL FORECAST AND CURRENT FORECAST																
After Tax Cash Flow *		209,155	68,419	78,070	79,472	71,449	76,181	93,760	94,159	94,605	95,100	83,877	50,384	51,040	51,760	52,545
Forecast at 1st Equity Call		42,552	249,831	67,124	67,757	68,395	69,039	69,686	70,337	70,990	71,644	48,972	26,298	26,948	27,593	(153,961)
Added (Reduced) Benefits		166,603	(181,412)	10,946	11,715	3,054	7,142	24,074	23,822	23,615	23,456	34,905	24,086	24,092	24,167	206,506
Net Difference 1991-1995		10,906														
NPV of Difference 1991-1995		21,102														
Net Difference 1996-2010		285,298														
NPV 1996-2010	12.00%	169,043														

* 1991-1993 from tax returns for those years

ADJUST FOR TIMING OF BENEFIT OF HISTORIC TAX CREDIT RECEIVED IN 1992, NOT 1991																
Adusted After Tax Cash Flow		27,973	249,601	78,070	79,472	71,449	76,181	93,760	94,159	94,605	95,100	83,877	50,384	51,040	51,760	52,545
Forecast at 1st Equity Call		42,552	249,831	67,124	67,757	68,395	69,039	69,686	70,337	70,990	71,644	48,972	26,298	26,948	27,593	(153,961)
Added (Reduced) Benefits		(14,579)	(230)	10,946	11,715	3,054	7,142	24,074	23,822	23,615	23,456	34,905	24,086	24,092	24,167	206,506
Net Difference 1991-1995		10,906														
NPV of Difference 1991-1995		3,769														
Net Difference 1996-2010		285,298														
NPV 1996-2010	12.00%	169,043														

* HTC benefit not forecast for 91, not assumed for investors' 91 periodic tax pmts; from cash point of view benefit was 92

ADDITIONAL EQUITY: NPV DIFFERENCE 91-95 PLUS NPV DIFFERENCE 96-10

NPV of Difference 1991-1995	3,769
NPV of Difference 1996-2010	169,043
Additional Equity	172,812

ST. J. HOUSING PARTNERSHIP

		2006	2007	2008	2009	2010
ADDITIONAL EQUITY						
After Tax Cash Flow *		40,878	29,277	30,260	31,313	(262,294)
Forecast at 1st Equity Call						
Added (Reduced) Benefits		40,878	29,277	30,260	31,313	(262,294)
NPV 1996-2010	12.00%					
ADJUST FOR TIMING OF BENEFIT						
Adusted After Tax Cash Flow		40,878	29,277	30,260	31,313	(262,294)
Forecast at 1st Equity Call		0	0	0	0	0
Added (Reduced) Benefits		40,878	29,277	30,260	31,313	(262,294)
NPV 1996-2010	12.00%					

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Multifamily Development Underwriter
Irene Jenkins, Director of Development
Paul Cummings, Development Assistant

DATE: November 9, 1994

RE: November 1994 Tax Credit Reservations

VHFA evaluated five applications for tax credits in the November round, the fourth round of 1994. The attached project summary sheet shows the relevant data for each project. In the first three rounds $1,244,938 was reserved for projects, leaving $172,356 available for reservations prior to the fourth round. This amount must be allocated to qualify Vermont for the "National Pool" credits (a portion of the unused credit ceiling from other states) in 1995. In addition to the $172,356, we also have available for allocation: $60,567 in returned credits and up to $85,414 in acquisition credits for Olde Windsor Village which may be taken outside of the state's cap, for an absolute total of $319,540 available for potential allocation prior to the fourth round.

Two projects were new applications, Morrisville Scattered Sites and Bently Farm Rehabilitation in Arlington. Two projects whose applications had been received under previous rounds, Alfred Court in Fair Haven and Spring and Elliot Street in Brattleboro, were also evaluated. Finally, one project that has received a reservation, Olde Windsor Village, has applied for additional credits. These five projects requested a total of $226,395 in credits, 16% of the state's total 1994 credit authority. All of these projects are being recommended for a tax credit reservation (see Attachment 1).

The Joint Committee on Tax Credits has met and endorsed the staff recommendations for all of the projects for this round.

RECOMMENDED BOARD ACTION

Staff requests Board approval of the attached-described reservations, subject to payment by the sponsors of required reservation fees, and Board approval of final allocations subject to the conditions described below.

PROJECT SUMMARIES

Name:	Morrisville Scattered Sites
Location:	19 Congress Street and 8 Park Street, Morrisville
Sponsor:	Housing Vermont and Lamoille Housing Partnership, Inc.
Unit Breakdown:	12 units total; one Efficiency, 473 square feet; five 1-Bedroom, 455 - 743 square feet; four 2-Bedroom, 623-951 square feet; two 3-Bedroom, 682-842 square feet
Cost:	$908,148 total; $75,679/unit; $43/s.f. hard construction cost
Income Targeting:	75% LIHTC Rent Restricted Units Below 60% of Area Median Income

The project consists of two buildings to be acquired and rehabilitated by a partnership formed by Housing Vermont and Lamoille Housing Partnership, Inc. (LHP). LHP has identified the sites, applied for the financing, performed tenant and community outreach, and will be the managing general partner (overseeing a property management firm). The buildings both need rehabilitation, and the Park Street site is in very poor condition. The rehabilitation plan is to temporarily relocate all of the Park Street tenants and vacate the building for rehabilitation. The total number of units at Park street will be decreased from eight to six. The sponsor intends to solve persistent high vacancies at the project through this substantial rehabilitation and decrease in density. The Congress Street rehabilitation would follow, with tenants relocated within the building or to Park Street, as needed. Except for the tax credit equity, all of the funding sources have been committed. The numbers in the development budget seem reasonable for this type of development with the exception of acquisition cost ($24,500 per unit), which seems high. An appraisal was submitted for each property, and the appraisals support the price, although the quality of the appraisals is poor. Because of the deferred maintenance at Park Street, the purchase price is $140,000, $20,000 less than the appraised value. HVT has been asked to submit further documentation from the appraiser that will demonstrate how the value was calculated.

The major concern from the point of view of tax credit allocation is the extremely tight timeline the sponsor faces for achieving the required ten percent of basis costs and subsequently getting a carryover allocation in calendar year 1994. The Purchase and Sales agreements both list December 31, 1994 as closing date, and the sponsor has stated that the sale would close in the second week of December. Any delay would jeopardize the 1994 allocation.

Recommendation: Staff recommends a reservation of credits in the amount of $45,182, with a carryover allocation subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than 12/15/94 and that

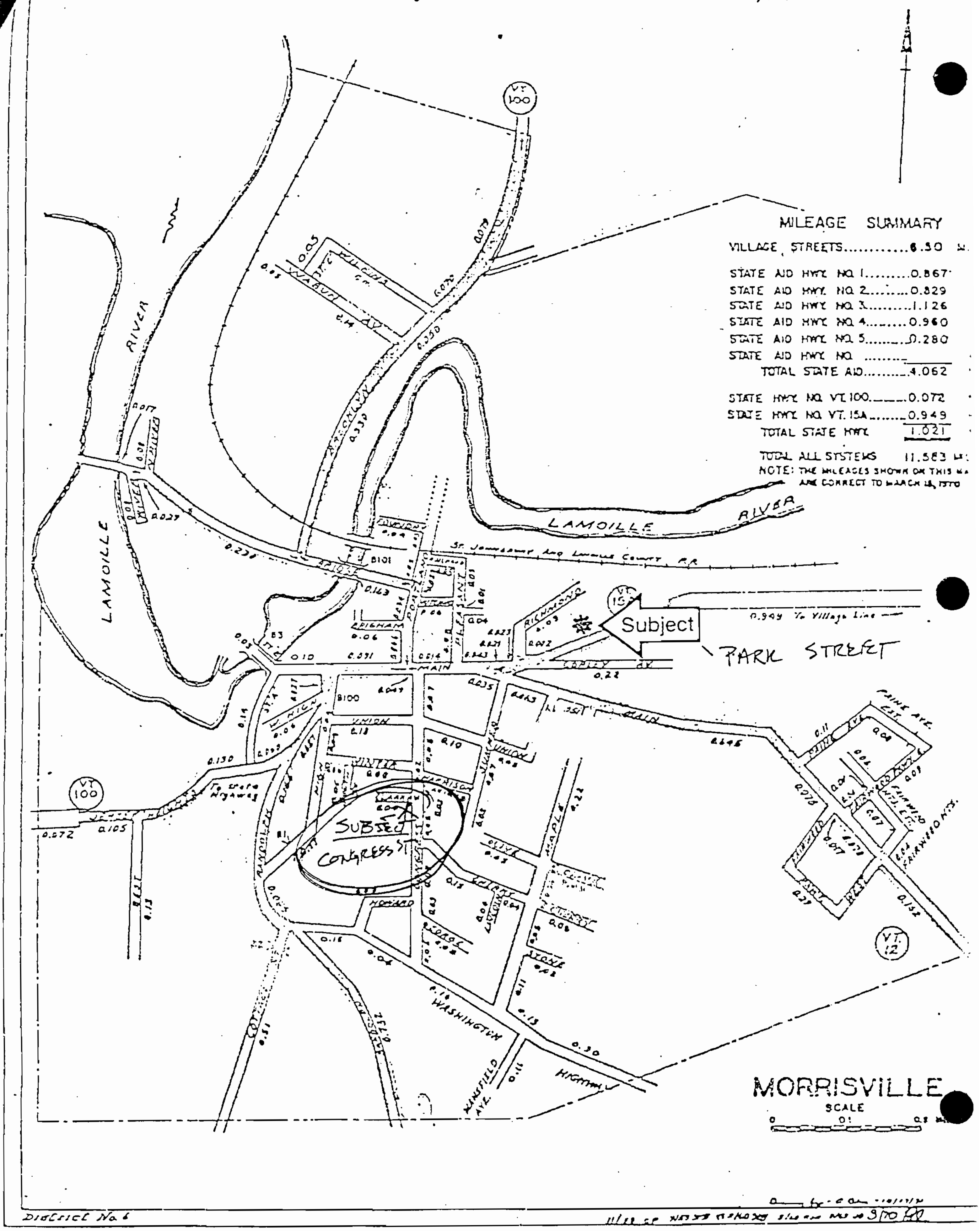
the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must submit further detail on the calculation of appraised value acceptable to VHFA which supports the purchase prices.

3) Sponsor must provide evidence that the proposed construction costs are reasonable through one of the following methods: 1) an independent cost estimate or 2) evidence that construction prices have been obtained or agree to obtain them through a competitive bidding process.

4) Sponsor must provide a revised development budget at the time of request for carryover allocation.

EXHIBIT 6


MILEAGE SUMMARY
VILLAGE STREETS............6.50
STATE AID HWY. NO. 1..........0.867
STATE AID HWY. NO. 2..........0.829
STATE AID HWY. NO. 3..........1.126
STATE AID HWY. NO. 4..........0.960
STATE AID HWY. NO. 5..........0.280
STATE AID HWY. NO.
TOTAL STATE AID..........4.062
STATE HWY. NO. VT. 100..........0.072
STATE HWY. NO. VT. 15A..........0.949
TOTAL STATE HWY. 1.021
TOTAL ALL SYSTEMS 11.583
NOTE: THE MILEAGES SHOWN ON THIS MAP ARE CORRECT TO MARCH 15, 1970
LAMOILLE RIVER
LAMOILLE
RIVER
VT 100
VT 15A
VT 12
Subject
PARK STREET
SUBJECT
CONGRESS ST
MAIN
UNION
BRIGHAM
RICHMOND
COPLEY AV
WASHINGTON
HIGHWAY
HOWARD
MAPLE
OLIVE
STONE
MANSFIELD AVE.
0.949 To Village Line
MORRISVILLE
SCALE
District No. 6

Name:	Bently Farm Rehabilitation
Location:	Arlington
Sponsor:	Housing Vermont and Regional Affordable Housing Corporation
Unit Breakdown:	Eight units total; two 1-Bedroom, 750 square feet; five 2-Bedroom, 760-1,000 square feet; one 3-Bedroom, 1,200 square feet
Cost:	$707,065 total; $88,383/unit; $58/s.f. hard construction cost
Income Targeting:	88% LIHTC Rent Restricted Units Below 60% of Area Median Income

Housing Vermont and Regional Affordable Housing Corporation (RAHC) have applied for tax credits for an eight unit acquisition/rehabilitation in Arlington, which would be the first project HVT has done in Bennington County. RAHC would be the managing general partner of a partnership to be formed, and to date RAHC has been responsible for property identification, coordinating applications and work estimates, and tenant and community relations. They will oversee the property management firm when the project is in operation. The project is owned by an out-of-state landlord who is unwilling to make required improvements to the building and septic system; currently occupancy is not permitted in the five vacant units due to code violations. Because of the needed improvements, the project is being acquired for $140,000, which is $20,000 less than the appraised value of the project if it had adequate septic; the budget for septic system improvements is approximately $20,000. The project would have seven of the eight units designated as tax credit units, and in addition to tax credit equity the sponsor is seeking HOME and VHCB funding and would also have a small amount of amortizing debt. None of the funding sources has been committed.

There are three buildings on adjacent lots. The main building is over 100 years old and the two adjacent "cottages" are over 40 years old. The buildings need substantial rehabilitation, including septic system replacement, weatherization, lead paint abatement, structural/foundation work, and fire code improvements. According to market data submitted, the only assisted housing in Arlington is under the Section 8 Certificate and Housing Voucher programs (tenant-based rental assistance). The age and location of the building make it a contributing property in a National Register historic district, and the sponsor intends to claim historic tax credits. Costs for this project are high ($88,383 per unit), and if the proposed 1995 unit cost standards were applied, the overall cost limit for the project would be $662,040, (not including cash accounts or relocation costs). The budget submitted shows comparable items at $695,065.

The primary concerns regarding a reservation of tax credits are the absence of funding commitments and tight timeline for closing. At this late time of the year the allocating agency would have unallocated credit if the sponsor does not incur the required 10% costs to qualify for a carryover allocation by year end. The purchase and sales agreement gives the seller until December 31, 1994 to close. The sponsor has indicated that financing commitments for the HOME and VHCB funding for this project are on the agenda for the

November 9th VHCB meeting, and the Housing Vermont board meeting and construction bids are scheduled for the second week of December. HVT will endeavor to close as early as possible, but the most realistic closing schedule they anticipate meeting is in mid-December.

Recommendation: Staff recommends a reservation of credits in the amount of $40,912 with a carryover allocation subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than 12/15/94 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

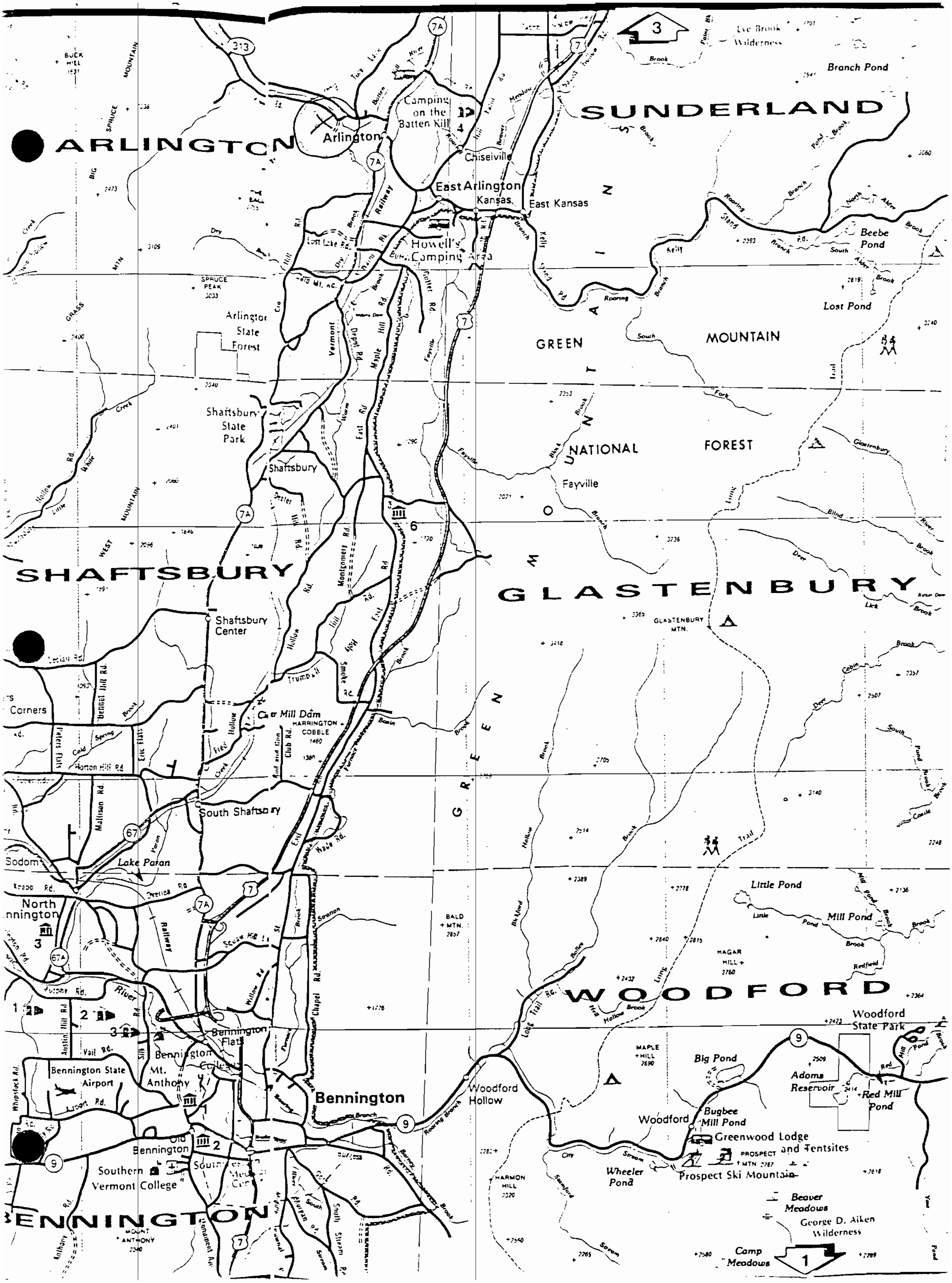
2) Sponsor must demonstrate that requisite financing has been committed or obtained. "Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

3) Sponsor must provide evidence that the proposed construction costs are reasonable through one of the following methods: 1) an independent cost estimate or 2) evidence that construction prices have been obtained or agree to obtain them through a competitive bidding process.

4) Sponsor must provide a revised development budget at the time of request for carryover allocation.

5) Sponsor must submit further detail on the calculation of appraised value acceptable to VHFA which supports the purchase prices.

6) Sponsor is encouraged to reduce, where possible, total development costs with the goal of meeting the cost limits shown in the 1995 LIHTC Allocation Plan.


ARLINGTON
SUNDERLAND
SHAFTSBURY
GLASTENBURY
WOODFORD
BENNINGTON
GREEN MOUNTAIN NATIONAL FOREST
GREEN MOUNTAINS
Arlington
Camping on the Batten Kill
Chiseiville
East Arlington
Kansas
East Kansas
Howell's Camping Area
Arlington State Forest
Shaftsbury State Park
Shaftsbury
Fayville
Shaftsbury Center
South Shaftsbury
Lake Paran
Sodom
North Bennington
Corners
Mill Dam
HARRINGTON COBBLE
GLASTENBURY MTN.
BALD MTN.
HAGAR HILL
MAPLE HILL
Bennington Flats
Bennington College
Mt. Anthony
Bennington State Airport
Old Bennington
Bennington
Southern Vermont College
Woodford Hollow
Woodford
Big Pond
Bugbee Mill Pond
Greenwood Lodge and Tentsites
Prospect Ski Mountain
Wheeler Pond
Woodford State Park
Adams Reservoir
Red Mill Pond
Little Pond
Mill Pond
Branch Pond
Beebe Pond
Lost Pond
Lye Brook Wilderness
Beaver Meadows
George D. Aiken Wilderness
Camp Meadows
HARMON HILL
MOUNT ANTHONY
Trail

Name:	Olde Windsor Village
Location:	Windsor
Sponsor:	Housing Vermont
Unit Breakdown:	77 total: sixty one 1-Bedroom (Elderly), 585-625 square feet; six 2-Bedroom (Elderly), 782-915 square feet; ten 2-Bedroom (Family), 850 square feet
Cost:	$4,565,553 total; $59,293/unit; $8/s.f. hard construction cost
Income Targeting:	71 of the 77 units (92%) restricted to 60% of Area Median Income; five units restricted to 80% of Area Median Income

This family/elderly housing project in Windsor consists of 76 units in three buildings to be acquired and rehabilitated plus one unit to be added. During the physical analysis of the building systems Housing Vermont was informed that the domestic water piping in the entire project is a thin-walled, "Type M" pipe. This pipe is not an acceptable material for this use by today's standards, and there are pinhole leaks that regularly occur in this piping that need to be dealt with by the maintenance staff. Housing Vermont has instructed the architect to draw up plans for replacing all of this piping, but was only intending to replace piping in the main building, Wings A and B (2/3 of the main building, about 40% of the whole project) under the first tax credit allocation.

During the closing process, HVT learned that the amount of the acquisition costs it had allocated to land was much higher than needed. The previous total acquisition credit was $72,502, but with the new land/building cost split the total acquisition credit potential is $85,414. The shifting of acquisition costs from land, which is not tax credit eligible, to buildings, which are eligible, enables the owner to use more tax credits. HVT has requested these credits to do additional water system upgrades, expand the community room, and pay for additional architectural/engineering costs.

Recommendation: Staff recommends approval of additional credits in the amount of $ 30,023. In addition, staff recommends that the credits for acquisition that may be taken "out-of-cap" be increased from $72,502 to $85,414. Therefore, the total credits reserved would be $165,945, of which at least $80,531 will be from the state's housing credit ceiling, and up to $85,414 may be "out of cap." The recommended conditions for the carryover allocation are the same as those listed in the previous reservation, with one additional condition (highlighted):

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than 10/31/94 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

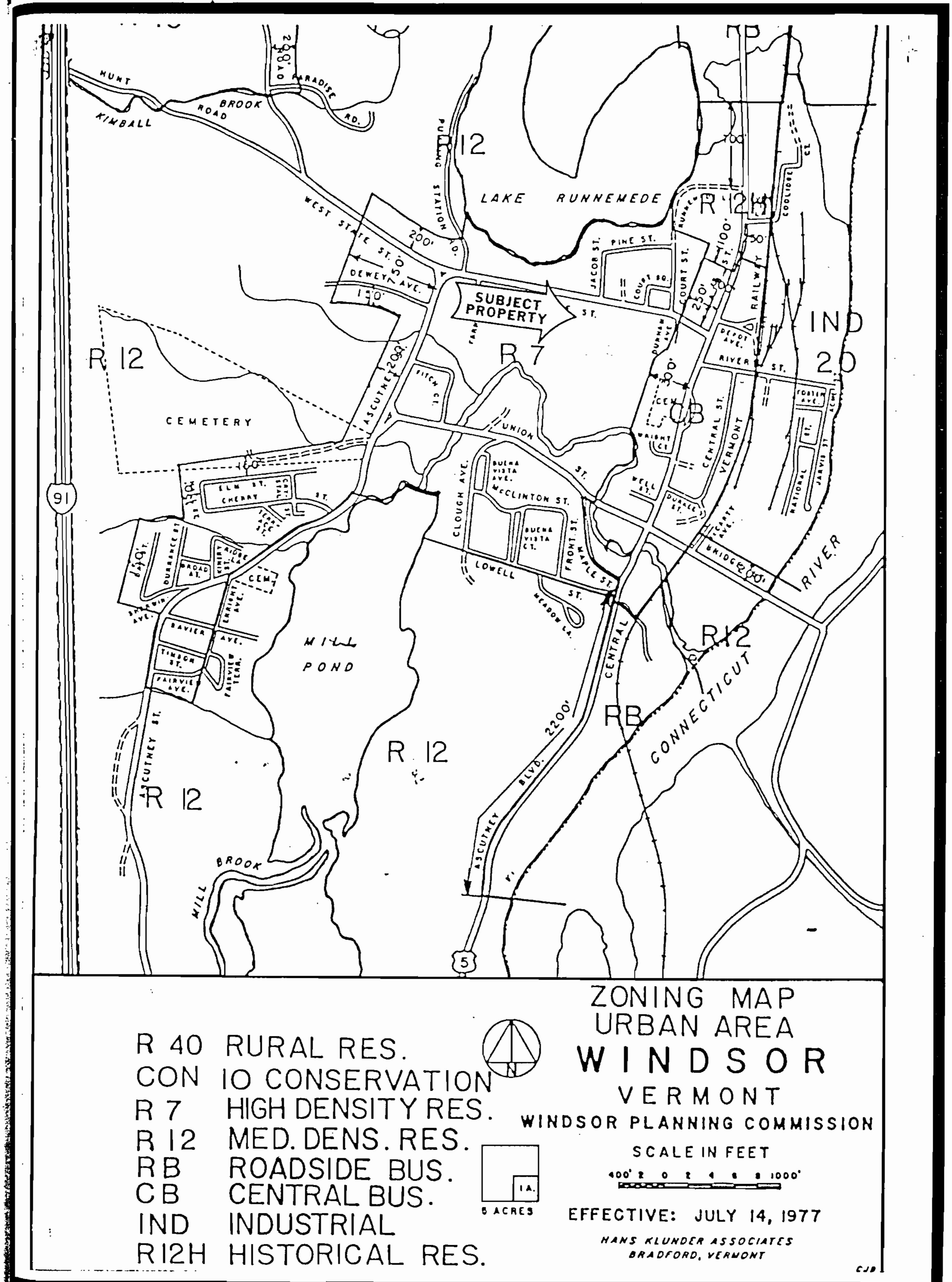
2) Sponsor must demonstrate that requisite financing has been committed or obtained. "Requisite financing" means the amount and terms of each of the

sources of funding represented on the tax credit application or their equivalent.

3) Sponsor must provide evidence that the construction prices have been obtained or agree to obtain them through a competitive bidding process.

4) Sponsor must provide a revised development budget at the time of request for a carryover allocation.

5) **Sponsor must demonstrate that the additional credits and the additional equity raised shall result in a net yield from syndication to the project at least equal to the net yield under the previous allocation (approximately $.55 per dollar).**


SUBJECT PROPERTY
LAKE RUNNEMEDE
CEMETERY
MILL POND
CONNECTICUT RIVER
R 12
R 7
CB
IND 20
R 12H
RB
ZONING MAP
URBAN AREA
WINDSOR
VERMONT
WINDSOR PLANNING COMMISSION
SCALE IN FEET
EFFECTIVE: JULY 14, 1977
HANS KLUNDER ASSOCIATES
BRADFORD, VERMONT
R 40 RURAL RES.
CON 10 CONSERVATION
R 7 HIGH DENSITY RES.
R 12 MED. DENS. RES.
RB ROADSIDE BUS.
CB CENTRAL BUS.
IND INDUSTRIAL
R12H HISTORICAL RES.
5 ACRES
1 A.

Name: Alfred Court
Location: Fair Haven
Sponsor: Fair Haven Housing Partnership - Guy Thomas
Unit Breakdown: 26 total: six 1-Bedroom, 560 square feet; twenty 2-Bedroom, 845 square feet
Cost: $1,901,096 total; $73,119/unit; $44/s.f. hard construction cost
Income Targeting: 100% rental assisted - all 26 units will be restricted to 60% of Area Median Income

The proposed project consists of two buildings to be newly constructed on a six acre site in Fair Haven. The site is flat and centrally located, abutting a bank, high school, and restaurant. The site is located within one mile of the center of town and is served by municipal water and sewer. The project would receive low interest, long term permanent financing and project-based rental assistance from the Farmer's Home Administration (FmHA) under the Rural Rental Housing Section 515 program. This project will be the next new project to receive funding by FmHA. The development budget numbers are preliminary and may be revised by FmHA prior to issuance of a funding commitment. The earliest the project could receive a FmHA commitment would be in 1995.

The sponsor's original tax credit application showed a net yield from syndication of the tax credits of $.49 per tax credit dollar. Staff believe that this is low in the current market, and the project was underwritten with a net yield figure of $.54 per tax credit dollar. Since the tax credit application was submitted, FmHA has determined that the land acquisition cost will not be permitted in their loan calculation because of the results of their appraisal. The FmHA loan amount is therefore being decreased from $1.5 million to $1.27 million dollars, leaving the sponsor with a funding gap of $220,927 (after both the FmHA mortgage and the tax credit equity).

At the September 7th meeting of the Committee, this project was presented with a staff recommendation that it be carried over until the October round. The reasons cited for this recommendation were: 1) that the owner had not adequately demonstrated the market need and demand for the proposed housing; and 2) that the project had not yet received a commitment for financing from Farmer's Home Administration (FmHA). To address this first reason, the sponsor was requested to submit additional, updated market data, which is discussed below. The market study previously submitted used 1990 Census data and indicated a rental vacancy rate of 11.8%. Regarding the second concern, staff informed the committee that although no FmHA funding has yet been committed, in this project (unlike most FmHA 515 projects) the land is currently owned by the partnership. Therefore, the requirement that the sponsor meet the "10% cost" test and obtain a carryover allocation in 1994 is feasible. Another FmHA 515 project, Swanton Meadows, received a reservation of credits earlier this year prior to having a firm commitment for financing from FmHA (in anticipation of it receiving a commitment from FmHA, which it has received). FmHA staff have stated that Alfred Court has the highest priority of any new project for funding when financing is available.

The owner has submitted the requested information on the Fair Haven market (see Attachment B) and staff has reviewed this submittal. The sponsor asserts that the 11.8% vacancy shown in the market study (based on 1990 Census data) was based on 50 vacant units out of a total of 423 units, and that this 11.8% rate was an aberration. Of those 50 vacant units, 20 had been vacant less than two months. John Ryan, the consultant who prepared the market study, has looked at the rental market subsequent to the 1990 Census data and he concludes that 40% (20 units) of the 50 units vacant in 1990 were in properties of five or more units. In 1992, he conducted a survey that showed this 20 units had dropped to four units, and in October 1994 this dropped further, to three units. Ryan estimates the current rental vacancy rate at below five percent, which is not excessive.

Regarding the impact of this project on the subsidized housing market and the total rental market, the sponsor asserts that the total tenant payment at his project will be no less than the current market rent in Fair Haven, and therefore building this project will have no impact on the market rents. Staff believe that the market will be affected by this development: either the units will <u>not</u> rent up because tenants have no cost incentive to move, in which case the project will suffer; or, local renters <u>will</u> move into this project because, although the tenant-paid portion of the rents may be the same as market rents, the unit condition is much better. This latter scenario is, in staff's opinion, more likely, and an increase in the vacancy rate will negatively impact the market for the deteriorated units. This negative impact, while still present, will be significantly less than staff originally feared, based on the original market study. If the sponsor were not to receive an allocation of credits this year, the project could still receive an allocation next year (or whenever FmHA gives final funding approval). However, staff does not anticipate any substantial changes in the information it has reviewed between now and then.

Recommendation: Staff recommends a reservation of credits in the amount of $75,957, with a carryover allocation subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than 11/15/94 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must provide a copy of the FmHA-approved property appraisal.

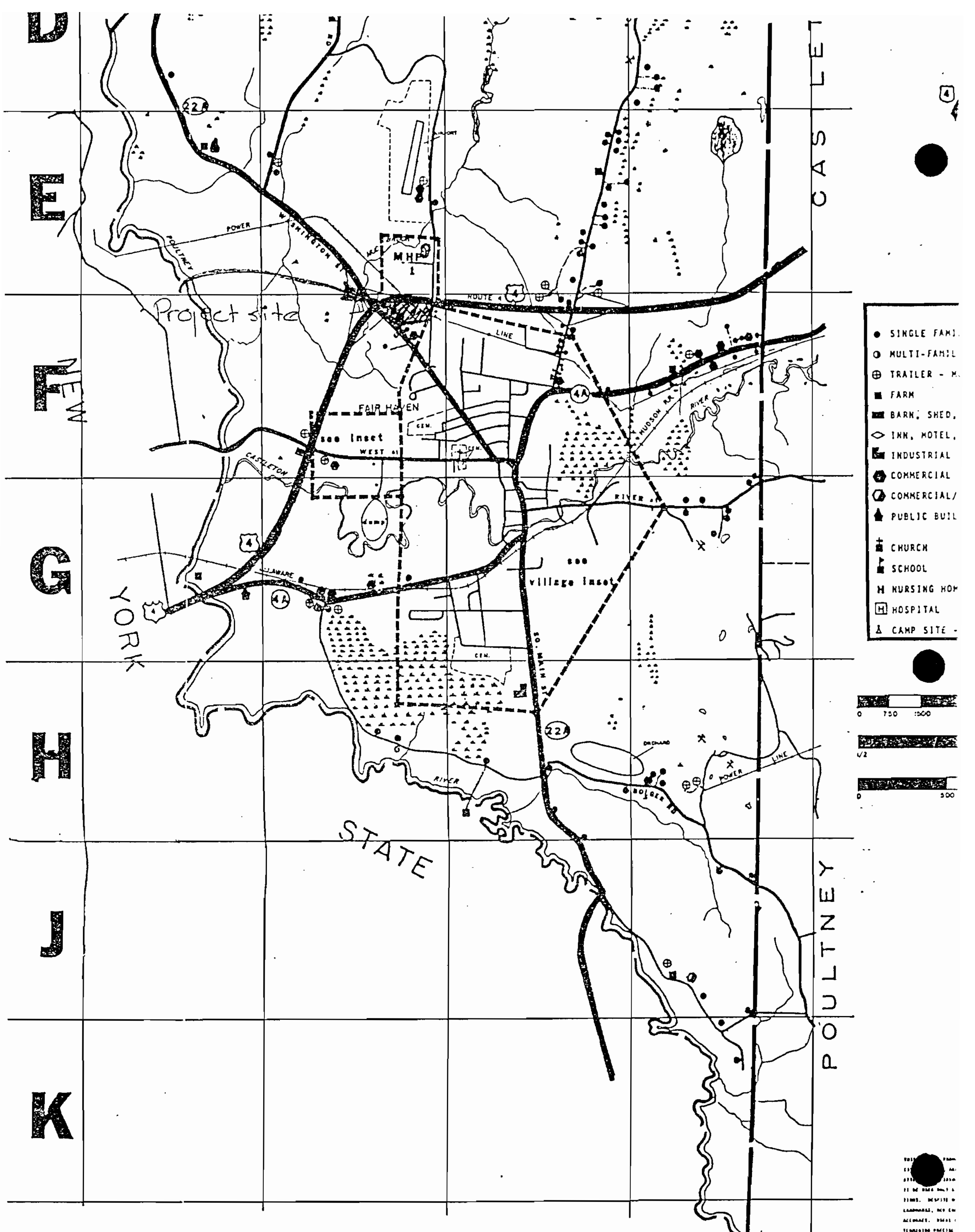
3) Sponsor must provide a copy of all relevant FmHA forms as they become available or revised, including Form 1944-51, Rental Subsidy Agreement; Form 1930-7, Operating Budget; Form 1944-34, Loan Agreement; and Form 1924-13, Estimate and Certificate of Actual Cost. Sponsor must obtain the

Loan Agreement by no later than September 30, 1995.

5) Sponsor must provide evidence of additional equity in the amount of $220,927; this number is based on the sponsor getting a net yield from the syndication of $75,957 in tax credits of $.54 per tax credit dollar. An inability to get this yield will require a recalculation of this amount by VHFA staff.

4) Sponsor must provide a revised development budget at the time of request for carryover allocation.

5. Sponsor must obtain all local permits by March 1, 1995 and all state permits (including Act 250) by June 1, 1995.



FAIR HAVEN, VERMONT

Name: Spring and Elliot Street Project
Location: Brattleboro
Sponsor: Brattleboro Area Community Land Trust
Unit Breakdown: 16 total: Two 1-Bedroom, 600 square feet; Fourteen 2-Bedroom, 750 square feet
Cost: $1,261,124 total; $78,820/unit; $52.82/s.f. hard construction cost
Income Targeting: Two Proposals:

1) 61% LIHTC Rent Restricted Units at or Below 50% of Area Median Income - HOME Units
2) 75% LIHTC Rent Restricted Units Below 50% of Area Median Income - 75% rental assisted

The proposed project is an acquisition/rehab of 16 family units in three buildings in downtown Brattleboro. The buildings are approximately 90 to 100-year old, three story structures each with six units. There is very little open space between the buildings as the total site (including approximately 6-10 parking spaces) is less than half an acre. The conditions of these buildings vary but all are in need of repair and improvements. Brattleboro Area Community Land Trust (BACLT) is proposing substantial rehabilitation of the units (approximately $40,000 per unit) and will also remove two units to decrease the total number of units from 18 to 16. Of the 16 total units, either 10 (61%) or 12 (75%) would be low income "tax credit" units, depending on the source of funds. There are two proposed sources of funding for this project:

Proposal 1: HOME funding. Under this proposal, the sources of funds for the project will come from four grant sources (HOME, Federal Home Loan Bank of Boston [FHLBB] AHP grant, HUD Special Purpose grant, and VHCB) and tax credit equity. BACLT would syndicate the credits themselves and unlike many other nonprofit tax credit developers in Vermont, they would not be forming a partnership with Housing Vermont. This accounts for the lower tax credit yield than is seen in typical Housing Vermont projects. The completed project would have 10 (61%) tax credit rent restricted units affordable to households earning less than 50% of median income. BACLT would meet the requirements of the Carryover Allocation by closing on the land/building acquisition with VHCB grant funds. VHCB's Board will be considering committing both grant and HOME funds to this project at its November 9th Board meeting. The HOME and FHLBB grants would be made to the general partner (BACLT) which would then make deferred loans to the tax credit partnership. At this time only the HUD Special Purpose grant has been secured; the FHLBB application has been submitted and VHCB will be considering the other grants on November 9. Under this proposal, the project would qualify for $47,465 in tax credits.

Proposal 2: AFL/CIO funding. This project is part of a statewide application to the AFL-CIO for project-based rental subsidies under the HUD demonstration Section 8/Pension Fund program; if the AFL-CIO application is approved, this project would receive Section 8 project-based assistance for 15 years that would make 75 percent (12) of the units in the project affordable to families earning 50 percent of area median income (adjusted for family size). Brattleboro Area Community Land Trust (BACLT) has also sought permanent financing from the AFL-CIO although at this time there is no firm commitment for the permanent loan. The project's remaining financing sources would consist of tax credit equity and of grants from the Federal Home Loan Bank of Boston (FHLBB), VHCB, and a HUD Special Purpose grant. The tax credits would be either purchased by the AFL/CIO or syndicated through the Enterprise Foundation (Enterprise Social Investment Corporation). At this time, only the HUD Special Purpose grant has been secured; the FHLBB grant application deadline was October 17 with announcements not expected until mid December and VHCB is scheduled to consider this project at its Board meeting/retreat November 9 and 10. Under this proposal, the project would qualify for $73,319 in tax credits.

If BACLT does not receive a commitment from the AFL-CIO by the beginning of December, then it plans to proceed with the project using HOME funding.

Under both proposals BACLT would manage the units. BACLT has had success managing properties in the Brattleboro area (current portfolio vacancy rate of approximately 2%) and is confident that either proposal will provide highly marketable units. The sponsor will only be rehabilitating one building at a time and therefore does not anticipate a difficult rent up period. Because existing tenants in occupied units will be relocated among buildings, the sponsor does not think a market study is necessary. The sponsor anticipates that approximately six units will be vacant when the building is acquired. BACLT submitted a project proforma with underwriting assumptions (1.5% income increase, 2.0% expense increase, no reserve increase) that did not meet the standards seen in previous LIHTC projects. The final proposed numbers show a difference of 1.25% between the income (1.5%) and expense (2.75%) increase that the sponsor is confident will reflect operating conditions. Based on these assumptions, the project runs out of cash under either proposal before the 30 year extended use period; however, BACLT intends to negotiate an option agreement to purchase the buildings from the LIHTC partnership at the end of the compliance period (15 years).

BACLT has secured site control with the current owner (Purchase and Sale contract expires December 29, 1994). The Executive Director of BACLT has indicated that she will be able to incur 10% of reasonably expected basis required for the Carryover Allocation by acquiring the buildings by mid-December if VHCB approves requested funding at its November meeting.

Recommendation: Staff recommends discretion to allocate either $47,465 or $73,319 depending upon which sources of funds are used for the project. Any amount in excess of $47,465 would be allocated from late-year returns. This allocation would be subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's

"reasonably expected eligible basis" costs by no later than 12/15/94 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must demonstrate that requisite financing has been committed or obtained by 12/15/94. "Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

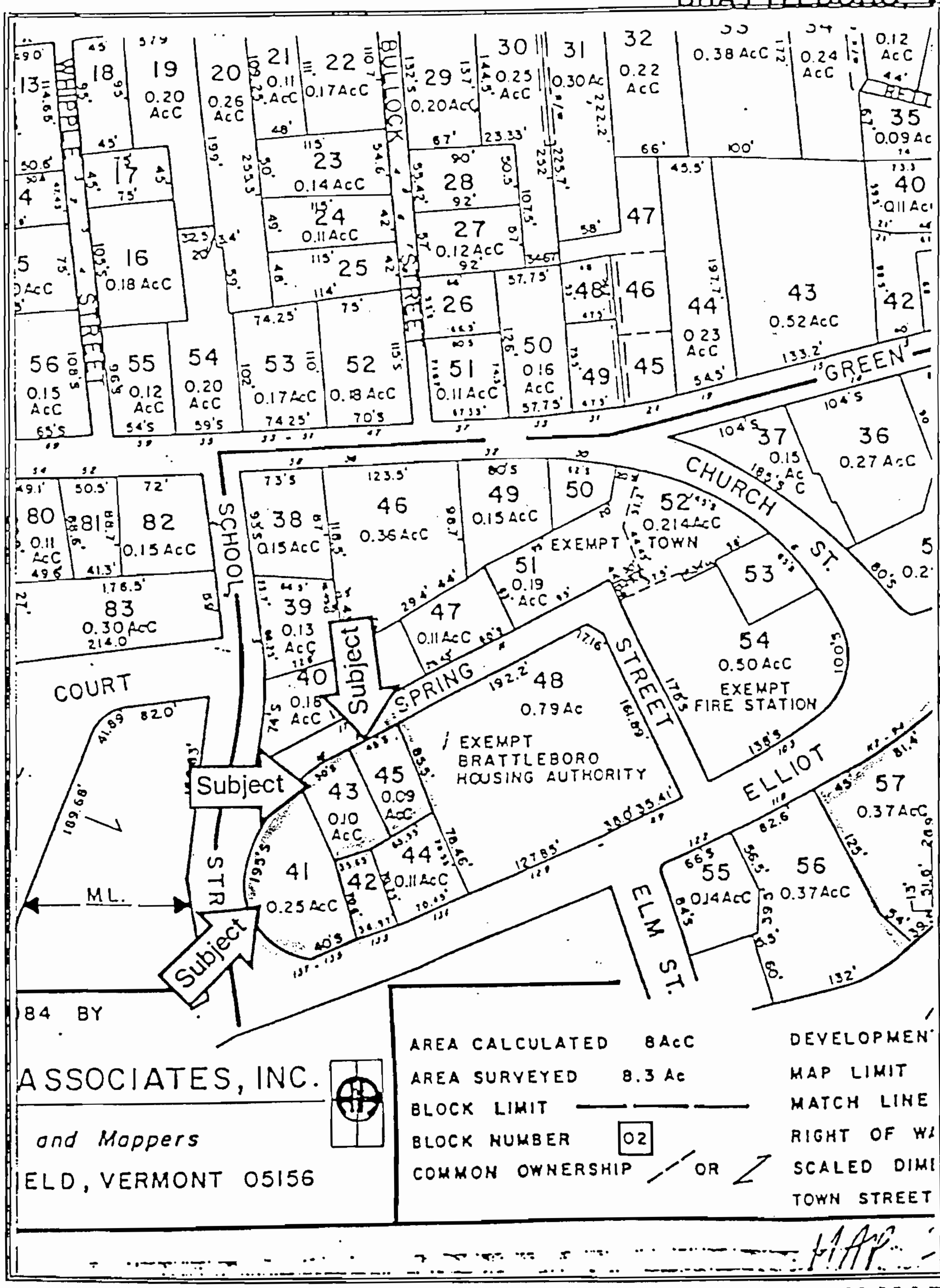
3) Sponsor must provide evidence that the construction prices have been obtained or agree to obtain them through a competitive bidding process.

4) Sponsor must provide a revised development budget at the time of request for a carryover allocation.

5) If the project receives Section 8 assistance, the sponsor must provide evidence of satisfactory HUD Subsidy Layering Review as required by 24 CFR 911. (VHFA will perform the Subsidy Layering Review.)

6.) Sponsor is encouraged to investigate feasibility and pursue utilization of the Historic Tax Credit.

135 ELLIOT ST.
14 & 16 SPRING ST.
BRATTLEBORO, VT



Lot 41: 135-137 Elliot Street
Lot 43: 16 Spring Street
Lot 45: 14 Spring Street

PROPERTY TAX MAP

VHFA 1994 LOW INCOME H[illegible]NG TAX CREDITS
APPLICATIONS TO DATE A[illegible]NALYSIS 10/2[illegible]

Total 1994 LIHTC Available

1994 Per Capita Credits	$720,000	
1993 Carry-forward	690,131	
Plus: 1994 Returns	62,163	5,567 Brandon; 1,596 St. Johnsbury II - Phase II; $55,000 Bethel
Less 1994 Round 1 Reservations	477,519	
Less 1994 Round 2 Reservations	582,149	
Less 1994 Round 3 Reservations	125,664	plus $59,631 for Olde Windsor Village "out-of-cap"
Less 1994 Round 4 Reservations	226,395	plus $12,912 for Olde Windsor Village "out-of-cap"

Remaining 1994 LIHTC	60,567	(up to $60,567 may be deemed returned in 1995)

Project Name	City	Sponsor	Total # of Units	# of LIHTC Units	Project Type	Recommended Allocation	Credit Type	Non-Profit?	Total Development Cost	Total Cost Per Unit	Alloc. Per Unit	Equity Yield Per $ of Tax Credit	Total Equity	Dev. Fee as % of TDC	Developer's Fee
Thelma Maple Coop	Burlington	Housing Vermont / LCHDC	20	20	new construction	165,763	9%	Yes	1,890,290	94,515	8,288	$0.66	1,095,000	9.41%	162,500
Queensbury Road	South Burlington	Housing Vermont	18	16	new construction	137,609	9%	Yes	1,689,852	93,881	8,601	$0.65	897,153	8.22%	128,400
Burlington Scattered Site	Burlington	Housing Vermont / BCLT	20	20	rehab	90,896	9%	Yes	1,513,296	75,665	4,545	$0.68	615,976	9.40%	130,000
Autumn Leaves	Poultney	PDC Development	20	20	new construction	52,956	4%	No	1,359,609	67,980	2,648	$0.51	271,576	15.00%	177,340
Erastus Thayer House	Brandon	Housing Vermont / RCCLT	9	8	rehab	30,295	9%	Yes	686,501	76,278	3,787	$0.91	275,628	9.20%	57,850
			----	----		--------									
Reservations - Round 1			87	84		477,519									
Dorset Senior Housing	South Burlington	Green Mtn. Devel.	53	53	new construction	390,052	9%	No	4,038,312	76,195	7,359	$0.53	2,067,273	15.00%	526,750
Windsor Hollow	Wilder	SK Properties	27	26	new construction	78,439	4%	No	1,874,645	69,431	3,017	$0.52	407,883	13.98%	230,000
Swanton Meadows	Swanton	Realty Resources	24	24	new construction	64,874	4%	Yes	1,767,038	73,627	2,703	$0.52	337,345	14.67%	226,000
Hartford Village Rehab	Hartford	Housing Vermont / WRAHDC	8	7	rehab	32,184	9%	Yes	669,462	83,683	4,598	$0.70	226,722	9.66%	59,000
St. Johnsbury II - Phase II	St. Johnsbury	NCHC / HVT	28	23	rehab	16,600	4%	Yes	860,745	30,741	722	$0.90	148,800	0.00%	0
			----	----		--------									
Reservations - Round 2			140	133		582,149									
Olde Windsor Village	Windsor	Housing Vermont	77	72	acquis/rehab	76,450	9%	Yes	4,389,586	57,008	1,890	$0.55	754,000	6.81%	280,000
St. Johnsbury II - Phase I	St. Johnsbury	NCHC / HVT	28	24	acquis/rehab	7,558	Both	Yes	1,339,680	47,846	2,386	$0.45	256,620	2.48%	32,449
Morse Block	Barre	VHEI	15	15	acquis/rehab	41,656	9%	Yes	541,643	36,110	2,777	$0.54	224,200	14.36%	68,000
			----	----		--------									
Reservations - Round 3			120	111		125,664									
Olde Windsor Village II	Windsor	Housing Vermont	77	71	acquis/rehab	16,952	9%	Yes	4,565,553	59,293	2,337	$0.55	920,000	6.53%	280,000
Alfred Court	Fair Haven	THM Inc.	26	26	new construction	75,957	4%	No	1,901,096	73,119	2,921	$0.53	401,096	12.20%	206,657
Spring & Elliot St.	Brattleboro	BACLT	16	12	acquis/rehab	47,465	9%	Yes	1,261,124	78,820	3,955	$0.54	255,754	7.14%	84,000
Morrisville Scattered Sites	Morrisville	Housing Vermont / LHP	12	9	rehab	45,182	9%	Yes	908,148	75,679	5,020	$0.72	327,178	9.03%	75,200
Bently Farm Rehab	Arlington	Housing Vermont / RAHC	8	7	rehab	40,839	9%	Yes	707,065	88,383	5,834	$0.90	368,585	9.36%	60,500
			----	----		--------									
Reservations - Round 4			139	125		226,395									
			----	----		-----------									
			486	453		1,411,727									

RESOLUTION REGARDING
LOW INCOME HOUSING TAX CREDIT
PROJECT RESERVATIONS

WHEREAS, on November 18, 1993 the Board agreed with a staff recommendation that the Board consider and approve staff recommendations on specific Low Income Housing Tax Credit (LIHTC) project reservations after such recommendations had been presented to and considered by the Joint Tax Credit Committee (JTCC); and

WHEREAS, the JTCC met on November 7, 1994 and considered recommendations for a total of $226,395 in reservations of tax credits for five proposed projects; and

WHEREAS, the Agency staff recommended all five of the projects to the JTCC for a reservation and the JTCC accepted the staff's recommendations on each of the projects; and

WHEREAS, staff has prepared a memorandum dated November 9, 1994 containing descriptions of the five projects (the "Memorandum"), and

NOW, THEREFORE, it is hereby RESOLVED:

1. The Board has considered the projects discussed in the Memorandum.

2. The Agency approves the reservations for the five projects recommended by staff for reservations in the Memorandum and accepted by the JTCC: Morrisville Scattered Sites; Bently Farm Rehabilitation; Olde Windsor Village; Alfred Court and the Spring and Elliot Street Project, subject to the payment of applicable reservation fees, as well as carryover allocations subject to the conditions discussed in the Memorandum.

3. The Agency staff may increase or decrease LIHTC allocations by up to five percent, if appropriate, based upon changes in development costs.

4. The Olde Windsor Village project is approved for both an "out-of-cap" allocation and as part of the State of Vermont's annual LIHTC ceiling, as explained in the Memorandum.

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MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Joseph A. Erdelyi, Multi-Family Loan Underwriter
Irene D. Jenkins, Director of Development

DATE: November 11, 1994

RE: BroMur Apartments, Barre

THE DEVELOPMENT

1. General Description

The project consists of 18 one- and two-bedroom apartments in two buildings in Barre. The buildings are approximately 20 years old and have been purchased by the project sponsor, Central Vermont Community Land Trust (CVCLT). The request is for $230,000 for refinancing of a first mortgage, and to pay for additional rehabilitation and soft costs.

A summary of sources and uses of funds, rents, operating expenses, and financial projections is attached.

2. Projected Permanent Funding Sources

VHFA primary debt	$230,000	34.38%
HOME grant	127,900	19.12%
VHCB Grant I	208,250	31.13%
VHCB Grant II	96,850	14.47%
VHCB Feasibility	6,050	.90%
Total	$669,050	100.00%

Note: There is a gap between the total sources listed above and the total project costs because staff is recommending a lower loan amount than the loan request (see "Discussion" below).

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • FAX: 802/864-5746 • TDD: 1-800/586-5832

3. Unit Breakdown and Rents

There are six 1-Bedroom and 12 2-Bedroom units in two buildings. The rents plus tenant paid utility costs are $341-$385 for a 1-Bedroom unit, $410-497 for a 2-Bedroom unit. The VHCB Housing Subsidy Covenant requires that fifteen of the eighteen units be occupied by households earning no more than 80% of area median income. Of those 15 units, four have deeper "HOME" restrictions: one unit must be occupied by a household at or below 50% of median, and three units by households at or below 60% of median. The sponsor must initially set rents on five units at a level affordable to 50% of area median income, make "best efforts" to maintain this targeting, and make "best efforts" to rent two units to households at or below 30% of median income or special needs renters. Tenants will pay for electricity, and the owner will pay for heat and hot water, which will be oil forced-hot-water systems.

4. Site/Location

The apartments are located on Bromur Street, off of Beckley Street in Barre (see attached map). Bromur Street is a short cul-de-sac, and it is poorly maintained by the city. It resembles a parking lot more than a street, and it could be used for additional parking when needed, although there is ample off-street parking. The site is on a steep hill, but there are level "terraces" on the hill on which the buildings are situated. Adjacent to the smaller building is a vacant lot that was purchased in conjunction with the buildings; CVCLT purchased this lot to retain the open space around the buildings.

5. Renovation Plan

The current scope of work includes converting the heating and hot water systems from baseboard/radiant electric heat to oil forced hot water, replacing all of the windows and most of the roofing, deck repair, limited siding replacement, fire rating boiler rooms, and installing GFCI outlets. The original rehabilitation plans included additional interior unit finishes (painting, carpeting) and appliances, landscaping, kitchen cabinets, and additional contingency. Due to budget considerations, CVCLT has eliminated these "finish" items with the intention of making the improvements upon turnover, as the cash flow permits. Staff has expressed to CVCLT that this method of addressing these needs is unacceptable, based on VHFA's experience with other projects that unsuccessfully utilized this approach. The VHCB grant funding commitment could provide up to an additional $25,525 for rehabilitation work, and staff believe it would provide additional security if these improvements are made now, rather than waiting for problems to develop. One condition of the staff recommendation is that the rehabilitation scope of work be expanded to include these items, with the expanded scope of work to receive VHFA staff review and approval.

Because of the building and site layout, the units do not easily lend themselves to adaptability to use by individuals with mobility impairments. One condition of the VHCB funding was that CVCLT set aside $5,000 in an escrow for future accessibility modifications, and this has been done.

6. Loan to Value

The property was appraised at $525,000, which provides a loan to value ratio of 44%. CVCLT purchased the property for $406,000. The seller, who originally built the project, was eager to sell without having to list the property, and was willing to make concessions on price due to the rehabilitation CVCLT proposed. Using the sales price as the "value", the loan to value ratio is 57%.

7. Management

The proposal submitted included a management agreement with Community Property Management (CPM), a non-profit property management firm founded in 1993 by CVCLT. VHFA has not had any experience with CPM as a management entity. CPM currently manages approximately 120 units, all of the units in CVCLT's portfolio. The two full time staff at CPM were both hired this year. CPM also employs a part-time bookkeeper, and is considering adding a full-time maintenance position. VHFA staff has expressed concern that the budgeted management fee is too low by approximately $2,500 per year, should VHFA need to replace the management company pursuant to our regulatory agreement. While there is sufficient cash flow in the early years to cover this potential increased management cost, using the cash flow for this purpose would negatively impact the long-term financial feasibility of the project. The cash flow projection shows the project running out of cash after 18 years if the management fee is increased by $2,500.

8. Market Demand

Fifteen of the eighteen units are currently occupied. CVCLT intends to keep one of these units vacant during construction, at least for four months; of the other two units, one only recently became vacant. The previous owner has managed the property with an average 6% vacancy rate. CVCLT has not submitted a formal market analysis. Staff consulted with Cindy Jones, the Executive Director of the Barre Housing Authority. Her opinion is that the vacancies that exist in Barre are in buildings that are older and suffer from deferred maintenance. She stated that the BroMur Apartments were in good condition, and that the project's most negative feature is that it is on a steep hill away from the downtown area, so the residents need to have access to a car. CVCLT presented a cash flow projection that utilized a ten percent vacancy/rent loss rate for the entire term of the loan, not because this was their best estimate of market vacancy rate, but because of uncertainties in the operating budget. In particular, CVCLT wanted to allow for the cost of interior renovations needed upon turnover. Staff used a ten percent vacancy rate for the first three years to provide a cushion for stabilization after the project's transfer of ownership and subsequent rehabilitation, and a six percent rate thereafter. The cost of renovations upon turnover will be reduced by the additional rehabilitation that we are recommending.

9. Environmental Concerns

There is a small amount of lead paint on some exterior surfaces. The rehabilitation plan will address this risk primarily through removal and disposal of the painted materials. The owner has had a Level I Environmental Site Assessment performed, and no hazardous materials were identified.

DISCUSSION

VHCB required CVCLT to apply to VHFA for financing for this project after CVCLT had received a loan commitment from Northfield Savings Bank in the amount of $200,000 at a rate of 10.5% for 20 years. (Northfield Savings Bank planned to fund the loan through the Federal Home Loan Bank of Boston.) VHCB assumed that the lower VHFA rate would permit a higher first mortgage loan amount and reduce the amount of VHCB funds required for the project. We encouraged CVCLT to apply for a loan to be funded from recycled tax-exempt funds and agreed to provide the maximum loan amount permitted by our underwriting. CVCLT applied for a loan in the amount of $239,500.

We have three major concerns at this time in recommending a loan in the amount of $239,500 for this project:

1) We believe that additional rehabilitation should be done to prevent the problems that have occurred in the St. Johnsbury Housing Partnership project. This concern is addressed by conditioning our loan approval upon additional rehabilitation work in the amount of approximately $25,000, which is the amount that VHCB can provide under its maximum funding commitment. Therefore, the additional VHFA loan amount would pay for rehabilitation rather than a reduction in VHCB funding. The attached pro forma includes funding for the additional rehabilitation work.

2) We are concerned about CPM's management capacity and do not believe that the management fee is adequate if another management agent must be engaged. We plan to address this issue by requesting VHFA multifamily staff to closely monitor the project's

management. However, the risk remains that if the management fee must be increased, cash flow (based on current projections) will be inadequate to support debt service in the last years of the loan term (see paragraph 7 above). We are reluctant to increase cash flow by further reducing the loan amount because this would make additional rehabilitation impractical.

3) Staff is not comfortable with the maintenance line item of the operating budget. Reducing the VHFA loan amount would alleviate this concern, but without reducing the rehabilitation budget, there is little room for cost savings. Staff is only recommending a loan amount of $230,000, and the VHFA committment will be conditioned upon the sponsor reducing the proposed development costs and therefore the loan amount as much as possible, but by at least $9,500 (the difference between the loan request and VHFA's committment.) The the extent possible the cost savings should be reduced without reducing the rehabilitation work.

Disapproving the loan request at this juncture would be awkward at best in view of the encouragement to apply that the sponsor received.

Strengths

a) This loan would initiate a lending relationship with CVCLT. CVCLT has indicated that they are interested in receiving VHFA financing on other properties.

b) VHFA would provide a larger loan at a lower rate than alternative financing, thereby permitting more rehabilitation and increased project stability and long-term viability as affordable housing.

c) The BroMur Apartments do not suffer from severe structural deficiencies and have a history of occupancy. Buildings with high vacancies in Barre tend to be older and in worse physical condition.

Weaknesses

a) The operating budget is lean, and the project would likely encounter financial difficulty should VHFA need to replace the management entity. VHFA has had no experience with CPM, and CPM is a new, unseasoned management firm.

b) In making this loan, VHFA is not creating new units. However, as stated above, VHFA financing will increase project stability and long-term viability as affordable housing. The tenant payments will not be significantly different from market rents or from the rents the previous owner charged.

RECOMMENDATION

Staff recommends the Board approve the attached Combined Resolution of Interest and Commitment Resolution for a loan of up to $230,000, with a fixed annual interest rate of 8.25% and a 25 year term and amortization period. The proposed source of funds is tax-exempt recycled funds. The transaction is contingent upon:

1) the sponsor providing a revised scope of work and funding commitment for approximately $25,000 in additional work as described above;

2) the sponsor and VHFA must agree to a reduction of costs in the development budget of at least $9,500, such reduction to come from non-construction line items to the extent possible. The purpose of this reduction is to have the total financing sources match the uses of funds.

**RESOLUTION PERTAINING TO
COMBINED RESOLUTION OF INTEREST
AND COMMITMENT LETTER RE: BROMUR APARTMENTS**

WHEREAS, a proposal has been presented to the Agency by Central Vermont Community Land Trust ("CVCLT") involving the acquisition and rehabilitation of eighteen apartment units in a building located in Barre, Vermont (the "Development"); and

WHEREAS, the proposal contemplates a loan of approximately $230,000 from recycled proceeds of tax-exempt bonds; and

WHEREAS, the proposal contemplates that the Development will constitute "residential rental housing" within the meaning of section 142(d) of the Internal Revenue Code of 1986, as amended; and

WHEREAS, the Vermont Housing and Conservation Board has agreed to provide the housing sponsor with several grants from a variety of sources, including the HOME program, totalling $439,050; and

WHEREAS, CVCLT will qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible; and

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.

2. The acquisition and rehabilitation costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.

3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.

4. The housing sponsor undertaking the Development will maintain the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income.

5. The appraised value of the Development will equal at least the amount of the VHFA loan.

6. The sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Vermont Housing Finance Agency hereby declares its interest in providing a first mortgage loan for acquisition and rehabilitation of the Bromur Apartments, in Barre, in an amount not to exceed $230,000, to Central Vermont Community Land Trust.

2. The Executive Director is authorized, in his discretion, to issue a combined letter of intent and Commitment Letter (the "Commitment Letter") to provide a first mortgage loan for acquisition and rehabilitation of the Development, in an amount to be determined by the Executive Director, but not to exceed $230,000.

3. The Commitment Letter shall be issued to Central Vermont Community Land Trust.

4. The commitment of the Agency shall be subject to receipt, on or before the date of the closing, of a commitment fee in an amount equal to one percent (1.0%) of the principal amount of the first mortgage loan.

5. The Commitment Letter shall provide that the interest rate to be charged on the mortgage loan shall be no more than 8.25% per annum and that the loan term will be no more than 25 years.

6. The Commitment Letter shall require the Developer to demonstrate to the satisfaction of the Executive Director that a combination of equity and grant funds are available in an amount at least equal to the difference between the total development cost as accepted by the Agency and the amount of the financing commitment.

7. The Commitment Letter shall be conditioned on the satisfaction by the Developer of all requirements of the Act, the applicable regulations of the Agency, and the following requirements:

    (a) Evidence of availability of other financing, as proposed;

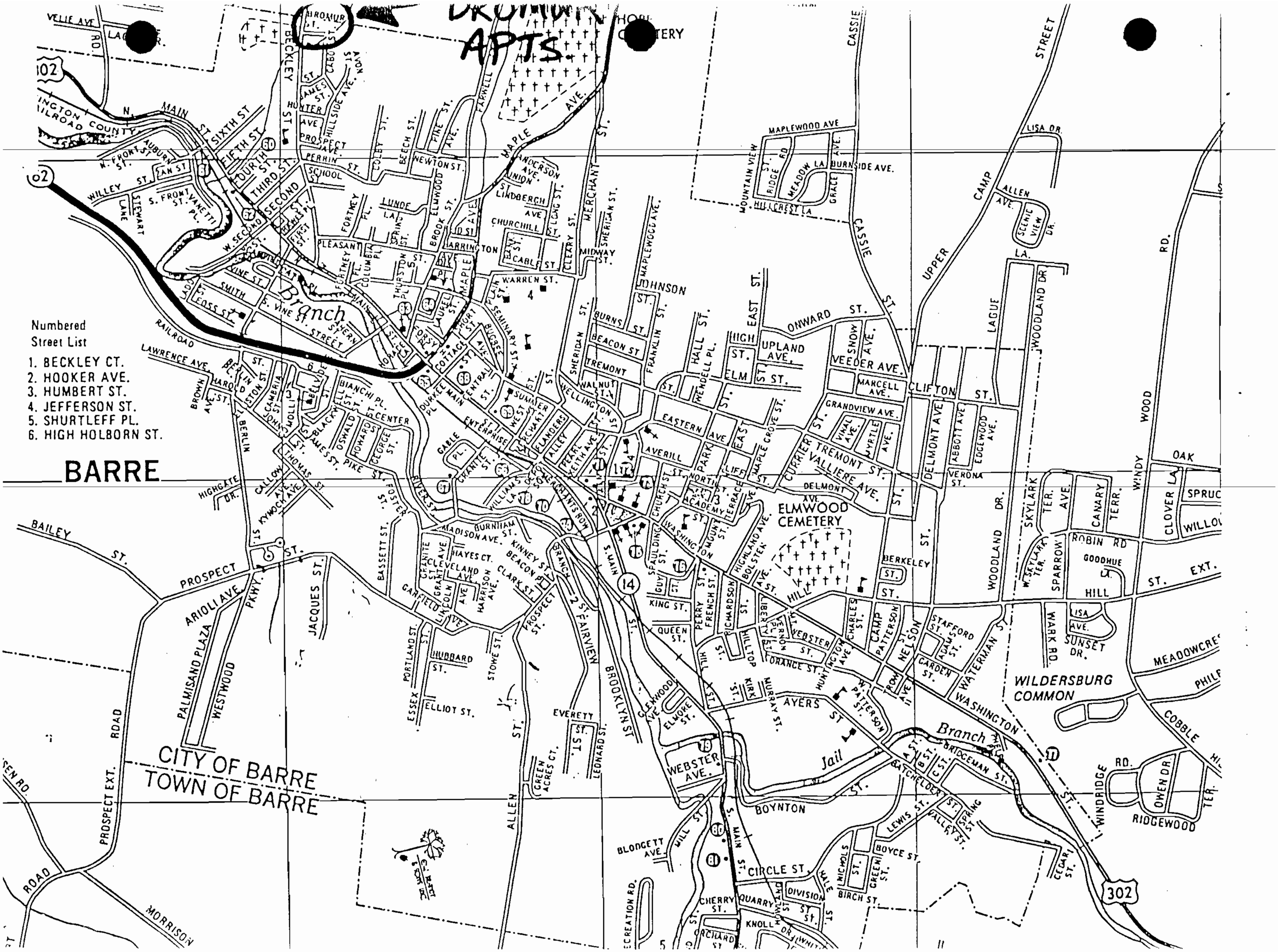
    (b) The sponsor and VHFA must agree to a reduction of costs in the development budget of at least $9,500, such reduction to come from non-construction line items to the extent possible. The purpose of this reduction is to have the total financing sources match the uses of funds;

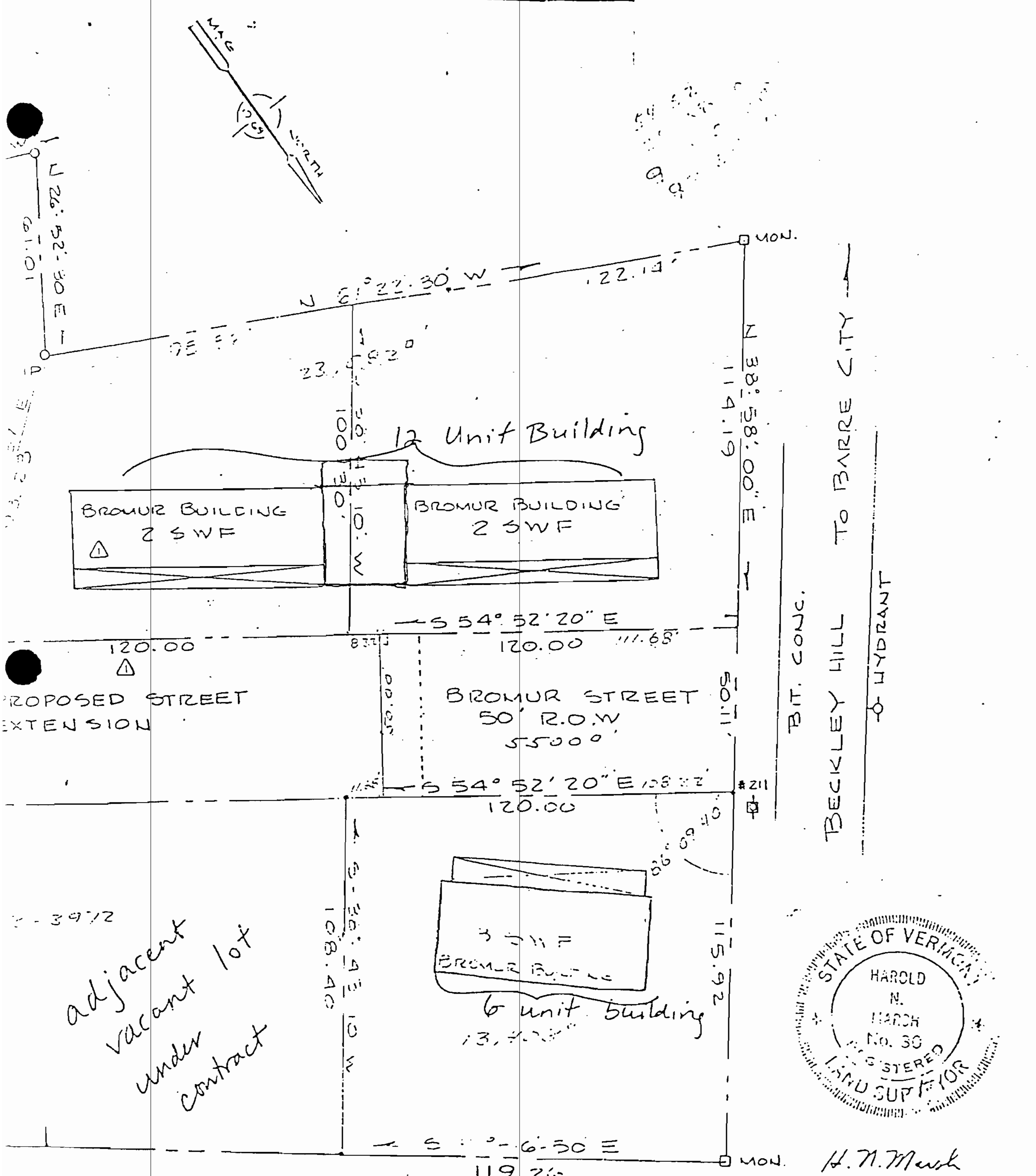
    (c) Revised scope of rehabilitation work and evidence of the availability of required additional financing satisfactory to the Agency;

    (d) Final Agency-approved rehabilitation plans and specifications; and

    (e) A Preservation Agreement insuring the long-term affordability of the Development.

8. The Executive Director, the Deputy Director and the Director of Finance, or any of them, are authorized to take all necessary steps and execute all documents required to effectuate this loan.


APTS.
Numbered
Street List
1. BECKLEY CT.
2. HOOKER AVE.
3. HUMBERT ST.
4. JEFFERSON ST.
5. SHURTLEFF PL.
6. HIGH HOLBORN ST.
BARRE
CITY OF BARRE
TOWN OF BARRE
ELMWOOD CEMETERY
WILDERSBURG COMMON
Branch
Jail
302
14



⚠ STREET, BUILDING & PROPERTY
LINE ADDED DEC. 1972

This survey is based on information abstracted
from all pertinent deeds, official records,
information and markers evident on the property

JULY 1969

LANDS OF BRUMUR BLDG.
BARRE VT.

53-412.6

S:\DEVEL\MFLOAN\PROJECTS\BROMUR.WQ1

Project:	BroMur Apts	RUN DATE:	11-Nov-94

Total Residential Units:	18	Increase LIHTC	1.50%
Restricted Units:	15	Increase Market	1.50%
Percent Restricted:	83.33%	Expense increase:	3.00%
Avg Net Monthly Rent:	367	Vacancy Rate:	10.00%
Total Dev Costs	678,550	Vacancy Rate:	6.00%
TDC/Unit	37,697	Depreciation Schedule:	27.5

FINANCING SOURCES

	Amount	% of TDC	Interest	Term
Primary debt	230,000	33.90%	8.25%	25
HOME Grant	127,900	18.85%	N/A	N/A
VHCB Grant I	208,250	30.69%	N/A	N/A
VHCB Grant II	96,850	14.27%	N/A	N/A
VHCB Feasability Grant	6,050	0.89%	N/A	N/A
(Gap)	9,500	1.40%		
	678,550	100.00%		

		Budget	Per Unit	Per s.f.
ACQUISITION & CONSTRUCTION				
			0	0.00
Purchase of Building(s) & LAND		406,000	22,556	27.87
			0	0.00
Rehabilitation		173,006	9,611	11.88
New Buildings			0	0.00
CLERK OF THE WORKS		6,000	333	0.41
Sitework			0	0.00
General Requirements	0.00%		0	0.00
Contractor Overhead	0.00%		0	0.00
Contractor Profit	0.00%		0	0.00
Construction Contingency	8.82%	15,784	877	1.08
APPLIANCES		4,085	227	0.28
Subtotal		604,875	33,604	41.53
PROFESSIONAL SERVICES				
Architect Fee - Design			0	0.00
PROPERTY INSPECTION		2,050	114	0.14
Attorney			0	0.00
Legal - Title & Recording			0	0.00
Subtotal		2,050	114	0.14
INTERIM COSTS				
Construction Insurance			0	0.00
Construction Interest			0	0.00
Construction Loan Origination Fee			0	0.00
Taxes			0	0.00
Subtotal		0	0	0.00
OTHER SOFT COSTS				
Property Appraisal		1,200	67	0.08
PURCHASE SOFT COSTS		6,150	342	0.42
Environmental Report		2,080	116	0.14
ENERGY AUDIT		1,800	100	0.12
Marketing			0	0.00
Subtotal		11,230	624	0.77
FINANCING FEES & EXPENSES				
Credit Report			0	0.00
Permanent Loan Origination Fee		2,395	133	0.16
RATE LOCK FEE (NSB)		1,000	56	0.07
Cost of Issuance			0	0.00
Title & Recording			0	0.00
Counsel's Fee			0	0.00
CLOSING COSTS		7,500	417	0.51
Subtotal		10,895	605	0.75
SYNDICATION COSTS				
Organizational (Partnership)			0	0.00
Bridge Loan Fees & Expenses			0	0.00
Tax Opinion			0	0.00
Subtotal		0	0	0.00
DEVELOPER'S FEES				
Developer's Overhead & Profit		37,500	2,083	2.57
Consultant Fees			0	0.00
Subtotal	7.07%	37,500	2,083	2.57
PROJECT RESERVES				
Rent-up (Deficit Escrow) Reserve		7,000	389	0.48
Replacement Reserve		5,000	278	0.34
Working Capital			0	0.00
Operating Reserve/Sinking Fund			0	0.00
Subtotal		12,000	667	0.82
TOTAL DEVELOPMENT COSTS		678,550	37,697	46.58

BroMur Apts	INCOME & EXPENSE BUDGET	11-Nov-94

INCOME

RENTS

Restricted Units Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
						0
1 Br	VHCB	415-440	3	345	25	12,420
1 Br	VHCB	440	1	316	25	3,792
1 Br	HOME	660	1	316	25	3,792
1 Br	VHCB	660	1	360	25	4,320
2 Br	Home	960	3	378	32	13,608
2 Br	VHCB	826-960	6	465	32	33,480
	Totals		15			71,412

Market Rate Units Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
1 Br			0	0		0
2 Br		826-960	3	465	32	16,740
3 Br			0	0		0
	Totals	0	3			16,740
All Units						
	Grand Totals		18			88,152

Less Vacancy	10.00%	(8,815)
	NET RENT	79,337

OTHER INCOME

Interest Income	0
Laundry	0
Parking	0
Total Other Income	0
TOTAL INC	79,337

BroMur Apts	EXPENSE BUDGET		11-Nov-94
	Annual	Monthly	Per Unit Per Month
Administration			
Management Fee	6,480	540	30
Marketing		0	0
Audit/Accounting	3,600	300	17
Legal		0	0
Office Expense		0	0
Telephone		0	0
Office Payroll		0	0
Rent		0	0
Compliance Monitoring		0	0
Other		0	0
TOTAL ADMINISTRATIV	10,080	840	47
Utilities			
Water/Sewer	6,000	500	28
Electric		0	0
Fuel	4,700	392	22
Other		0	0
TOTAL UTILITIES	10,700	892	50
Maintenance			
Maintenance Payroll		0	0
Supplies		0	0
Trash Removal	2,496	208	12
Snow/Grounds	1,680	140	8
Repairs	5,400	450	25
Paint/Decorating		0	0
Exterminating		0	0
Contract Maintenance		0	0
Equipment Debt		0	0
Service Lease		0	0
Other		0	0
TOTAL MAINTENANCE	9,576	798	44
Taxes	15,276	1,273	71
Insurance	2,831	236	13
Replacement Reserves	4,320	360	20
Other	500	42	2
Total	53,283	4,440	227

Year	1	2	3	4	5	6	7	8	9	10	11	12
Residential Rent	88,152	89,474	90,816	92,179	93,561	94,965	96,389	97,835	99,303	100,792	102,304	103,839
Less Res Vacancy	(8,815)	(8,947)	(9,082)	(5,531)	(5,614)	(5,698)	(5,783)	(5,870)	(5,958)	(6,048)	(6,138)	(6,230)
Plus Other Income	0	0	0	0	0	0	0	0	0	0	0	0
Total Actual Income	79,337	80,527	81,735	86,648	87,948	89,267	90,606	91,965	93,344	94,745	96,166	97,608
Less Operating Expense	48,963	50,432	51,945	53,503	55,108	56,762	58,464	60,218	62,025	63,886	65,802	67,776
Less Reserves	4,320	4,385	4,451	4,517	4,585	4,654	4,724	4,795	4,866	4,939	5,014	5,089
Net Operating Income	26,054	25,710	25,339	28,627	28,254	27,851	27,418	26,952	26,453	25,920	25,350	24,743
Less Debt Service	21,761	21,761	21,761	21,761	21,761	21,761	21,761	21,761	21,761	21,761	21,761	21,761
Cash Flow	4,293	3,949	3,578	6,866	6,493	6,090	5,657	5,191	4,692	4,158	3,589	2,982
Oper Subsidy	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash	4,293	3,949	3,578	6,866	6,493	6,090	5,657	5,191	4,692	4,158	3,589	2,982
DCR	119.73%	118.15%	116.44%	131.55%	129.84%	127.99%	125.99%	123.85%	121.56%	119.11%	116.49%	113.70%
Cumulative Cash Flow	7,793	11,742	15,320	22,186	28,679	34,769	40,426	45,617	50,308	54,467	58,056	61,038
(includes 1/2 of wk. capital in yr. 1)												

	13	14	15	16	17	18	19	20	21	22	23	24	2
	105,396	106,977	108,582	110,210	111,864	113,542	115,245	116,973	118,728	120,509	122,317	124,151	126,01
	(6,324)	(6,419)	(6,515)	(6,613)	(6,712)	(6,812)	(6,915)	(7,018)	(7,124)	(7,231)	(7,339)	(7,449)	(7,56
	0	0	0	0	0	0	0	0	0	0	0	0	
	99,072	100,558	102,067	103,598	105,152	106,729	108,330	109,955	111,604	113,278	114,978	116,702	118,45
	69,810	71,904	74,061	76,283	78,571	80,928	83,356	85,857	88,433	91,086	93,818	96,633	99,53
	5,165	5,243	5,321	5,401	5,482	5,564	5,648	5,732	5,818	5,906	5,994	6,084	6,17
	24,098	23,412	22,685	21,914	21,099	20,236	19,326	18,366	17,353	16,287	15,165	13,985	12,74
	21,761	21,761	21,761	21,761	21,761	21,761	21,761	21,761	21,761	21,761	21,761	21,761	21,76
	2,337	1,651	923	153	(663)	(1,525)	(2,435)	(3,396)	(4,408)	(5,474)	(6,596)	(7,776)	(9,01
	0	0	0	0	663	1,525	2,435	3,396	4,408	5,474	6,596	7,776	9,01
	2,337	1,651	923	153	0	0	0	0	0	0	0	0	
	110.74%	107.59%	104.24%	100.70%	96.95%	92.99%	88.81%	84.40%	79.74%	74.84%	69.69%	64.27%	58.5
	63,374	65,025	65,948	66,101	65,439	63,914	61,479	58,083	53,675	48,201	41,605	33,829	24,81

vhfa
VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Irene D. Jenkins, Director of Development
Paul M. Cummings, Development Assistant

DATE: November 10, 1994

RE: Lead-Based Paint Hazard Abatement Loan Program

SUMMARY OF REQUEST

At the September 1993 Board meeting, VHFA reported that the Vermont Housing & Conservation Board (VHCB), along with the Department of Health, had made a $2.5 million grant application to HUD in an effort to develop and administer a lead-based paint abatement program in Vermont. As a part of that application, the applicants sought to secure a commitment of $1 million in loan capital to be made available for lead-based paint abatement loans to single family and multifamily properties. At the September 1993 meeting, VHFA staff informed the Board that they would be recommending participation as a potential source of this loan pool, yet no official Board action was taken at that time.

HUD has approved the grant application and VHCB has formally asked VHFA for a commitment of $1 million in funds to be used for lead-based paint abatement loans. Staff requests approval to make up to $1 million in loans for lead-based paint abatement in conjunction with the HUD-funded VHCB program, and approval to fund the loans from VHFA's General Fund. Staff also requests authorization to complete program development in conjunction with VHCB.

PROGRAM OVERVIEW

In the application to HUD, VHCB estimated that the grant would assist a total of 475 units: 265 units would receive assistance in the form of grants and the remaining 210 (185 multifamily units and 25 single family units) would receive low or no-interest loans. The majority of the loans specified in the grant application would be made to owners of unsubsidized multifamily units. As a condition of matching funds to the HUD grant, VHFA discussed making loan capital available to VHCB for lead-based paint abatement at an

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • FAX: 802/864-5746 • TDD: 1-800/586-5832

interest rate of eight percent (8%) for a maximum term of up to ten years. In the approved HUD grant, funds have been programmed to pay the 8% interest to VHFA, thus allowing the $1 million to be lent to borrowers with a 0% interest rate.

VHCB hired Paul Dettman (formerly with Lake Champlain Housing Development Corporation) to manage the HUD grant and is expecting to see the program underway in November. In the process of developing a program it has become apparent that because of such issues as undefined owner obligations, lack of uniform standards for removal methods, and high costs in Vermont, it may be difficult to find motivated borrowers for lead-based paint abatement.

We are proposing that VHFA use the proposed $1 million in loan capital, in whole or in part, to finance lead-paint hazard abatement in multifamily properties for which VHFA is providing first mortgage acquisition and/or rehabilitation financing. Such loans would be secured by second mortgages and would be amortized over a maximum term of 10 years; 8% interest on the loans would be paid through the VHCB program. We are also proposing that VHFA directly finance lead-paint hazard abatement in other properties where practical and financially feasible in terms of project size and dollar amount of loan and where adequate security is available in the form of a mortgage or otherwise.

In many instances, loans for lead-based paint abatement could not be adequately secured, if at all, with mortgages on the properties or otherwise. In addition, many properties that require lead-paint hazard removal are small in size and will require small amounts of financing combined with concentrated technical assistance. Therefore, we are exploring with VHCB other types of security (such as a loan guarantee pool from HUD funds) and other means of program administration for such loans.

RECOMMENDED BOARD ACTION

Staff requests Board approval to use up to $1 million for lead-based paint abatement loans as outlined in the attached resolution. Staff also requests authorization to complete program development in an effort to create a Lead-Based Paint Abatement Loan Program that encourages lending of Agency funds for lead-based paint abatement while minimizing risk.

VERMONT HOUSING FINANCE AGENCY
RESOLUTION AUTHORIZING
LOANS TO MULTI-FAMILY HOUSING SPONSORS
FOR LEAD-BASED PAINT
HAZARD REDUCTION LOAN PROGRAM

RESOLVED:

Pursuant to §§ 621(5), 624 and 625 of the Vermont Housing Finance Agency Act, the Executive Director is authorized to use up to $1 million of General Fund money for loans to sponsors to implement the Lead-Based Paint Hazard Reduction Loan Program substantially in accordance with the provisions of the attached Memorandum of Irene D. Jenkins and Paul M. Cummings, directed to the "VHFA Board of Commissioners" and dated November 10, 1994. The loans shall bear an interest rate of 8% per annum for a period of not more than ten years, with interest to be paid by the Vermont Housing and Conservation Board. The loans shall be secured by second mortgages on the developments receiving the loans or by other security deemed adequate by the Executive Director. The Executive Director, the Deputy Director and the Director of Finance are authorized to take all necessary steps and execute all documents necessary to effectuate the loans authorized in this Resolution. Staff is directed to complete program development for a Lead-Based Paint Abatement Loan Program that encourages the lending of Agency funds for lead-based paint abatement while minimizing risk to the Agency.

T:\board\leadloan.res

Series 5 Statistical Report
LTV 0% To 100%
Effective as of 11/11/1994
Loan Status: Committed, Underwritten and Purchased

Total Number of Loans: 484
Total Loan Amount: $30,883,064

	Amount	Percentage of Loans	
Existing:	$25,745,454	85.3%	413 Loans
New Construction:	$5,137,609	14.5%	70 Loans
New Detatched Housing:	$4,654,425	91.4%	64 Loans
New Condominium:	$483,183	8.6%	6 Loans

Total Insured or Guaranteed Loans: 483
Loans Guaranteed by VHMGB: 450

	ACED	NON-ACED	STATEWIDE
Avg Purchase Price	65,907.69	74,437.44	68,898.91
Avg Loan Amount	61,946.76	67,964.12	63,940.09
Avg Borrower Income	27,978.89	28,640.98	28,231.56
Avg Housing Debt-Income Ratio	25.82	27.42	26.43
Avg Total Debt-Income Ratio	33.97	33.50	33.89
Total Number of Loans	323	160	483
% of Total Loan Amount	64.9%	35.1%	100.0%
First Time Homebuyers	281	159	440
% Meeting Low Income Set Aside	54.0%	72.0%	59.9%

	Loans	% of Loans	$ Amount	* Households	% of Households	% Difference
*	1	0.2%	0			0.0%
ADDISON	21	4.3%	1,314,872	4,064	5.5%	-1.2%
BENNINGTON	20	4.1%	1,419,121	4,668	6.3%	-2.2%
CALEDONIA	43	8.9%	2,426,720	4,251	5.8%	3.1%
CHITTENDEN	88	18.2%	6,221,655	13,269	18.0%	0.2%
ESSEX	7	1.4%	389,912	1,018	1.4%	0.0%
FRANKLIN	60	12.4%	3,651,455	5,330	7.2%	5.2%
GRAND ISLE	4	0.8%	250,500	727	1.0%	-0.2%
LAMOILLE	27	5.6%	1,727,187	3,001	4.1%	1.5%
ORANGE	21	4.3%	1,265,810	3,735	5.1%	-0.8%
ORLEANS	32	6.6%	1,807,463	3,774	5.2%	1.4%
RUTLAND	57	11.8%	3,798,544	8,815	12.0%	-0.2%
WASHINGTON	59	12.2%	3,871,072	7,196	9.8%	2.4%
WINDHAM	17	3.5%	1,070,636	6,151	8.3%	-4.8%
WINDSOR	27	5.6%	1,668,110	7,780	10.5%	-4.9%
Total :	484	100.0%	30,883,064	73,776	100.0%	

* Estimated Number of households, $15,000 to $35,000 income.
Source: CACI, 1990 Sourcebook of County Demographics.

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: September 30, 1994

Lenders	Total Loans	30	Days	60	Days	90+	Days	Auth	FCL	Total Delinq		REO	
BancBoston Mortgage Corp.	320	19	5.94%	1	0.31%	4	1.25%	2	0.63%	26	8.13%	1	0.31%
Banknorth Mortgage Co.	747	23	3.08%	7	0.94%	6	0.80%	6	0.80%	42	5.62%	6	0.80%
Bennington Co-op S&L Assoc.	37	1	2.70%	1	2.70%	0	0.00%	0	0.00%	2	5.41%	0	0.00%
Brattleboro Savings & Loan	9	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Chittenden Bank	832	49	5.89%	11	1.32%	8	0.96%	5	0.60%	73	8.77%	5	0.60%
Citizens Savings Bank	65	2	3.08%	1	1.54%	0	0.00%	0	0.00%	3	4.62%	1	1.54%
Comfed Mortgage Co.	5	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Community National Bank	212	11	5.19%	3	1.42%	4	1.89%	0	0.00%	18	8.49%	1	0.47%
Factory Point Nat. Bank	27	2	7.41%	0	0.00%	0	0.00%	0	0.00%	2	7.41%	0	0.00%
First Brandon Nat. Bank	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
First Northern Mortgage Corp.	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Fleet Mortgage	15	1	6.67%	1	6.67%	0	0.00%	0	0.00%	2	13.33%	0	0.00%
Graystone Mortgage Company	158	4	2.53%	3	1.90%	11	6.96%	0	0.00%	18	11.39%	4	2.53%
Green Mountain Bank	178	8	4.49%	2	1.12%	0	0.00%	0	0.00%	10	5.62%	1	0.56%
Lomas & Nettleton Company	11	1	9.09%	1	9.09%	0	0.00%	0	0.00%	2	18.18%	0	0.00%
Lyndonville Savings Bank	60	2	3.33%	1	1.67%	0	0.00%	0	0.00%	3	5.00%	1	1.67%
Marble Bank	218	8	3.67%	2	0.92%	1	0.46%	0	0.00%	11	5.05%	0	0.00%
Merchants Bank	326	15	4.60%	10	3.07%	4	1.23%	0	0.00%	29	8.90%	3	0.92%
Mortgage Service Ctr. of NE	55	2	3.64%	2	3.64%	0	0.00%	0	0.00%	4	7.27%	3	5.45%
National Bank of Middlebury	62	4	6.45%	0	0.00%	0	0.00%	0	0.00%	4	6.45%	0	0.00%
New England IBM Employees FCU	48	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Northfield Savings Bank	110	7	6.36%	0	0.00%	2	1.82%	0	0.00%	9	8.18%	1	0.91%
Passumpsic Savings Bank	165	7	4.24%	3	1.82%	2	1.21%	0	0.00%	12	7.27%	2	1.21%
Peoples Trust Co.	109	7	6.42%	1	0.92%	2	1.83%	0	0.00%	10	9.17%	0	0.00%
Randolph National Bank	52	1	1.92%	0	0.00%	0	0.00%	0	0.00%	1	1.92%	0	0.00%
Union Bank	151	12	7.95%	0	0.00%	0	0.00%	0	0.00%	12	7.95%	0	0.00%
Vermont Development CU	5	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Vermont Federal Bank	791	38	4.80%	4	0.51%	7	0.88%	5	0.63%	54	6.83%	8	1.01%
Vermont National Bank	562	27	4.80%	3	0.53%	4	0.71%	0	0.00%	34	6.05%	1	0.18%
Wells River Savings Bank	33	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Totals September 30, 1994	5367	251	4.68%	57	1.06%	55	1.02%	18	0.34%	381	7.10%	38	0.71%
Totals Previous Month	5339	240	4.50%	63	1.18%	64	1.20%	16	0.30%	383	7.17%	38	0.71%

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

DATE: NOVEMBER 11, 1994

RE: HOUSING VERMONT LINE OF CREDIT

At the November 10, 1994, Board meeting staff asked for approval of a loan to Housing Vermont in the amount of $500,000 for the purpose of bridging equity that they are collecting at a later time. This proposal was approved by the Board. Although we believe that this type of loan fits under our construction loan program, we have in the past offered Housing Vermont a loan rate at 1% higher than our alternative short term reinvestment rates. This should be a fairly secure loan; typically HVT repays within two to three months. This bridge loan funding vehicle has been requested by HVT intermittently over the last three or four years. We would like to formalize the process to approve Housing Vermont to borrow an amount not to exceed $1 million for the purpose of bridging equity funds at a rate as stated above. Extending this agreement for the next five years will allow staff to make these loans without requiring separate Board approval each time. The Board would be kept informed of any loans made to HVT.

<u>Recommended Action</u>
Acceptance of the attached Resolution.

RESOLUTION REGARDING LINE OF CREDIT
FOR HOUSING VERMONT

WHEREAS, Housing Vermont, a non-profit corporation organized under the laws of the State of Vermont, (the "Borrower") has requested that the Agency provide it with a line of credit for bridge loans while it awaits the receipt of equity funds from limited partners of the limited partnerships that are the owners of developments where the Borrower has acted as the developer for the development; and

WHEREAS, in the past the Agency has made such bridge loans to Housing Vermont; and

WHEREAS, the Agency wishes to accommodate Housing Vermont's request, which is authorized under 10 V.S.A. § 621(5);

NOW, THEREFORE, the Agency RESOLVES:

1. The request of Housing Vermont for a credit line is granted. The maximum amount of credit that may be extended to the Borrower at any time is ONE MILLION ($1,000,000) DOLLARS.

2. The interest rate on any extensions of credit to the Borrower will be the Agency's short term reinvestment rate, plus one percent per annum.

3. Each extension of credit to the Borrower must be evidenced by a promissory note in form satisfactory to the Executive Director of the Agency and such other security as the Executive Director deems adequate.

4. This line of credit will expire December 31, 1999.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: **VHFA BOARD OF COMMISSIONERS**

FROM: **ROGER A. SCHOENBECK, DIRECTOR OF FINANCE** RAS

DATE: **NOVEMBER 11, 1994**

RE: **FISCAL YEAR JUNE 30, 1994 AUDIT RESULTS**

Finally, enclosed are the audited financial statements for the fiscal year ended June 30, 1994, as prepared by our auditors, KPMG Peat Marwick. In addition to the audit, the auditors have prepared a management letter and compliance report. All of these reports have also been sent to the Auditor of Accounts as required.

Audited Financial Statements
The numbers reported in the audited financials are the same as the draft copies that were distributed last month. The only change from the draft copy is in the notes to the financial statements where the note on Cash and Investments was significantly changed in format and a slight wording adjustment on the Real Estate Owned footnote.

Compliance Report
This report is prepared as a requirement of being a licensed lender by Freddie Mac. We have never originated for or sold to Freddie Mac. There were some minor findings noted, especially in the quality control section, that would need to be corrected prior to the time we would ever sell loans to Freddie Mac. We will also be incorporating the recommendations to our quality control procedures.

Management Letter
The auditors have made three recommendations regarding the accounting for our real estate owned (REO) portfolio. We will review the recommendations and decide what steps we may want to alter in our current practices in response to the guidance suggested. Since these adjustments impact bond related programs and not the general fund, it may be more appropriate to make adjustments at the end of the fiscal year. The comments on the computer program both for the error on one loan and the software in general are being addressed as we continue to implement the new system.

If you have any questions regarding the contents of the audited financials or the special reports, feel free to contact me at your earliest convenience.

<u>Recommended Action</u>
Acceptance of the audit and related reports as attached.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

DATE: NOVEMBER 11, 1994

RE: SINGLE FAMILY BOND FINANCING

Subsequent to the Board Conference Call yesterday, Al Hans from Evensen Dodge, Allan and I spoke with Fannie Mae and presented an aggressive pricing schedule. Fannie Mae agreed to the schedule which resulted in a bond cost and related mortgage rate about 25 basis points **lower** than discussed earlier with the Board. The final bond cost is 7.13%. We were able to place the investment contracts at rates of 8.21% on the bond reserve fund, 7.06% on the mortgage collection account and 6.72% on the mortgage purchase account. These rates eliminate any negative arbitrage and the need for the "contingency" letter of credit. The loan loss claim fund letter of credit of $1.1 million will still be required. On Monday we will be receiving from Kutak Rock (bond counsel): a completed cover page of the private placement memorandum which will be delivered to Fannie Mae, which shows the terms and rates on the bonds sold; and the completed pages of the Ninth Supplemental Single Family Housing Bond Resolution. Copies will be available at the Board meeting.

This bond sale, which takes us over $1 billion in bonding since the inception of the Agency, is one of the strongest financings we have ever structured! We saved over $600,000 that would normally have been paid to underwriters for sales commissions; we have a rate that is about 125 basis points below conventional rates; we have no negative arbitrage on invested funds; we saved other normal bonding costs of over $100,000; and we did not have to negotiate with the rating agencies since we had bond insurance from AMBAC, which gave our bonds a Triple A rating.

<u>Recommended Action</u>
Ratification of the Ninth Supplemental Single Family Housing Bond Resolution.

EVENSEN DODGE INC

MEMORANDUM

DATE: November 17, 1994

TO: Roger Schoenbeck

FROM: Al Hans and David Seibert

SUBJECT: Results of Series 6 Bond Sale

The Agency obtained very favorable interest rates in its negotiation with the Federal National Mortgage Association (Fannie Mae) at a time when the fixed income markets, especially the municipal market, were in a weak condition. Given the interest rates negotiated, the Agency decided to enter into a pricing agreement with Fannie Mae on November 10th and not wait until this week for action by the Federal Reserve.

The interest rate levels are lower than the Agency's past two bond sales, as shown by a Delphis Hanover index comparison, and are lower than other housing sales in the market. Fannie Mae provided the Agency with an attractive interest rate level, an ability to recycle loan prepayments into new loans for five years, and a substantial transaction cost savings.

<u>Comparison to Past Agency Bond Issues</u>

The previous two sales occurred on January 12, 1993 and May 10, 1994. Levels of interest rates for sales that occur at different times can be compared by using the Delphis Hanover index. The Delphis assigns a number for the interest rate of each maturity and this number indicates the interest rate level achieved for that sale. A higher number means that lower rates were achieved as comparison to other municipal bonds.

Please see an attached schedule for the analysis of the previous sales. In comparison to the January 12, 1993 sale, the May 10, 1994 sale had lower interest rate levels by approximately 20 basis points on the term bonds and by approximately 40 basis points on the serial bonds. In comparison to the May 10, 1994 sale, the November 10, 1994 sale had lower interest rate levels by approximately 50 basis points on the term bonds and approximately 30 basis points on the serial bonds.

Based upon the Delphis comparison, interest rates for the November 10, 1994 sale are at lower levels than previous Agency sales. Approximately 15 basis points of this improvement are attributable to the bond insurance and triple A credit rating. The interest savings amount to millions of dollars.

<u>Comparable Housing Bond Sales</u>

Please see an attached schedule for a comparison of other bond issues which have been recently sold by other state housing agencies. The Agency's interest rates are the lowest of all of these sales. As a comparison, the Agency's 2026 bond has an interest rate which is 20 basis points less than Nebraska's triple A-rated bond issue, 20 basis points less than Missouri's triple-A rated bond issue, and 40 basis points less than New York's double-A rated bond issue.

601 Second Avenue South, Suite 5100, Minneapolis, MN 55402
612/338-3535 800/328-8200 FAX 612/338-7264

VERMONT HOUSING FINANCE AGENCY
Single Family Housing Bond, Series 6

Comparable Sales

Size	$34,285,000	$37,440,000	$66,000,000
Issuer	Vermont	Vermont	Vermont
Bond Type	Single Family	Single Family	Single Family
Ratings	A1/A+	A1/A+	Aaa/AAA
Pricing Date	01/12/93	05/10/94	11/10/94
Underwriter	PaineWebber	PaineWebber	Private Placement

Year	Yield	Delphis	Yield	Delphis	Yield	Delphis
1993	3.250 *					
1994	3.650 *	87				
1995	4.200 *	89				
1996	4.650 *	89	4.400 *	95		
1997	4.950 *	89	4.700 *	95		
1998	5.250 *	89	5.000 *	94	5.350 *	98
1999	5.550 *	87	5.200 *	94	5.550 *	98
2000	5.700 *	88	5.400 *	93	5.700 *	98
2001	5.850 *	88	5.600 *	93	5.850 *	97
2002	6.000 *	88	5.700 *	93	6.000 *	97
2003	6.100 *	88	5.800 *	93	6.100 *	97
2004	6.200 *	88	5.900 *	93	6.200 *	97
2005	6.300 *	88	6.000 *	93	6.300 *	97
2006	6.350 *	89	6.100 *	93	6.400 *	97
2007	6.400 *	89			6.500 *	97
2008					6.600 *	97
2009						
2010						
2011	6.750 *	87	(ss)			
2012			5.900 *			
2013	6.750 *	88				
2014						
2015					6.950 *	97
2016			6.875 *	90		
2017						
2018						
2019					7.050 *	96
2020						
2021						
2022						
2023						
2024						
2025	6.875 *	88				
2026					7.100 *	96
2027			7.000 *	90		
2028						
2031					7.200 *	96

* AMT Maturity

(ss) Super Sinker Maturity

Market Indicator			
5yr Delphis 92:	5.000	5.350	5.900
30yr Delphis 92:	6.550	6.750	7.400

VERMONT HOUSING FINANCE AGENCY
Single Family Housing Bond, Series 6

Comparable Sales

Size	$66,000,000	$40,000,000	$100,000,000	$69,305,000
Issuer	Vermont	Nebraska	Missouri**	New York State**
Bond Type	Single Family	Single Family	Single Family	Single Family
Ratings	Aaa/AAA	NR/AAA	NA/AAA	Aa/NA
Pricing Date	11/10/94	11/09/94	11/16/94	11/16/94
Underwriter	Private Placement	Lehman Brothers	A.G. Edwards	Prudential

Year	Yield	Delphis	Yield	Delphis	Yield	Delphis	Yield	Delphis
1996			5.100 *	94	5.000 *	96	5.000 *	96
1997			5.450 *	93	5.350 *	94	5.400 *	93
1998	5.350 *	98	5.700 *	92	5.600 *	93	5.750 *	91
1999	5.550 *	98	5.900 *	92	5.800 *	93	6.000 *	91
2000	5.700 *	98	6.100 *	91	6.000 *	93	6.200 *	91
2001	5.850 *	97	6.200 *	92	6.100 *	94	6.350 *	91
2002	6.000 *	97	6.300 *	93	6.200 *	95	6.500 *	91
2003	6.100 *	97	6.400 *	93	6.300 *	95	6.600 *	91
2004	6.200 *	97	6.500 *	93	6.400 *	95	6.700 *	91
2005	6.300 *	97	6.600 *	93	6.500 *	95	6.800 *	91
2006	6.400 *	97	6.700 *	93	6.600 *	95	6.900 *	91
2007	6.500 *	97	6.800 *	93	6.700 *	95	7.000 *	91
2008	6.600 *	97	6.900 *	93				
2009			7.000 *	93				
2010					7.000 *	95		
2011			(ss)(2.9 yrs)					
2012			6.600 *	100				
2013								
2014					7.125 *	95		
2015	6.950 *	97						
2016								
2017			7.050	96	7.200 *	95		
2018								
2019	7.050 *	96						
2020					7.250 *	94		
2021							(ss)	
2022							7.000 *	98
2023								
2024								
2025					7.300 *	94		
2026	7.100 *	96	7.300 *	93			7.500 *	91
2027								
2028								
2031	7.200 *	96						

* AMT Maturity
(ss) Super Sinker Maturity

** Competitive Sale

Market Indicator				
5yr Delphis 92:	5.900	5.900	5.900	5.900
30yr Delphis 92:	7.400	7.400	7.400	7.400

New Issue

*In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series 6 Bonds is not includable in gross income for federal income tax purposes. Interest on the Series 6 Bonds is an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. For information regarding certain requirements for and exceptions to such exclusion, see "**TAX EXEMPTION.**" The Vermont Housing Finance Agency Act provides that the Series 6 Bonds and the interest thereon are exempt from all Vermont taxation, franchise fees or special assessments except for transfer, inheritance and estate taxes.*

$66,000,000
VERMONT HOUSING FINANCE AGENCY
Single Family Housing Bonds, Series 6

Dated: November 1, 1994 | Due: As shown below

The Series 6 Bonds are issuable only as fully registered bonds and are registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York, an automated clearinghouse for the processing of securities transactions, which will act as the securities depository (the "Securities Depository") for the Series 6 Bonds. Purchases and sales by the beneficial owners of the Series 6 Bonds can be made in the denomination of $5,000 or any integral multiple thereof, in book-entry form only. Beneficial owners will not receive certificates evidencing their ownership interests in the Series 6 Bonds. See **"BOOK-ENTRY SYSTEM"** herein.

Interest on the Series 6 Bonds will be payable on May 1, 1995 and semi-annually thereafter on May 1 and November 1 of each year. Interest on the Series 6 Bonds is payable by The Howard Bank, N.A., Burlington, Vermont, Trustee, to the Securities Depository. The Securities Depository will credit such payment to its Participants (as hereinafter described), who will remit interest payments to the beneficial owners of the Series 6 Bonds. Principal and premium, if any, will be payable by the Trustee in the same manner.

The Series 6 Bonds are subject to redemption prior to maturity, including special redemption at par under certain circumstances, as more fully described herein. Under the circumstances described herein, Series 6 Bonds, in a principal amount not to exceed the amount of unexpended proceeds of the Series 6 Bonds on deposit in the Series 6 Purchase Account, will be subject to mandatory tender and remarketing on any date (the "Adjustment Date") not earlier than six months after the delivery date of the Series 6 bonds and not later than December 1, 1997. On the Adjustment Date, if any, interest on the Series 6 Bonds subject to mandatory tender and remarketing will be adjusted to a lower rate (the "Adjusted Interest Rate"). Owners of any Series 6 Bonds subject to mandatory tender on the Adjustment Date may elect to retain such Bonds and the Series 6 Bonds so retained shall bear interest on and after the Adjustment Date at the Adjusted Interest Rate as more fully described herein.

Payment of the principal of and interest on the Series 6 Bonds when due will be insured by a municipal bond insurance policy to be issued by AMBAC Indemnity Corporation simultaneously with the delivery of the Series 6 Bonds.

The Series 6 Bonds will constitute special obligations of the Agency payable solely from and secured solely by a pledge of certain Revenues, Loans and funds and accounts established under the Resolution. The Agency has no taxing power. Neither the faith and credit nor the taxing power of the State of Vermont or of any political subdivision thereof is pledged for the payment of the Series 6 Bonds.

$7,575,000 Serial Bonds

Due	Principal Amount	Interest Rate	Due	Principal Amount	Interest Rate
May 1, 1998	$255,000	5.35%	November 1, 2003	$345,000	6.10%
November 1, 1998	255,000	5.35	May 1, 2004	350,000	6.20
May 1, 1999	265,000	5.55	November 1, 2004	360,000	6.20
November 1, 1999	270,000	5.55	May 1, 2005	375,000	6.30
May 1, 2000	280,000	5.70	November 1, 2005	385,000	6.30
November 1, 2000	285,000	5.70	May 1, 2006	400,000	6.40
May 1, 2001	295,000	5.85	November 1, 2006	410,000	6.40
November 1, 2001	300,000	5.85	May 1, 2007	425,000	6.50
May 1, 2002	315,000	6.00	November 1, 2007	435,000	6.50
November 1, 2002	320,000	6.00	May 1, 2008	450,000	6.60
May 1, 2003	330,000	6.10	November 1, 2008	470,000	6.60

$8,500,000 6.95% Term Bonds due November 1, 2015
$7,040,000 7.05% Term Bonds due November 1, 2019
$18,190,000 7.10% Term Bonds due November 1, 2026
$24,695,000 7.20% Term Bonds due November 1, 2031
Price: 100%
(Accrued Interest to be Added)

Certain matters incident to the issuance of the Series 6 Bonds will be passed upon by Kutak Rock, Atlanta, Georgia, Bond Counsel. It is expected that the Series 6 Bonds will be delivered in book-entry form through the facilities of The Depository Trust Company, New York, New York on or about December 15, 1994.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Glenn A. Jarrett, General Counsel GAJ

DATE: November 10, 1994

RE: Single Family Rules Revision

BACKGROUND:

In May we discussed revisions to the Agency's rules, which were adopted many years ago and were showing their age. We have now examined the Agency's single family rules. They did not require as many changes as the multi-family rules the Board approved last month. We are recommending the attached rules to the Board. The philosophy of our redraft was to eliminate mere replications of statutory matter and to allow case-by-case flexibility and executive discretion to the extent consistent with the statute. Among the changes are providing for an annual participation fee and allowing a reservation system in addition to an allocation system for proceeds of our bond issues. Attached is a clean set of proposed rules as well as an annotated version showing additions and deletions to the former rules.

RECOMMENDED ACTION:

Board approval of the attached Agency Rules Pertaining to Certain Single Family Mortgage Loans and a directive to the Executive Director to take all actions necessary to promulgate these rules pursuant to the Administrative Procedures Act.

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VERMONT HOUSING FINANCE AGENCY

RULES AND REGULATIONS PERTAINING TO CERTAIN SINGLE FAMILY MORTGAGE LOANS

HOUSING FINANCE AGENCY

RULES AND REGULATIONS PERTAINING TO CERTAIN SINGLE FAMILY MORTGAGE LOANS

Section 1. Authority. These Rules and Regulations are issued under and pursuant to the authority granted to Vermont Housing Finance Agency by 10 V.S.A. § 622 and § 623.

Section 2. Purpose and Objectives. These Rules and Regulations are established to effectuate, and shall be applied so as to accomplish, the general purposes of the Vermont Housing Finance Agency Act to promote the expansion of the supply of funds in the State available for mortgages on residential housing and to encourage an adequate supply of safe and decent housing at reasonable costs.

Section 3. Definitions. (1) Unless a different meaning is required from the context in which they are used herein, all words and terms which are defined in the Vermont Housing Finance Agency Act are used in these Rules and Regulations as defined in the Act. (2) Subject to the provisions of subsection 3(1) above, the following words or terms as used in these Rules and Regulations shall have the following meanings:

(a) "Act" shall mean the Vermont Housing Finance Agency Act, 10 V.S.A., Chapter 25, as amended.

(b) "Developmentally Disabled" means a person with a developmental disability as defined in 42 U.S.C. Sec. 6001.

(c) "Elderly" means a person aged 62 or older or the spouse of such person.

(d) "Forward Commitment Mortgage Loan" means Mortgage Loans made by a Mortgage Lender to Persons and Families of Low and Moderate Income after the execution of a Mortgage Loan Purchase Agreement and pursuant to the terms thereof.

(e) "Group Home" means a residential housing unit intended to house three or more elderly, handicapped or developmentally disabled residents (plus a supervisor's apartment, if provided) in a family-style household.

(f) "Handicapped Person" means any person who has a physical or mental impairment which substantially limits one or more major life activities, such as caring for one's self, performing manual tasks, walking, seeing, hearing, speaking, breathing, learning and working.

(g) "Loan-to-Value Ratio" means the ratio at the time of purchase of a Qualified Mortgage Loan by the Agency of the outstanding principal amount of the principal of the Qualified Mortgage Loan to (i) the value of the mortgaged property as determined by a Qualified Appraiser or (ii) the purchase price of the mortgaged property, whichever is lower.

(h) "Mortgage Loan Application and Commitment" means the application of a Mortgage Lender to the Agency for the sale of Qualified Mortgage Loans to the Agency constituting a binding commitment for such sale by the Mortgage Lender.

(i) "Mortgage Loan Purchase Agreement" means an agreement and between the Agency and a Mortgage Lender providing for the sale of Qualified Mortgage Loans to the Agency pursuant to a Mortgage Loan Application and Commitment.

(j) "Mortgage Loan Servicing Agreement" means an agreement by and between the Agency and Mortgage Lender providing for the servicing of Qualified Mortgage Loans by such Mortgage Lender under which Qualified Mortgage Loans are purchased by the Agency pursuant to a Mortgage Loan Purchase Agreement.

(k) "Persons and Families of Low and Moderate Income" includes persons and families so defined from time to time by the Agency for purposes of its single-family programs, having due regard for changing economic conditions and the criteria set forth in 10 V.S.A. §601(11).

(l) "Portfolio Mortgage Loan" means Mortgage Loans made prior to the execution of a Mortgage Loan Purchase Agreement for the purchase or refinancing of residential housing whether or not for occupancy by Persons and Families of Low and Moderate Income in the State of Vermont made prior to the execution of a mortgage purchase agreement having the reinvestment requirements stated herein.

(m) "Qualified Appraiser" means a person licensed or certified by the State of Vermont as an appraiser of real estate.

(n) "Qualified Mortgage Loan" means a Mortgage Loan insured or guaranteed pursuant to Qualified Mortgage Loan Enabling Legislation, or a Mortgage Loan insured by a private mortgage loan insurance company approved by the Agency pursuant to a policy of insurance which meets the security requirements of the Act as determined by the Agency, or an uninsured and non-guaranteed Mortgage Loan, provided that the outstanding principal amount of such Mortgage Loan is not greater than seventy-five percent (75%) of the value of the mortgaged property at the time of purchase of the Mortgage Loan by the Agency.

(o) "Qualified Mortgage Loan Enabling Legislation" means the National Housing Act of 1949, being Public Law 479, 73rd Congress, 48 Stat. 12 U.S.C. 1701 et. seq. in the case of Mortgage Loans insured by the Federal Housing Administration; the Servicemen's Readjustment Act, being Title 38 of U.S.C., Section 1801 et. seq., in the case of Mortgage Loans guaranteed by the Veterans Administration; the Farmers Home Administration Act, being 42 U.S.C. 1471, in the case of Mortgage Loans guaranteed by the Farmers Home Administration; and the Vermont Housing Finance Agency Act, being Title 10, Vermont Statutes Annotated, Chapter 18, in the case of Mortgage Loans guaranteed by the Vermont Home Mortgage Guarantee Board or its predecessor, Vermont Home Mortgage Credit Agency.

(p) "Qualified Private Mortgage Insurer" means an insurer qualified to do business in the State of Vermont and qualified to provide insurance on mortgages purchased by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation.

(q) "Rehabilitation Mortgage Loan" means a loan made to the present or intended occupant of Residential Housing by a Mortgage Lender for the rehabilitation, improvement and repair of residential housing and facilities incidental thereto undertaken primarily to provide Residential Housing located in the State.

(r) "Residential Housing" means single or multifamily residential housing units comprised of not more than four such units designed and used primarily to provide the principal dwelling accommodations for persons or families, including the land and improvements thereon.

(s) "State" means the State of Vermont.

(t) "Value" means the lower of the purchase price or appraised value as determined by a Qualified Appraiser.

Section 4. <u>Program</u>.

(a) These Rules and Regulations are adopted to provide for the Agency's program of purchasing Portfolio Mortgage Loans and Forward Commitment Mortgage Loans from Mortgage Lenders.

(b) All Mortgage Loans purchased pursuant to this program shall be Qualified Mortgage Loans.

(c) No Portfolio Mortgage Loans shall be purchased by the Agency unless the Mortgage Lender selling such Mortgage Loan agrees in writing that the proceeds of sale or its equivalent shall be reinvested in New Mortgage Loans on Residential Housing for occupancy by Persons and Families of Low and Moderate Income within the State, or in Rehabilitation Mortgage Loans, which Rehabilitation Loans need not be secured by a first mortgage lien.

(d) No Forward Commitment Mortgage Loan shall be purchased by the Agency unless the Mortgage Loan is made to a Person or Family of Low and Moderate Income, or to a sponsor of a Group Home for the Elderly, Handicapped, or Developmentally Disabled.

(e) Forward Commitment Mortgage Loans and the new Mortgage Loans made by the Mortgage Lender from the reinvestment of proceeds of Portfolio Mortgage Loans as required by Paragraph (c) of this Section shall bear an interest rate below the prevailing interest rate on comparable mortgage loans or rehabilitation loans without the assistance of the Agency.

(f) At or before the time of Closing of the purchase of Mortgage Loans by the Agency, the Mortgage Lender will certify that in its judgment the Mortgage Loan would in respect of the security therefor be a prudent investment for its own account.

(g) The Agency may charge an application fee to be paid by the Mortgage Lender at the time of submission of the Mortgage Loan Application and Commitment, an Agency fee at the time of execution of the Mortgage Loan Purchase Agreement, an Agency fee at the time of delivery of the Mortgage Loans by the Mortgage Lender to the Agency, and/or an annual or other periodic program participation fee.

(h) Forward Commitment Mortgage Loans and the new Mortgage Loans made by the Mortgage Lender from the reinvestment of proceeds of Portfolio Mortgage Loans as required by Paragraph (c) of this Section shall be evidenced by Mortgages on forms prepared by or approved by the Agency.

Section 5. Private Mortgage Insurance. Any private mortgage loan insurance company insuring a Qualified Mortgage Loan shall be a Qualified Private Mortgage Insurer. The Agency shall not purchase a Qualified Mortgage Loan insured by a Qualified Private Mortgage Insurer unless the amount of coverage provided for in the policy is at least equal to that portion of the outstanding principal balance of the loan which exceeds seventy-five percent (75%) of the Value of the mortgaged property at the time the Mortgage Loan was made.

Section 6. Procedure. The Agency shall mail a Mortgage Loan Application and Commitment to Mortgage Lenders requesting the same at least seven (7) days in advance of the date all such Mortgage Loan Applications and Commitments must be submitted to the Agency so as to be considered for an allocation of funds, if any. The Mortgage Loan Application and Commitment shall be in the form prescribed by the Agency.

Section 7. Allocation. To the extent that the amounts of the Mortgage Loans proposed to be sold by Mortgage Lenders exceeds the amount of the funds available therefor, funds may, but need not, be allocated by the Agency pro rata, as nearly as practicable, among Mortgage Lenders submitting Mortgage Loan Applications and Commitments therefor, provided however, in making such allocation the Agency may take into consideration proposed maturities and interest rates on the Mortgage Loans, the need for Mortgage Loans in the proposed geographical area to effectuate the public purpose stated in the Act and the capabilities of the Mortgage Lender to act as a servicer. The Agency may also allocate funds on a first-come-first-served basis as reservation requests are submitted by Mortgage Lenders based on actual loan applications by prospective mortgagors.

Section 8. Interest Rate and Other Terms of Mortgage Loan. Mortgage Loans shall bear interest at a rate which shall produce an Adjusted Yield on the Mortgage Loans which shall not exceed the maximum Adjusted Yield permitted in order to prevent Bonds of the Agency from being "Arbitrage Bonds" within the meaning of applicable regulations of the U.S. Treasury Department, but shall otherwise be established by agreement between the Agency and Mortgage Lenders.

Section 9. Supervening Requirements of Federal Law

9.1 Application of this Section

This Section 9 shall apply to any Mortgage Loan to be financed from the proceeds of any Qualified Mortgage Bond, as that term is defined in Section 143 of the Federal Internal Revenue Code of 1986, as the same may be amended or redesignated from time to time (the "Federal Act") and regulations adopted pursuant thereto, as the same may be amended or redesignated from time to time (the "Federal Regulations").

9.2 Controlling Effect of Federal Law

To the extent that the Federal Act or the Federal Regulations are inconsistent with or more restrictive than the provisions of Sections 1 through 8 of these Rules and Regulations, the Federal Act and the Federal Regulations shall control and govern.

9.3 Consistency with Statutory Authority

A decision by the Agency to issue any Qualified Mortgage Bond shall constitute a determination by the Agency that any action required of it under the Federal Act or the Federal Regulations is within the limits of the authority granted to it under the Act.

11/94
vhfa/regs/sfrule.n10

VERMONT HOUSING FINANCE AGENCY

RULES AND REGULATIONS PERTAINING TO CERTAIN SINGLE FAMILY MORTGAGE LOANS

MARKED VERSION OF SINGLE FAMILY RULES AND REGULATIONS AS ADOPTED ON MAY 27, 1982

~~As-Adopted-5/27/82~~

HOUSING FINANCE AGENCY

RULES AND REGULATIONS PERTAINING TO CERTAIN
SINGLE FAMILY MORTGAGE LOANS

Section 1. Authority. These Rules and Regulations are issued under and pursuant to the authority granted to Vermont Housing Finance Agency by 10 V.S.A. § 622 and § 623.

Section 2. Purpose and Objectives. These Rules and Regulations are established to effectuate, and shall be applied so as to accomplish, the general purposes of the Vermont Housing Finance Agency Act to promote the expansion of the supply of funds in the State available for mortgages on residential housing and to encourage an adequate supply of safe and decent housing at reasonable costs.

Section 3. Definitions. (1) Unless a different meaning is required from the context in which they are used herein, all words and terms which are defined in the Vermont Housing Finance Agency Act are used in these Rules and Regulations as defined in the Act. (2) Subject to the provisions of subsection 3(1) above, the following words or terms as used in these Rules and Regulations shall have the following meanings:

(a) "Act" shall mean the Vermont Housing Finance Agency Act, 10 V.S.A., Chapter 25, as amended.

(b) "Developmentally Disabled" means a person with a developmental disability as defined in 42 U.S.C. Sec. 6001.

(c) "Elderly" means a person aged 62 or older or the spouse of such person.

(d) "Forward Commitment Mortgage Loan" means Mortgage Loans made by a Mortgage Lender to Persons and Families of Low and Moderate Income after the execution of a Mortgage Loan Purchase Agreement and pursuant to the terms thereof.

(e) "Group Home" means a residential housing unit intended to house three or more elderly, handicapped or developmentally disabled residents (plus a supervisor's apartment, if provided) in a family-style household.

(f) "Handicapped Person" means any person who has a physical or mental impairment which substantially limits one or more major life activities, such as caring for one's self, performing manual tasks, walking, seeing, hearing, speaking, breathing, learning and working.

(g) "Loan-to-Value Ratio" means the ratio at the time of purchase of a Qualified Mortgage Loan by the Agency of the outstanding principal amount of the principal of the Qualified Mortgage Loan to (i) the value of the mortgaged property as determined by a Qualified Appraiser or ~~its~~(ii) the purchase price of the mortgaged property, whichever is lower.

(h)~~"Mortgage-Lender"-means-any-bank-or-trust-company,-Federal-National-Mortgage-Association-approved-mortgage-banker,-savings-bank,-savings-and-loan-association,-industrial-bank,-credit-union,-National-Banking-Association,-Federal-Savings-and-Loan-Association,-Federal-Credit-Union-or-other-financial-institution-or-governmental-agency-or-instrumentality-which-customarily-provides-or-otherwise-aids-in-the-financing-of-mortgages-on-residential-housing-located-in-the-State.~~

~~(i)-"Mortgage-Loan"-means-an-interest-bearing-obligation-secured-by-either-a-mortgage-or-note-or-bond-constituting-a-first-lien-on-land-and-improvements-in-the-State-of-Vermont.~~

~~(j)~~ "Mortgage Loan Application and Commitment" means the application of a Mortgage Lender to the Agency for the sale of Qualified Mortgage Loans to the Agency constituting a binding commitment for such sale by the Mortgage Lender.

~~(k)~~(i) "Mortgage Loan Purchase Agreement" means an agreement by and between the Agency and a Mortgage Lender providing for the sale of Qualified Mortgage Loans to the Agency pursuant to a Mortgage Loan Application and Commitment.

~~(l)~~(j) "Mortgage Loan Servicing Agreement" means an agreement by and between the Agency and Mortgage Lender providing for the servicing of Qualified Mortgage Loans by such Mortgage Lender under which Qualified Mortgage Loans are purchased by the Agency pursuant to a Mortgage Loan Purchase Agreement.

~~(m)~~(k) "Persons and Families of Low and Moderate Income" means includes persons and families ~~whose-current-personal-or-family-income-does-not-exceed-the-amount-established-by-resolution-of-the-Agency-for-the-particular-bond-issue-the-proceeds-of-which-are-to-be-used-to-purchase-the-Mortgage~~

~~Loan.~~ so defined from time to time by the Agency for purposes of its single- family programs, having due regard for changing economic conditions and the criteria set forth in 10 V.S.A. §601(11).

~~(n)~~ (l) "Portfolio Mortgage Loan" means Mortgage Loans made prior to the execution of a Mortgage Loan Purchase Agreement for the purchase or refinancing of residential housing whether or not for occupancy by Persons and Families of Low and Moderate Income in the State of Vermont made prior to the execution of a mortgage purchase agreement having the reinvestment requirements stated herein.

~~(o)~~ (m) "Qualified Appraiser" means a person licensed or certified by the State of Vermont as an appraiser of real estate ~~approved-to-act-as-an-appraiser-by the-Vermont-Home-Mortgage-Guarantee-Board.~~.

~~(p)~~ (n) "Qualified Mortgage Loan" means a Mortgage Loan insured or guaranteed pursuant to Qualified Mortgage Loan Enabling Legislation, or a Mortgage Loan insured by a private mortgage loan insurance company approved by the Agency pursuant to a policy of insurance which meets the security requirements of the Act as determined by the Agency, or an uninsured and non-guaranteed Mortgage Loan, provided that the outstanding principal amount of such Mortgage Loan is not greater than seventy-five percent (75%) of the value of the mortgaged property at the time of purchase of the Mortgage Loan by the Agency.

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(r) "Residential Housing" means single or multifamily residential housing units comprised of not more than four such units designed and used primarily to provide the principal dwelling accommodations for persons or families, including the land and improvements thereon.

(s) "State" means the State of Vermont.

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(c) No Portfolio Mortgage Loans shall be purchased by the Agency unless the Mortgage Lender selling such Mortgage Loan agrees in writing that the proceeds of sale or its equivalent shall be reinvested in New Mortgage Loans on Residential Housing for occupancy by Persons and Families of Low and Moderate Income within the State, or in Rehabilitation Mortgage Loans, which Rehabilitation Loans need not be secured by a first mortgage lien.

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(g) The Agency may charge an application fee to be paid by the Mortgage Lender at the time of submission of the Mortgage Loan Application and Commitment, an Agency fee at the time of execution of the Mortgage Loan Purchase Agreement ~~and~~, an Agency fee at the time of delivery of the Mortgage Loans by the Mortgage Lender to the Agency~~.--The Agency-shall-specify-the-amount-of-such-fees-to-the-Mortgage Lender-by-letter-at-the-time-the-Agency-mails-its-Mortgage Loan-Application-and-Commitment-forms-to-the-Mortgage Lenders~~, and/or an annual or other periodic program participation fee.

(h) Forward Commitment Mortgage Loans and the new Mortgage Loans made by the Mortgage Lender from the reinvestment of proceeds of Portfolio Mortgage Loans as required by Paragraph (c) of this Section shall be evidenced by Mortgages on forms prepared by or approved by the Agency.

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Section 6. Procedure. The Agency shall mail a Mortgage Loan Application and Commitment to Mortgage Lenders requesting the same at least seven (7) days in advance of the date all such Mortgage Loan Applications and Commitments must be submitted to the Agency so as to be considered for an allocation of funds, if any. The Mortgage Loan Application and Commitment shall be in the form prescribed by the Agency.

Section 7. Allocation. To the extent that the amounts of the Mortgage Loans proposed to be sold by Mortgage Lenders exceeds the amount of the funds available therefor, funds may, but need not, be allocated by the Agency pro rata, as nearly as practicable, among Mortgage Lenders submitting Mortgage Loan Applications and Commitments therefor, provided however, in making such allocation the Agency may take into consideration proposed maturities and interest rates on the ~~,~~ Mortgage Loans, the need for Mortgage Loans in the proposed geographical area to effectuate the public purpose stated in the Act and the capabilities of the Mortgage Lender to act as a servicer. The Agency may also allocate funds on a first-come-first-served basis as reservation requests are submitted by Mortgage Lenders based on actual loan applications by prospective mortgagors.

Section 8. Interest Rate and Other Terms of Mortgage Loan. Mortgage Loans shall bear interest at a rate which shall produce an Adjusted Yield on the Mortgage Loans which shall not exceed the maximum Adjusted Yield permitted in order to prevent Bonds of the Agency from being "Arbitrage Bonds" within the meaning of applicable regulations of the U.S. Treasury Department, but shall otherwise be established by agreement between the Agency and Mortgage Lenders.

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9.1 Application of this Section

This Section 9 shall apply to any Mortgage Loan to be financed from the proceeds of any Qualified Mortgage Bond, as that term is defined in Section ~~103A~~ 143 of the Federal Internal Revenue Code of 1986, as the same may be amended or redesignated from time to time (the "Federal Act") and regulations adopted pursuant thereto, as the same may be amended or redesignated from time to time (the "Federal Regulations").

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To the extent that the Federal Act or the Federal Regulations are inconsistent with or more restrictive than the provisions of Sections 1 through 8 of these Rules and Regulations, the Federal Act and the Federal Regulations shall control and govern.

9.3 Consistency with Statutory Authority

A decision by the Agency to issue any Qualified Mortgage Bond shall constitute a determination by the Agency that any action required of it under the Federal Act or the Federal Regulations is within the limits of the authority granted to it under the Act.

VHFA
VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: CLG Cathleen L. Gent, Director of Communications

DATE: November 10, 1994

RE: Strategic Planning

At the September Board meeting, a date for receiving a draft strategic planning document was established for the November Board meeting. You will not be receiving the strategic planning document at the meeting because the completion of the final phase of the work is taking longer than originally anticipated. For your November 17 meeting, staff will present for your consideration a schedule for completing the strategic planning draft document.

To bring you up to date regarding the status of the work, two major efforts are currently underway. The facilitators of the working groups for the strategies are reviewing the cost-income analyses which were completed this summer. The focus of these reviews is to determine how well the strategies comply with the mission statement, goals, and objectives approved by the Board in September. In addition to the reviews, staff is writing the strategic planning document, which will include an overview of the process and the findings of the situational analysis, as well as the presentation of the mission statement, goals, objectives, and strategies. A timeline for completing the strategies will also be included.

Recommended Board Action: No Board action is necessary at this time. I will be present at the November 17 Board meeting to discuss the schedule for completing a draft document for your reveiw and to answer any questions you may have about the final phase of our strategic planning work.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • FAX: 802/864-5746 • TDD: 1-800/586-5832

EQUAL HOUSING OPPORTUNITY

VHFA STRATEGIC PLANNING REPORT

Proposed Outline
11/15/94

I. MISSION STATEMENT, OVERALL GOALS, OBJECTIVES

II. EXECUTIVE SUMMARY

III. OVERVIEW OF STRATEGIC PLANNING PROCESS

IV. VHFA TODAY
- External Assessment
- Internal Assessment

V. ISSUES AND OPTIONS
- SWOT Review (Strengths, Weaknesses, Opportunities, and Threats)

VI. VHFA MISSION, OVERALL GOALS, OBJECTIVES, AND STRATEGIES
- With statements about considerations
- Action Plan
- Integration with VHFA Business Plan

APPENDICES
1. VHFA Strategic Planning Advisory Group Members
2. Legislative Directives in Support of VHFA Goals
3. Interviews & Surveys

etc.

VHFA STRATEGIC PLANNING
Recommended Strategy
Draft Prototype
11/16/94

Promote Homeownership Through Expansion of Home Buyer Education

Action # 1. Offer "Successful Homeownership" post-purchase workshops for VHFA first time buyers and buyers in lender conventional loan programs

Goals 1. To prepare first time home buyers (VHFA and conventional loan program buyers) more fully about the process of owning a home: budgeting for house repairs and regular maintenance; common areas needing repair; how to seek professional help to repair problems; working with lender if financial difficulties arise; how stepped rate works (HOUSE borrowers)

2. To reduce VHFAs' levels of delinquencies and foreclosures and thus protect investment.

3. To generate participation of all borrowers receiving Down Payment Assistance.

Time Period for Implementation

During Year 1 of Strategic Plan (1995)

"Successful Homeownership" Workshops - Total time frame of 8 to 12 months

Action Plan	Time Frame
1. Ascertain interest among lenders	One to two
2. Develop workshop materials and syllabus	Three to six
3. Hire 1/2 time coordinator	Two
4. Schedule and hold first workshop	Two
5. Evaluation	On-going

Cost/Income

Phase	Cost	Income	Net
Start-Up	$2,000	$ 0	($2,000)
Each Year	$19,000	$19,000	($0)

Results Delinquencies and foreclosures will be reduced by 25% (Year 1) and 30% (subsequent years) **[net cost reduction not directly assessed]** and fees for offering workshops on behalf of lenders across Vermont are sufficient to support 1/2 time position ($15,000 based on estimates of 300 participants @ $50 each).

Action # 2. Offer "Introduction to Homeownership" workshops (including VHFA programs)

Goals

1. To enhance viability of VHFA programs **today** and generate loans among targeted groups: older "empty-nesters" wanting to get back into homeownership, new young workforce, persons living in publicly assisted housing, refugees, special circumstance renters (e.g., farm worker tenants)

2. To offer "Introduction to Homeownership" workshops on a fee basis for lender conventional loan programs.

Time Period for Implementation

During Year 2 of Strategic Plan (1996)

"Introduction to Homeownership" Workshops - Total of 8 to 12 months to implement

Action Plan	Months
1. Ascertain interest among lenders	One to two months
2. Develop workshop materials and syllabus	Three to six months
3. Hire 1/2 time coordinator	Two months
4. Schedule and hold first workshop	Two months
5. Evaluation	On-going

Cost/Income

Phase	Cost	Income	Net
Start-Up	$2,000	$ 0	($2,000)
Each Year	$19,000	$19,000	($0)

Results 50 VHFA loans are generated and fees for offering workshops on behalf of lenders across Vermont are sufficient to support 1/2 time position ($15,000 annually based on estimates of 300 participants @ $50 each)

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: CG Cathleen Gent, Director of Communications

DATE: November 11, 1994

RE: Summary of Housing Needs Study

For the last year, VHFA has collaborated with all the statewide affordable housing organizations to design, gather agency data, and contract with a consulting firm, which has conducted a comprehensive housing needs assessment for Vermont. The focus of the study is to produce current levels of housing and five-year projections of need for housing in the following areas: rental, homeownership, mobile home ownership and parks, and special needs housing options. The analysis is being conducted at statewide and county levels, with local market area analyses being done for specific types of communities which will serve as models for using the methodology the consultants will provide as part of the final work product.

CURRENT STATUS OF STUDY

A draft of the 1994 Vermont Housing Needs Assessment has been prepared by Market Decisions, Inc., of South Portland, Maine. Since data from the report are beginning to circulate around the state, it is appropriate to bring you up to date regarding the progress of the work and preliminary findings from the study.

In early October, the consultants met with the Housing Council and with the advisory group assembled for this project. Based upon those discussions, a final draft will be completed shortly, with a three-week comment period for a larger range of housing organizations to follow. The final report should be completed by the end of December.

SUMMARY OF FINDINGS

The results of the study are fairly complete in the area of rental housing. However, three of the four major content areas have not yet been completed or are expected to have significant revisions prior to the final draft. These areas include homeownership, mobile home ownership and parks, and special needs. My review of the findings for these areas will be brief since the work remains "in progress."

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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- A substantial revision is currently being done for the homeownership section, including a survey of major Vermont lenders to determine the level of their homeownership mortgage activity for home buyers within VHFA income and purchase price limits. It is expected that this work will be completed by the end of November. (This additional survey was recommended primarily by VHFA and FmHA because the methodology used by the consultants included only VHFA and FmHA programs in their estimate of unmet need for affordable homeownership programs.) In addition, the consultants will add estimates for demand for coop homeownership opportunities.

Two tables are attached for your information. These include a summary of the rental housing needs assessment for Vermont and the 14 counties and a summary of special needs in Vermont (by type of need). Additional information from the report was used for this review.

A. RENTAL HOUSING

Age of Housing Stock

The relatively old age of Vermont's housing stock is a problem which suggests the need for rehabilitation programs throughout the state. This is particularly the case in counties with an aging housing stock (more than 50 years old) **and** a high rental vacancy rate. Counties which seem most suitable for housing rehab programs include: Caledonia, Essex, Orange, Orleans, and Windham Counties.

Non-elderly

Statewide, the number of non-elderly rental units needed for very low income Vermonters is 17,222. Presently, approximately twenty to twenty-five percent of the potential demand is met with deep subsidies. Therefore, an unmet need of approximately 13,000 units exists statewide. The extent of demand and unmet needs vary by county. The counties showing a particularly low met need (10-15% met with existing deep subsidies) include Addison, Essex, Grand Isle, Lamoille, Orleans, and Rutland.

Elderly

Statewide, the number of very low income elderly rental units needed is between 6,800 to 6,900. However, approximately eighty-five to ninety percent of that total are already being served with deep subsidy programs. This leaves an unmet need of 1,000 units statewide. The need among counties varies significantly, with Addison, Essex, Franklin, Grand Isle, Lamoille, and Orange Counties serving 70% or less of their very low income elderly renters via deep subsidies.

B. SPECIAL NEEDS

The study provided a comprehensive demand for special needs housing at the state level, with limited information provided at county and local market area levels. This was due to the fact that limited financial resources precluded a more in-depth analysis. While this part of the study did not provide as much information as originally expected, the consultants were able to determine estimates for a range of special population types (see attached table). This was a significant accomplishment since no definitive numbers were available previously.

While 1,000 units would seem to be a relatively manageable demand to be met for very low income elderly, the issue of providing housing for frail elderly, especially those with very low incomes, must be addressed. Market Decisions has estimated the number of permanent units needed for frail elderly to be about 1,500. They are currently working to determine the number of units currently provided to that population, which will provide a better estimate of demand.

C. HOMEOWNERSHIP

The demand for homeownership is estimated to be 7,700 first time buyer households. This number is likely to be adjusted downward when the consultants complete their survey of lending institutions in the next week. Further comments about the demand will be made when those results are incorporated into the report.

Evaluation of each count's median home prices and median incomes of 25-34 year old householders (major age cohort for first-time buyers) indicates:
Least affordable counties: Addison, Bennington, Lamoille, Windham, and Windsor
Most affordable counties: Caledonia, Essex, Grand Isle, Franklin, and Orleans.

Recommended Board Action: No Board action is required. I will be present at the November 17 Board meeting should you have any questions about the housing needs study.

SUMMARY: RENTAL HOUSING NEEDS ASSESSMENT (1994)					
		County			
Variable	STATE	Addison	Bennington	Caledonia	Chittenden
Est. 1994 pop.	580,453	34,331	36,535	28,426	138,421
Est. 1994 hhs.	219,259	12,039	13,974	10,665	51,349
Est. 1994 median income	$32,272	$32,900	$31,300	$28,500	$42,200
% Below poverty (1989)	10.4%	9.9%	11.4%	12.8%	9.1%
% With both mobility & self-care limits	1.5%	1.3%	1.5%	1.4%	1.1%
% Renters	31.0%	25.8%	30.0%	28.7%	35.6%
Renter vacancy rate	7.5%	5.3%	7.7%	13.7%	4.4%
% Mobile homes	8.4%	10.8%	8.7%	10.9%	5.3%
% Renters < $10,000 paying >35% to rent	71.8%	82.7%	78.4%	70.2%	76.1%
% Nonelderly renters paying >35% to rent	29.0%	28.6%	33.7%	28.3%	32.3%
Rental assistance index v. state[1]					
• Elderly	1.00	0.71	0.75	0.71	1.33
• Nonelderly	1.00	0.91	1.27	1.00	1.55
Applicants with Fed. preference on VSHA Sec. 8 waiting list	2,077	117	127	92	350
• 1 BR	758	29	30	20	130
• 2 BR	741	52	53	42	123
• 3+ BR	573	36	44	30	92
Potential renter demand, VLI hhs					
• Elderly	6,858	320	416	312	1,362
• Nonelderly	17,222	840	1,186	761	4,802
Of this demand, % presently met with deep subsidies					
• Elderly	85%-90%	65% - 70%	80% - 85%	80% -85%	85% - 90%
• Nonelderly	20%-25%	10% - 15%	25% - 30%	30% -35%	25% - 30%

[1] Ratio of assisted units to households with incomes less than 80% of (HUD's) median income, adjusted for av. household size, compared to the same ratio statewide. Ratio of 1.00 suggests the same proportion of households in the county/market area with less than 80% of median income is being served with assisted housing as is being served statewide.

SUMMARY: RENTAL HOUSING NEEDS ASSESSMENT (1994), contd.					
	County				
Variable	Essex	Franklin	Grand Isle	Lamoille	Orange
Est. 1994 pop.	6,415	41,937	5,564	20,927	27,303
Est. 1994 hhs.	2,362	15,179	2,132	7,930	9,949
Est. 1994 median income	$24,500	$31,300	$34,948	$30,716	$29,317
% Below poverty (1989)	14.0%	14.0%	11.6%	12.2%	9.9%
% With both mobility & self-care limits	2.3%	1.3%	1.3%	1.3%	1.3%
% Renters	21.7%	27.5%	22.3%	30.2%	22.4%
Renter vacancy rate	9.5%	5.6%	9.9%	8.6%	9.3%
% Mobile homes	12.3%	10.5%	15.3%	10.0%	12.4%
% Renters < $10,000 paying >35% to rent	61.5%	70.7%	75.0%	78.1%	65.3%
% Nonelderly renters paying >35% to rent	22.8%	25.9%	17.0%	30.9%	24.4%
Rental assistance index v. state[1]					
• Elderly	0.50	0.96	0.63	0.75	0.79
• Nonelderly	0.27	0.64	0.27	0.36	0.46
Applicants with Fed. preference on VSHA Sec. 8 waiting list	7	200	16	101	101
• 1 BR	6	81	4	58	40*
• 2 BR	0	58	8	37	34
• 3+ BR	1	61	4	6	27
Potential renter demand, VLI hhs					
• Elderly	88	614	84	284	262
• Nonelderly	162	1,201	145	706	614
Of this demand, % presently met with deep subsidies					
• Elderly	55%-60%	60%-65%	45%-50%	60%-65%	65%-70%
• Nonelderly	10%-15%	20%-25%	10%-15%	10%-15%	20%-25%

[1] Ratio of assisted units to households with incomes less than 80% of (HUD's) median income, adjusted for av. household size, compared to the same ratio statewide. Ratio of 1.00 suggests the same proportion of households in the county/market area with less than 80% of median income is being served with assisted housing as is being served statewide.

* Includes 1 0 BR preference

SUMMARY: RENTAL HOUSING NEEDS ASSESSMENT (1994), contd.					
	County				
Variable	Orleans	Rutland	Wash'ton	Windham	Windsor
Est. 1994 pop.	24,015	63,237	55,342	43,196	54,804
Est. 1994 hhs.	8,937	24,350	21,303	17,048	22,042
Est. 1994 median income	$25,869	$29,779	$31,746	$31,198	$29,741
% Below poverty (1989)	15.4%	10.4%	8.9%	10.0%	10.3%
% With both mobility & self-care limits	1.9%	2.0%	1.7%	1.5%	1.4%
% Renters	26.3%	31.5%	31.3%	35.8%	30.6%
Renter vacancy rate	8.9%	8.0%	6.8%	11.1%	9.2%
% Mobile homes	10.4%	7.4%	6.9%	7.5%	8.4%
% Renters < $10,000 paying >35% to rent	74.2%	62.7%	63.1%	75.0%	63.9%
% Nonelderly renters paying >35% to rent	27.3%	29.7%	25.3%	25.2%	27.5%
Rental assistance index v. state[1]					
• Elderly	0.75	0.96	1.54	0.92	0.88
• Nonelderly	0.55	0.64	0.37	1.27	1.36
Applicants with Fed. preference on VSHA Sec. 8 waiting list	108	342	201	129	186
• 1 BR	46	108	87	38	81
• 2 BR	27	132	62	52	61
• 3+ BR	35	102	52	39	44
Potential renter demand, VLI hhs					
• Elderly	299	767	931	478	641
• Nonelderly	675	2,079	1,494	1,086	1,471
Of this demand, % presently met with deep subsidies					
• Elderly	70%-75%	95%-100%	95%-100%	95%-100%	95%-100%
• Nonelderly	15%-20%	15%-20%	25%-30%	25%-30%	35%-40%

[1] Ratio of assisted units to households with incomes less than 80% of (HUD's) median income, adjusted for av. household size, compared to the same ratio statewide. Ratio of 1.00 suggests the same proportion of households in the county/market area with less than 80% of median income is being served with assisted housing as is being served statewide.

TABLE 1 -- VERMONT HOUSING STUDY
SUMMARY OF SPECIAL NEEDS IN VERMONT

Source: Market Decisions estimates

	Total Population	Very Low Income	Shelter (beds)	Group (beds)	Permanent (units)
Frail elderly	6,200	2,700	0	800	1,500
Persons with Mental Illness	6,800	5,500	0	1,150	2,900
Persons with Mentl Retrd'n	6,400	5,000	0	600	2,900
Persons with disabilities	12,000	2,900	0	0	1,900
Foster youth	700	700	0	0	80
Runaways	400	400	100	50	150
Teen mothers	100	100	0	25	75
Other troubled youth	2,000	1,000	0	0	100
Substance Abusers	6,000	N/A	N/A	N/A	N/A
Probation/ parolees	5,500	5,500	0	250	2,100
Released prisoners	250	250	0	0	100
Terminally Ill	1,200	N/A	0	20	0
Unadjusted total	52,800	28,630	500	3,095	14,330
Adjusted total	**39,000**	**22,000**	**500**	**2,800**	**10,400**

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sam Falzone, Director, Multi-Family Management

DATE: November 8, 1994

RE: LIHTC COMPLIANCE MONITORING STATUS

As you know, VHFA is now solely responsible for all aspects of the compliance monitoring required under Section 42 of the IRS Code. We have recently revised and distributed VHFA's LIHTC Compliance Manual and copies will be available for your review at next week's Board Meeting. Kim Roy, Multi-Family Management Coordinator, has been designated as VHFA's contact person for the tax credit monitoring program.

The results of first year monitoring activity involving twenty-five properties have been very encouraging. Twenty of these properties have had no reportable compliance issues. The remaining five projects have had reportable findings which required us to file non-compliance reports with the IRS. Four of these findings were not serious and are easily corrected. The following is a summary on the status of the findings related to these five properties:

A Frame Village, Stockbridge - This one unit project has not been in compliance at least as far back as January 1, 1992. There were no tenant/income records for this unit which appears to have been used as a seasonal rental property. The New Jersey owner has written asking that his participation in the program be terminated. We sent an 8823 non-compliance form to the IRS.

Lane Shops, Montpelier - One resident, out of 40 tax credit units, was not LIHTC eligible when admitted, following window replacements and the claiming of rehab tax credits. The manager has stated that the owner never told her that he had claimed the tax credits and so the applicant was processed under the Section 8 80% income limit. Although this unit was out of compliance, the project still met the 40/60 test requirement. An 8823 Form was filed with IRS for this unit.

268-272 North Street, Burlington - The owner's files for this four unit property contained no income verifications or Section 8 eligibility verifications although the residents that were living in the units were all ANFC recipients and are likely to be income eligible. The finding is directly related to inadequate documentation and we have impressed upon the owner the importance of proper record keeping and file retention. An 8823 Form will be sent to IRS to report these findings.

Pleasant Street Apartments, Enosburg - Two residents out of 24 tax credit units were found to have incomes that were FmHA eligible but in excess of the 60% tax credit limit. The project still met the 40/60 test and the owner did not claim tax credits for these two units. An 8823 Form was filed with the IRS for these two units although the owner has already made the appropriate tax adjustment to avoid any recapture.

South Meadow, Burlington - Rent levels on seven of the 30 tax credit units exceeded the maximum LIHTC rent level allowed under the program. There was some confusion over the HoDAG rent limits and how they must be within the tax credit rent ceilings. This finding is easily corrected with a $49 reduction in the contract rent for these seven units. An 8823 form will be filed with the IRS regarding these excess rent charges.

Our second year of monitoring has begun and we have already received all Owner's Certifications and Project Status Reports. On site file reviews and inspections have begun and we expect to have most of the second year monitoring work completed by December 31, 1994 (see attached summary) . The addition of eleven new tax credit projects brings the total projects being monitored to 36. We are making every attempt to schedule tax credit audits in conjunction with Section 8 Management Reviews or Housing Vermont tax credit file reviews in order to improve efficiency and reduce the number of disruptions for managers and residents.

If you have any questions prior to the Board Meeting, I can be reached at 864-5743 (ext. 235).

LIHTC COMPLIANCE MONITORING PROJECTS

Key:
⌂ = 1.5 Formula - Rent Election
✓ = 20/50 Election
Physical Inspection done by VHFA
VHFA MANAGEMENT OFFICER
♥ 1993 Inspections done -- Next physical and files in 1996
♦ 1994 Inspections in process -- Next physical and files in 1997
♣ 1995 Inspections in process -- Next physical and files in 1998

PROJECT NAME	LOCATION	YEAR OF CREDIT	TOTAL UNITS	LIHTC UNITS	OWNER	ADDRESS	MANAGER	ADDRESS
♥ A Frame Village	Stockbridge	1987	1	1	Andrew Reznik	899 Boulevard East, Apt 2H Weehawken, NJ 07087	same as owner	-
♥ Meadow Lane *JEB*	Milton	1987	20	20	George Stokes Milton Associates	Box 17, 69 Main Street Milton, VT 05468	Lloyd Gilbert	Box 17, 69 Main St Milton, VT 05468
♥ North Street	Burlington	1987	4	4	W.L. (Bud) Shriner	37 North Prospect Street Burlington, VT 05401	same as owner	
✓♥ South Meadow *JEB*	Burlington	1987	148	30	Carol Ravenna South Meadow Associates	Coburn & Feeley R.E. 125 College St., PO Box 923 Burlington, VT 05402-0923	Stacy Morrissey	Coburn & Feeley PO Box 923 Burlington, VT
♥ Armory Square	Windsor	1988	74	74	Ann Berezin Armory Square Limited Partnership	Marken Properties 667 Main Street Holyoke, MA 01040	Cathy Rice VSHA	One Prospect St Montpelier, VT 05602-3556
♥ Lane Shops *SET*	Montpelier	1988	40	40	David DuBrul Lane Shops Associates	500 Pine St, 1B Burlington, VT 05401	JoAnn Troiano Mont. Housing Authority	155 Main Street Montpelier, VT 05602
♥ Pleasant Street Apartments	Enosburg	1988	24	24	Sue Struble Merchant's Properties, Inc.	123 Church Street Burlington, VT 05401	Richard Carr R.H. Carr Associates	151 Federal Street St. Albans, VT 05478
⌂♥ Heineberg Senior Housing *JEB*	Burlington	1988	82	42	Sarah Carpenter Heineberg Senior Housing Partnership	Cathedral Square Corp. 3 Cathedral Square Burlington, VT 05401	Maria Cox	Cathedral Square 3 Cathedral Square Burlington, VT

PROJECT NAME	LOCATION	YEAR OF CREDIT	TOTAL UNITS	LIHTC UNITS	OWNER	ADDRESS	MANAGER	ADDRESS
♥ Hillcrest Apartments	St. Albans	1988	34	24	Richard Williams Hillcrest Apartments Limited Partnership	HFI (VSHA) One Prospect Street Montpelier, VT 05602-3556	Susan Kuegel VSHA	One Prospect Street Montpelier, VT 05602-3556
⌂ ♥ Salmon Run 1988 - $108,966 1990 - $4,649 *SET*	Burlington	1988 & 1990	80	36	Don Dickson Riverside Housing Partnership	Housing Vermont 1 Burlington Square Burlington, VT 05401	Pat Willis Lake Champlain Housing Ventures	220 Riverside Ave Burlington, VT 05401
⌂ ♥ Sherlock Homes	Middlebury	1989	2	2	John & Deborah Sherlock	RD #3, Box 1240 Bristol, VT 05443	same as owner	
⌂ ♥ Cummings Street *SET*	Montpelier	1989	20	18	Don Dickson Cummings Street Apts Limited Partnership	Housing Vermont 1 Burlington Square Burlington, VT 05401	JoAnn Troiano Mont. Housing Authority	155 Main Street Montpelier, VT 05602
⌂ ♥ Northgate *JEB*	Burlington	1989	336	179	Don Dickson Northgate Housing Limited Partnership	Housing Vermont 1 Burlington Square Burlington, VT 05401	Lynne Witter Northgate Apts	361 Northgate Road Burlington, VT 05401
⌂ ♥ Village Apartments *KAR*	Swanton	1989	16	16	Richard Williams Village Apartments Limited Partnership	VT State Housing Authority One Prospect Street Montpelier, VT 05602-3556	Susan Kuegel VSHA	One Prospect Street Montpelier, VT 05602-3556
⌂ ♥ Prospect Street (Montpelier Elderly)	Montpelier	1989	29	29	Don Dickson Prospect Street Housing Partnerhsip	Housing Vermont 1 Burlington Square Burlington, VT 05401	JoAnn Troiano Mont. Housing Authority	155 Main Street Montpelier, VT 05602
⌂ ♥ Middlebury Commons	Middlebury	1989	63	63	Don Dickson Middlebury Housing Associates LP	Housing Vermont 1 Burlington Square Burlington, VT 05401	Susan Kuegel VSHA	One Prospect Street Montpelier, VT 05602-3556
⌂ ♥ Winchester *JEB*	Colchester	1989	166	75	Don Dickson Winchester Associates	Housing Vermont 1 Burlington Square Burlington, VT 05401	Stacey Morrissey Coburn & Feeley Real Estate, Inc.	P.O. Box 923 Burlington, VT 05402

PROJECT NAME	LOCATION	YEAR OF CREDIT	TOTAL UNITS	LIHTC UNITS	OWNER	ADDRESS	MANAGER	ADDRESS
♥ North Street	Burlington	1990	6	6	William Bissonette	49 Bishop Road Shelburne, VT 05482	Pat Willis Lake Champlain Housing Ventures	220 Riverside Ave Burlington, VT 05401
♥ Mountain View Apartments	Springfield	1990	72	52	Don Dickson Mountain View Housing Limited Partnership	Housing Vermont 1 Burlington Square Burlington, VT 05401	Stuart Rathbum Springfield Housing Authority	80 Main Street Springfield, VT 05156
♥ St. Johnsbury Phase I 1990 - $43,949 1991 - $2,703 *SET*	St. Johnsbury	1990 & 1991	32	23	Don Dickson St. Johnsbury Housing Partnership	Housing Vermont 1 Burlington Square Burlington, VT 05401	Greg Gallagher Northern Community Management Corporation	20 Main Street P.O. Box 432 St. Johnsbury, VT 05819
♥ Genest Building	Winooski	1991	10	10	Scott Mansfield Genest Limited Partnership	P.O. Box 4245 Burlington, VT 05401	Susan Ainsworth LCHV	220 Riverside Ave Burlington, VT 05401
♥ Pine Meadow *SET*	Middlebury	1991	30	24	Don Dickson Pine Meadow Housing Limited Partnership	Housing Vermont 1 Burlington Square Burlington, VT 05401	Mike Lorraine Technical Planning & Management	RR#1, Box 40-2 Waitsfield, VT 05673
♥ Whitney Hill *JEB*	Williston	1991	44	31	Don Dickson Whitney Hill Homestead Limited Partnership	Housing Vermont 1 Burlington Square Burlington, VT 05401	Maria Cox Catherdral Square Corp.	3 Cathedral Square Burlington, VT 05401
♥ Highgate Apartments *JEB*	Barre	1991	120	109	Don Dickson Highgate Housing Limited Partnership	Housing Vermont 1 Burlington Square Burlington, VT 05401	Nicole Bedell Highgate Apartments	121 Highgate Drive Barre, VT 05641
♥ Meadowbrook Place	Williamstown	1991	15	15	Richard Williams Williamstown Housing Associates	HFI (VSHA) One Prospect St Montpelier, VT 05602-3556	Susan Kuegel VSHA	One Prospect St Montpelier, VT 05602-3556

PROJECT NAME	LOCATION	YEAR OF CREDIT	TOTAL UNITS	LIHTC UNITS	OWNER	ADDRESS	MANAGER	ADDRESS
New Projects:								
♦ Abbott Block	Montpelier	1991	19	8	Don Dickson Brattleboro Housing Limited Partnership	Housing Vermont 1 Burlington Square Burlington, VT 05401	Paul Stewart Stewart Property Management	P.O. Box 10540 Bedford, NH 03110
♦ Pleasant Brook	Chester	1991	24	22	Steve Krook Pleasant Brook Housing Associates Limited Partnership	SK Properties P.O. Box 250 New Ipswich, NH 03071	Jeff Decker SK Properties	P.O. Box 250 New Ipswich, NH 03071
♦ Putney Meadows 1991 - $88,302 1992 - $2,714	Putney	1991 & 1992	28	28	Joseph Cloutier Putney First, A Maine Limited Partnership	Realty Resources P.O. Box 906 Rockport, ME 04856	Susan Kuegel VSHA	One Prospect Street Montpelier, VT 05602-3556
♦ Bristol Family Housing 1991 - $80,481 1992 - $12,519 1993 - $7,000 *JEB*	Bristol	1991 & 1992 & 1993	9	9	Sharon Stearns Bristol Family Housing Limited Partnership	Addison County Community Action Group P.O. Box 165 Middlebury, VT 05753	Mike Lorraine Technical Planning & Management	RR#1, Box 40-2 Waitsfield, VT 05673
♦ Newport - Realty Resources	Newport	1992	24	24	Joseph Cloutier Newport Housing Associates	Realty Resources P.O. Box 906 Rockport, ME 04856	Susan Kuegel VSHA	One Prospect Street Montpelier, VT 05602-3556
♦ Franklin Homestead	Franklin	1992	23	14	Hugh Gates Franklin Housing Limited Partnership	P.O. Box 137 Franklin, VT 05457	Vanessa Madden Franklin Homestead	P.O. Box 137 Franklin, VT 05457
♦ North Branch - Rehab	Montpelier	1992	23	23	Don Dickson North Branch Housing Limited Partnership	Housing Vermont 1 Burlington Square Burlington, VT 05401	Richard Moffi CVCLT	39 Barre Street Montpelier, VT 05602

PROJECT NAME	LOCATION	YEAR OF CREDIT	TOTAL UNITS	LIHTC UNITS	OWNER	ADDRESS	MANAGER	ADDRESS
◆ Lyndonville	Lyndonville	1992	14	12	Don Dickson Lyndon Housing Partnership	Housing Vermont 1 Burlington Square Burlington, VT 05401	Greg Gallagher Northern Community Management Corporation	20 Main Street P.O. Box 432 St. Johnsbury, VT 05819
◆ Randolph House *SET*	Randolph	1992	48	40	Don Dickson Randolph Housing Limited Partnership	Housing Vermont 1 Burlington Square Burlington, VT 05401	Paul Stewart Stewart Property Management	P.O. Box 10540 Bedford, NH 03110
◆ Depot II *KAR*	Bethel	1993	10	10	Richard Williams Bethel Housing Associates	VSHA 1 Prospect Street Montpelier, VT 05602-3556	Mike Lorraine Technical Planning & Management	RR#1, Box 40-2 Waitsfield, VT 05673
♣ Neshobe House (West Seminary Street)	Brandon	1993	25	25	Richard Williams Brandon Housing Limited Partnership	HFI One Prospect Street Montpelier, VT 05602-3556	Susan Kuegel VSHA	One Prospect Street Montpelier, VT 05602-3556

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Irene D. Jenkins, Director of Development
Patricia A. Crady, Development Coordinator
Paul M. Cummings, Development Assistant

DATE: November 15, 1994

RE: Bridge Financing Initiative

SUMMARY OF REQUEST

During the past ten years, nonprofit housing organizations have developed single family housing and mobile home parks that will remain affordable to future generations. To assure the affordability, the buyer of a single family home or mobile home executes a ground lease agreement and/or a housing subsidy covenant with the nonprofit. The ground lease agreement and housing subsidy covenant contain a limited equity formula which limits the appreciation an owner receives should they want to sell their home. In order to keep single family units affordable, the nonprofit may need to exercise an option to purchase a home that is to be sold at a price that is determined by the limited equity formula. Generally, the nonprofit has a specified period of time in which to exercise the option. During that time, the nonprofit seeks another lower-income buyer so that they may immediately re-sell the unit. Similarly, nonprofit owners of mobile home parks have a first option to purchase individual mobile homes to assure that a certain percentage of units will be owned by lower-income persons and families. A nonprofit owner may also execute their option when the unit being sold is owned by an investor so they may re-sell the unit to an owner occupant.

In many cases the nonprofit has been successful in selling the home during their option period and do not require bridge financing. VHFA has been approached by Regional Affordable Housing Corporation (RAHC) for bridge financing and has also talked with Lake Champlain Housing Development Corporation (LCHDC) about a potential need for bridge financing. RAHC would like to purchase units that are for sale in their newly acquired Willows Mobile Home Park to assure access by owner occupants. If a qualified buyer has been identified they will sell the unit. If they are unable to immediately sell the unit, they want to have the option of a lease/purchase. LCHDC would like bridge financing available to assist in the remarketing of units at Officer's Row. While LCHDC has been very successful in remarketing the units that have been resold to date, there is one situation where it has been difficult to show the unit because of an uncooperative owner. LCHDC currently has three units which they will be marketing, and may not be successful in marketing all the units during their option period. They do have access to a pool of funds used to provide second mortgage financing to buyers; however, funds are adequate to purchase only two units at a given time.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • FAX: 802/864-5746 • TDD: 1-800/586-5832

Staff requests approval of a $36,000 line of credit to Regional Affordable Housing Corporation so that it can acquire mobile homes in Willows Mobile Home Park for the purpose of improving access to lower-income, owner occupants. Staff also requests approval of a $150,000 line of credit to Lake Champlain Housing Development Corporation to facilitate acquisition and remarketing units at Dalton Drive in Colchester and Essex. The initial interest rate would be six percent (6%); the rate would be reviewed every six months and might vary depending on market conditions and feasibility. The term of the line of credit would be twelve months, renewable annually upon review and approval by VHFA. Funding for this program would come from the $6.0 million in General Funds the Board approved for both the Single Family Development Loan Program and the Multifamily Construction Loan Program.

THE HOUSING SPONSORS/SPECIFIC TERMS, REQUIREMENTS AND CONDITIONS

REGIONAL AFFORDABLE HOUSING CORPORATION

RAHC, formed in 1989, is a nonprofit housing development and management organization in Bennington. RAHC currently has three staff members - the Executive Director, a part-time bookkeeper and a part-time administrative assistant - and is in the process of adding a fourth staff member, a full time management assistant. Some management activities are also subcontracted to the Bennington Housing Authority. RAHC recently acquired the Willows Mobile Home Park, a twenty six (26) lot park located on a 4.5 acre site off Northside Drive in Bennington. In addition to the Willows Park, RAHC is operating/managing nineteen (19) rental units and four (4) condominiums.

RAHC has applied for and received a commitment of up to $322,000 in VHCB funds to make improvements to the park. Projected improvements include: 1) Installation of new water distribution and wastewater collection systems; 2) Renovation of existing roads and drainage systems; 3) Removal of two units and relocation of units within the interior of the park to reduce density in the center; and 4) Improvements to landscaping, fencing, and play areas in the park. RAHC expects to make these improvements in the Spring of 1995. Lot rents in the park, currently $200/lot/month, are not expected to change.

In planning the reconfiguration and rehabilitation of the park, RAHC has been approached by some homeowners interested in selling their homes and leaving the park. In order to be able to meet the VHCB requirement for preserving the income mix, to provide housing opportunities for low and moderate income households, and to ensure thoughtful and sound tenant selection, RAHC has determined that it would be appropriate to become actively involved in the purchase and resale of selected homes. RAHC would like to purchase the units and enter into a lease/purchase agreement with VHFA prequalified buyers. If a potential buyer is otherwise qualified but lacks funds for downpayment, RAHC may include in the rent structure an allowance that would be applied to the down payment at purchase. RAHC is hopeful that buyers would be able to utilize VHFA's single family programs to buy the unit from RAHC.

Staff recommends approval of a line of credit to RAHC not to exceed $36,000 to purchase no more than three mobile homes at any given time. This loan would be subject to RAHC Board approval and the general Bridge Financing Initiative conditions prior to closing.

Prior to drawing down funds for the purchase of a mobile home in the park, RAHC would be required to prequalify a potential buyer and if necessary, RAHC would provide a plan to accumulate downpayment funds through an allowance in the rent structure.

LAKE CHAMPLAIN HOUSING DEVELOPMENT CORPORATION

LCHDC was formed in 1984 as a nonprofit corporation to administer the federal Rental Rehabilitation Program and to develop, own, and manage affordable rental housing for families. The focus of LCHDC is primarily properties that might otherwise be converted to market rate apartments and condominiums. LCHDC's service area is Chittenden County; however, they also respond to opportunities in Franklin and Grand Isle Counties, and mobile home park conversions in Lamoille County. LCHDC has developed new rental housing and leasing cooperative units, has rehabilitated existing rental housing, and administers the second mortgage pool and affordability of 29 units at the Officer's Row condominium project developed by VHFA. LCHDC has also worked with the Burlington Community Land Trust to revitalize and redevelop sections of the Old North End community in Burlington. A subsidiary, Lake Champlain Housing Ventures, manages housing owned by LCHDC.

Staff recommends approval of a line of credit to LCHDC in the amount of $150,000 for the purpose of purchasing units at Officer's Row for sale to low- and moderate-income buyers. Prior to drawing down funds for the purchase of a unit at Officer's Row, LCHDC would be required to submit information on the number of units currently available for sale at Officer's Row and the number of units that LCHDC is currently marketing. The number of units that might be held by LCHDC at one time would be limited to three (3).

GENERAL LOAN TERMS, REQUIREMENTS AND CONDITIONS

Maximum Loan to Value - The maximum loan to value may not exceed 100% of the lesser of the appraised value or the option or purchase price of the mobile home or condominium.

Term of Line of Credit - The initial term of the line of credit will be for twelve (12) months; it would be renewable annually upon review and approval by VHFA. Principal is due upon sale of the mobile home or single family home. Interest is due quarterly.

Interest Rate - The interest rate on initial advances will be six percent (6%) per annum, and will be reviewed every six months and may vary depending on market conditions and feasibility.

Loan Security - A valid first lien position is required as loan security.

Marketing Plan/Market Data - The Housing Sponsor must provide a plan to market the unit or units. If requested by VHFA, additional market data may be required.

Appraisal Requirement - VHFA requires an appraisal, from an appraiser acceptable to VHFA, of the property being financed with the loan advance.

Financing for Home Buyers - Permanent Financing for eligible home buyers will be provided through VHFA's MOVE and HOUSE programs. The MOVE and HOUSE programs have maximum income limits and purchase price limits for eligibility and first time home buyer requirements in Addison, Bennington, Chittenden, Grand Isle, and Windsor counties.

Conditions to Closing on the Line of Credit - Prior to closing on the line of credit the Housing Sponsor must provide VHFA with:

- Opinion of Counsel for Housing Sponsor that the Housing Sponsor has the authority to enter into the loan documents and to assume the obligations under the loan documents and that such entry and assumption does not constitute on the part of the Housing Sponsor a breach of or default under any agreement or other instrument to which the Housing Sponsor is a party.
- Articles of Incorporation and Bylaws;
- Corporate Resolution and Certificate of Good Standing;
- A copy of the Housing Sponsor's most recent audited financial statements.

Conditions for Advances - The following documents are required for loan advances under the line of credit:

- A copy of the executed option or purchase and sales agreement;
- A plan to market the unit or units;
- An appraisal of the property;
- Opinion of Counsel for Housing Sponsor regarding title to the property, zoning, and whether the property is located in an area designated to have special flood hazards;
- Satisfactory evidence of hazard insurance.

BOARD ACTION REQUESTED

Staff requests approval of the Bridge Financing Initiative to provide a line of credit in the amount of $36,000 to RAHC and $150,000 to LCHDC as outlined in this memorandum, and the attached Resolution.

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VERMONT HOUSING FINANCE AGENCY
RESOLUTION AUTHORIZING
BRIDGE FINANCING INITIATIVE

RESOLVED:

Pursuant to § 621(5) of the Vermont Housing Finance Agency Act (the "Act"), the Executive Director is authorized to implement the Agency's Bridge Financing Initiative substantially in accordance with the provisions of the attached Memorandum of Irene D. Jenkins, Patricia A. Crady and Paul M. Cummings, directed to the "VHFA Board of Commissioners" and dated November 15, 1994. The maximum amount of credit that may be extended to the Regional Affordable Housing Corporation is $36,000 and to Lake Champlain Housing Development Corporation, $150,000. The specific conditions and requirements described in the Memorandum, including but not limited to those under the heading "General Loan Terms, Requirements and Conditions" may be modified from case to case in the discretion of the Executive Director provided that no such modification causes a violation of the Act.

T:\devel\bridge.res

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VERMONT HOUSING FINANCE AGENCY

December 7, 1994

Ms. Marie Carpenter
Department of Administration
Secretary of Administration's Office
Pavilion Office Building
109 State Street
Montpelier, VT 05602

Dear Ms. Carpenter:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Friday, December 16, at 10:00 a.m., here in the office of the Vermont Housing Finance Agency, One Burlington Square, Burlington, Vermont.

If you have any questions, please do not hesitate to contact me at 864-5743, ext. 255.

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • FAX: 802/864-5746 • TDD: 1-800/586-5832

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

ASH

FROM: Allan S. Hunt, Executive Director

DATE: December 2, 1994

RE: DECEMBER BOARD MEETING

The Board meeting for December will be held via conference call. At this time, the only pressing agenda topic is approval of the Volume Cap Carry Forward, which must occur prior to the end of December.

I will be in touch with you soon to schedule this conference call, which should last less than one half hour!

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: December 2, 1994

RE: PROPOSED BOARD MEETING SCHEDULE FOR 1995

I would like to propose the following schedule for Board meetings during 1995:

January 19	1:30	Montpelier
February 16	1:30	Burlington
March 16	1:30	Montpelier
April 20	1:30	Montpelier
May 18	1:30	Burlington
June 15	1:30	Burlington
July 20	1:30	Montpelier
August 17	1:30	Montpelier
September 21	1:30	Burlington
October 19	1:30	Montpelier
November 16	1:30	Montpelier
December 14	1:30	Burlington

These dates may change due to scheduling conflicts, but we will try to give you sufficient notice in order to avoid rescheduling difficulties.

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EQUAL HOUSING OPPORTUNITY

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

ASH

FROM: Allan S. Hunt, Executive Director

DATE: December 9, 1994

RE: CONFIRMING UPCOMING (DECEMBER) BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held on Friday, December 16, at 10:00 a.m. *via conference call.* (The official meeting notice will indicate that the meeting is being held in Burlington at the VHFA office.) The conference call is expected to last no more than one half hour.

Attached is the agenda and Board packet; minutes for November and December will be available for review at the January Board meeting.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to meeting with you via conference call at 10:00 December 16.

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VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA
VIA CONFERENCE CALL
Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont

Friday, December 16, 1994 at 10:00 a.m.

1. Private Activity Bond Volume Cap [Jarrett//Enclosure]

2. Rural Vermont Mortgage Program [Crady//Enclosure]

3. Proposed Increase in Tax Credit Reservation: [Jenkins/Cummings//Encl.]
   Spring and Elliot Street Project (Brattleboro)

4. Other old or new business to come before the Board

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EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commisioners

FROM: Glenn A. Jarrett, General Counsel GAJ

DATE: December 9, 1994

RE: Private Activity Bond Volume Cap

BACKGROUND:

Each year the Agency is allocated part of the State's $150 million annual volume cap for private activity bonds. So far this year the Agency has been allocated $54 million in volume cap. We do not expect to receive any additional volume cap when the Governor allocates the $75 million contingency near the end of the year. We have utilized all but $15.175 million of our 1994 volume cap and the carry-forward amounts from previous years for the Series 5 and 6 Single Family Bonds and for Mortgage Credit Certificates.

The Board must take action before the end of the year to carry forward the private activity volume cap the Agency has been allocated by the State. In addition, the Board must allocate the volume cap between single family (qualified mortgage bonds and mortgage credit certificates) and multi-family (exempt facility bonds) purposes. Staff recommends that all of the 1994 volume cap, whether in hand or that should be received later this month, be allocated to single family purposes since it has been several years since the Agency issued tax-exempt multi-family bonds. The $10 million in carryforward for multi-family purposes will expire on December 31, 1994 and the Agency should allocate some 1995 volume cap for that purpose. We anticipate an allocation of 1995 volume cap in January when the Emergency Board meets.

I would be happy to answer any questions that you may have.

REQUESTED ACTION:

Approval of the attached resolution.

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RESOLUTION RELATING TO
VERMONT HOUSING FINANCE AGENCY
ELECTION TO ALLOCATE AND CARRYFORWARD
1994 PRIVATE ACTIVITY BOND
VOLUME CAP ALLOCATION

WHEREAS, the Vermont Housing Finance Agency (the "Agency") has been allocated $54,000,000 in 1994 private activity bond volume cap by the State of Vermont and the Agency has allocated all but $15,175,000 of the 1994 volume cap allocated to it by the State of Vermont to qualified mortgage bonds and mortgage credit certificates; and

WHEREAS, the Agency may be allocated additional volume cap by the State of Vermont before the end of the calendar year; and

WHEREAS, the Agency desires to elect to utilize any additional volume cap for qualified mortgage bonds and mortgage credit certificates; and

WHEREAS, the Agency desires to carry forward any of its unused volume cap pursuant to section 146 of the Internal Revenue Code of 1986;

NOW, THEREFORE, it is hereby RESOLVED:

1. The Agency hereby allocates $15,175,000 of 1994 private activity bond volume cap to issue qualified mortgage revenue bonds and mortgage credit certificates.

2. If the Vermont Housing Finance Agency is allocated any additional volume cap by the State of Vermont on or after December 1, 1994, it elects to allocate all of such additional volume cap for the purposes of issuing qualified mortgage bonds or mortgage credit certificates.

3. The Vermont Housing Finance Agency elects to carry forward all of its unused volume cap pursuant to section 146 of the Internal Revenue Code of 1986 for the purposes of issuing qualified mortgage bonds or mortgage credit certificates.

4. The Executive Director, Deputy Director and Director of Finance are directed, and each of them is authorized, to take all steps necessary to carry forward the Agency's unused volume cap, including, but not limited to preparation, execution, and delivery of a Carryforward Election of Unused Private Activity Volume Cap in such form as may be required by the Internal Revenue Service and consistent in content and effect with this Resolution.

vhfa
VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PAC

DATE: December 7, 1994

RE: Rural Vermont Mortgage Program

SUMMARY OF REQUEST

VHFA and the Rural Economic and Community Development Service (formerly the Farmer's Home Administration) have participated in a program called the Rural Vermont Mortgage Program since 1988. The Rural Vermont Mortgage Program allows both VHFA and the Rural Economic and Community Development Service (RECD) to participate in providing long term financing to low and very low income families for the purpose of obtaining home ownership in rural areas throughout Vermont. The Rural Vermont Mortgage Program allows RECD to leverage their limited funding to serve more lower income home buyers, and allows VHFA to reach buyers with incomes that are lower than the average incomes served through the MOVE Program. The Rural Vermont Mortgage Program operated until January 1993. At that time the Board approved funding of $500,000 at 7.45% from the proceeds of Series 4 Bonds; however, RECD believed that their funding was adequate to meet their demand and did not use the funds.

In Fiscal Year 1994, RECD received approximately $8.2 million in funding and was also able to access the national pool for approximately $20.7 million in additional funding. In Fiscal Year 1995, RECD will receive approximately $ 4.3 million. Due to this severe reduction in funding, RECD has approached VHFA to reactivate the Rural Vermont Mortgage Program. Staff requests approval to enter into an agreement with RECD to participate in the making of mortgages to low-income households in Vermont from the proceeds of funds available to VHFA for this purpose from the Series 4 bond issue. The interest rate will be 7.75%, and the loan term will be 30 years. All loans must be funded by VHFA by December 1, 1995.

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OVERVIEW OF THE RURAL VERMONT MORTGAGE PROGRAM

The Rural Vermont Mortgage Program is a participation program with RECD that allows VHFA to assist buyers with incomes lower than the average buyer served through the MOVE program and allows RECD to leverage their limited funding. The Rural Vermont Mortgage Program utilizes RECD's delivery system of County Supervisors. (The consolidation of some offices will not affect this delivery system because RECD will do outreach in those counties/areas without offices and set up field offices several days each week.) VHFA accepts RECD's applicant income limits, loan making procedures and forms, appraisals, and loan closing requirements within the limits of VHFA's statutory and bond indenture requirements. RECD matches a VHFA loan with its own loan (interest rates range from 1% to market), tailored to meet the buyer's needs, utilizing to the maximum extent VHFA funds. VHFA would have a first mortgage position, and RECD a second mortgage.

The Rural Vermont Mortgage Program is currently without funding and was funded previously with loan prepayments from bonds issued in 1977. RECD would like to reactivate the program to leverage the limited funding they have available. An evaluation in January 1993, indicated that the average income served in 1992 through the Rural Vermont Mortgage Program was $24,233 compared to the average income served through MOVE of $27,725 and through HOUSE of $24,835. The average purchase price of homes financed through the Rural Vermont Mortgage Program in 1992 was $83,434 compared to $67,603 for MOVE and $75,541 for HOUSE. This evaluation also showed that 98 (or 81%) of the 121 loans funded as of January 1993, were made in Chittenden, Franklin, Washington and Windsor counties.

RECD requests a change from the previous agreement that would allow a VHFA first mortgage of up to 75% of the lesser of the purchase price or appraised value. A previous agreement allowed a VHFA first mortgage for up to 50% of the value. RECD has also agreed to utilize the program in all of their lending areas to maximize their funding. Each application received by RECD, including those loans that have not yet closed, will be reviewed for eligibility for a VHFA/RECD participation. As with past agreements, RECD will agree to purchase VHFA's first mortgage in the event that a loan is three months past due.

Attached is a draft Memorandum of Understanding and Mortgage Loan Origination Agreement for the Rural Vermont Mortgage Program. These agreements are for a period of one year; however, VHFA and RECD have agreed to review and evaluate the program after six months to determine if our mutual goals are being met.

SERIES 4 BONDS

The Series 4 Bonds were issued in 1992 and were a refunding of bonds issued in 1978, 1979 and 1980. The refunding provided approximately $13.7 million in new funds. These funds were used to purchase loans made to non-first time buyers in Addison, Bennington, Chittenden, Grand Isle and Windsor counties, and to fund the HOUSE program. Approximately $1.5 million is available. Loans made with these funds must be purchased by VHFA on or before December 1, 1995, or the funds must be used to redeem bonds. Because RECD would use these funds to leverage their Fiscal Year 1995 funding, the December 1, 1995 purchase date will not be a problem for this program. Initially the note rate for loans made with Series 4 proceeds was 7.45% with a two percent origination fee. Because RECD does not charge an origination fee, the interest rate on loans made through the Rural Vermont Mortgage Program will be 7.75%.

BOARD ACTION REQUESTED

Staff requests approval of the attached Resolution to utilize up to $1.0 million in Series 4 bond proceeds to participate with the Rural Economic and Community Development Service in providing mortgage financing to lower income Vermonters.

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DRAFT

MEMORANDUM OF UNDERSTANDING

BETWEEN THE

VERMONT HOUSING FINANCE AGENCY

AND THE

RURAL ECONOMIC AND COMMUNITY DEVELOPMENT SERVICE

PURPOSE

The purpose of this Memorandum is to facilitate, and set forth an agreement between the Vermont Housing Finance Agency (henceforth referred to as VHFA), and the Rural Economic and Community Development Service (referred to as RECD), to allow both agencies to participate together, simultaneously, in providing long term financing to low and very low income families as defined by RECD regulations, for the purpose of obtaining home ownership in rural areas throughout Vermont.

Herein will be set forth the responsibilities of each agency in terms of loan originating, loan servicing, collections, and liquidation of the respective loans.

It is the intent of both agencies to pool their available resources in terms of personnel and funding to make available the opportunity of owning a home to more low and very low income families.

BACKGROUND

A. VHFA currently has available mortgage money it wishes to target to low and very low income families. Said funds are available to be loaned out at 7.75% for a term of 30 years. Applicant eligibility is hinged upon their income to housing debt ratio of 33 per cent or less, and a total debt ratio of 38 per cent or less. VHFA will consider higher ratios on a case by case basis as requested by RECD.

The strategy is to utilize RECD's delivery system to meet the purpose stated above. VHFA proposes to accept RECD's applicant income limits, loan making procedures and forms, appraisals, and loan closing requirements within the limits of their statutory and bond indenture requirements:

B. RECD has several county offices in Vermont which administer the Rural Housing Program. The program encompasses loaning to low and very low income families on modest housing situated on minimum adequate sites in rural areas. County Supervisors have loan approval authority within statutory limits, and their responsibilities cover everything from loan making to loan servicing and liquidation.

Joint participation loans offer both VHFA and RECD the unique opportunity to help more clients within existing agency frameworks.

RECD proposes to match a VHFA loan with its loan, tailored to meet the client's needs, utilizing to the maximum extent (within accepted guidelines) VHFA funds.

AGREEMENT

It is mutually agreed by the agencies party to this Memorandum of Understanding that the following guidelines set forth the basis for participating loans.

A. VHFA will:

1. Provide a specified pool of funds which can be lent at specified rates and terms to eligible applicants without down payment requirements, points or prepayment penalties.

2. Accept RECD's loan applicants who meet VHFA's debt to income ratios.

3. Accept RECD determination of loan participation by VHFA based upon repayment ability of the applicant. Maximum participation will be not more than 75% of total loan, which is limited to the State Director of RECD's lending authority on the date of the mortgage loan. Currently this limit is at $ 121,500.00.

4. Utilize RECD application process, forms, appraisal, and general loan closing requirements subject to VHFA's statutory and bond indenture requirements.

5. Receive first lien position on real estate security.

6. Receive directly monthly payments on its mortgage loan to be applied to borrowers accounts.

7. Be responsible for its own loan accounting, collection, servicing, and liquidation activities.

8. Upon timely notification by RECD, suspend monthly payments for up to a six month period in cases where borrowers receive a moratorium from RECD. The period of the VHFA moratorium will be concurrent with the moratorium given the borrower by RECD. At the end of the six-month period, if the moratorium is not renewed, VHFA will reschedule its debt and all accrued interest within the remaining life of the loan by means of a new promissory note or loan modification agreement, to which RECD will subordinate its interest, executed by the borrowers. If the moratorium is renewed, VHFA will accept a full payout from RECD on behalf of the borrower and assign or discharge its mortgage to allow RECD the ability to continue with its servicing activities.

9. Accept payment in full on VHFA's debt from RECD and give an assignment of security instruments in cases where RECD must initiate liquidation of its debt.

10. Notify RECD 30 days in advance of initiation of liquidation action to enable RECD to protect its security position.

11. Work directly with the County Supervisor in any matter of concern or interest involved with a participation loan to foster good communication and understanding between the agencies and to achieve the loan objectives.

B. RECD will:

1. Accept and process loan applications in accordance with its current regulations and income limits.

2. Determine applicant eligibility for RECD and VHFA housing programs.

3. Should the applicant be willing to participate with a joint loan, determine the loan fund ratio based upon the applicant's re-payment ability.

4. Appraise the proposed real estate security and determine the unit's acceptability for program requirements.

5. Perform the necessary loan closing functions as required by each agency's regulations, to allow an RECD designated closing agent to close the loan, resulting in VHFA as first lienholder and RECD as second lienholder. Each agency will be responsible for the preparation of its security instruments. Said instruments will be available at closing with the necessary loan funds from each agency.

6. Prepare and forward to VHFA a loan document package to meet VHFA's requirements at least fourteen (14) business days prior to the anticipated closing date.

7. Require the borrower to forward separate checks for VHFA's mortgage payment and RECD's mortgage payment to the addresses specified to the borrower by each agency.

8. Service its loans as set forth in current regulations.

9. Notify VHFA 30 days prior to the initiation of liquidation action.

10. Through its County Supervisors, work directly with VHFA to achieve the loan objectives and foster good communication and understanding between the agencies.

11. Pay VHFA all funds, including principal, interest and expenses, due upon the VHFA mortgage within thirty (30) working days from receiving a request from VHFA by certified mail at RECD's state office in Montpelier, Vermont, with the exception of the circumstances outlined in paragraph A.8 above.

12. Notify VHFA upon receiving an application from a borrower for a moritorium and again upon approving or disapproving of same. If the moritorium is approved, RECD will inform VHFA of the terms.

13. Accept a 4-Star rating from Energy Rated Homes of Vermont as meeting RECD's thermal guidelines.

IMPLEMENTATION

This Memorandum will become acceptable as an agreement in principle upon the signature of the appropriate representatives of each agency. Either agency may request review of this Memorandum at any time. Modification of this Memorandum may be initiated by either party and will become effective upon ratification by both agencies.

The parties will enter into a mortgage loan origination agreement for the program that will set out in detail the parameters of the program to be implemented upon adoption of this Memorandum.

Either party may terminate or suspend this Memorandum, without cause or penalty, upon ten (10) days notice to the other party.

Rural Economic and Community Development Service	Vermont Housing Finance Agency
By:____________________	By:____________________
Its________________and duly authorized agent	Its Executive Director and duly authorized agent
Date:____________	Date:____________

DRAFT

VERMONT HOUSING FINANCE AGENCY
MORTGAGE LOAN ORIGINATION AGREEMENT
FOR RURAL ECONOMIC AND COMMUNITY DEVELOPMENT SERVICE PARTICIPATION PROGRAM

The Rural Economic and Community Development Service of the United States of America (the " RECD") and Vermont Housing Finance Agency, an instrumentality of the State of Vermont("VHFA") hereby agree as follows:

SECTION I: Definitions

When used in this Agreement, the following terms shall have the meaning ascribed to them herein:

"Act" means the Vermont Housing Finance Agency Act, Chapter 25 of Title 10, Vermont Statutes Annotated, as amended.

" Borrower" or "Mortgagor" means the person(s) obligated under a Mortgage Loan, exclusive of guarantors or cosigners, or an applicant for a Mortgage Loan to be made pursuant to this Agreement.

"Eligible Mortgage Loan" means a Mortgage Loan to an Eligible Borrower secured by a New Mortgage on an Eligible Residence.

"Eligible Borrower" means a person or family of low or moderate income within the meaning of the Act.

"Eligible Residence" means the Principal Residence of an Eligible Borrower .

"Loan Closing Date" means the date of making a Mortgage Loan under this agreement.

"Mortgage Loan" means an interest bearing obligation secured by a mortgage constituting a first lien on land and improvements in the State of Vermont.

"New Mortgage" means a Mortgage Loan for the purchase of the property, which has never secured a previous mortgage given by the Mortgagor, or a Mortgage Loan which replaces a construction period mortgage, bridge loan, or similar temporary financing having a term of 24 months or less.

"Principal Residence" means a Residence occupied, or intended for occupancy, by a Mortgagor as his domicile, not as an investment property or a recreational home, and not primarily in a trade or business .

"Program" means any program of VHFA whereby Mortgage Loans are purchased or made in whole or in part with the proceeds of tax-exempt bonds that may have been issued by VHFA prior to the effective date of the Mortgage Subsidy Bond Tax Act (Public Law 96-499), and including Mortgage Loans made pursuant to this Agreement.

"Residence" means an owner-occupied dwelling, other than (i) a mobile home, or (ii) manufactured housing, that is not permanently fixed to real property.

"Servicer" means the bank or institution designated by VHFA which has executed a mortgage Loan Servicing Agreement with VHFA in connection with this Agreement.

Section II: Agreement to Originate and Sell Mortgage Loans

In accordance with all of the terms and conditions of this Agreement, the RECD agrees to originate for VHFA, up to a maximum of $ 1,000,000.00 aggregate principal amount of New Mortgage Loans or such greater aggregate principal amount as VHFA may agree to from time to time.

With respect to Mortgage Loans:

A. All Mortgage Loans shall be Eligible Mortgage Loans originated after the date hereof for the purpose of origination for VHFA.

B. The term on each Mortgage Loan shall be as specified by VHFA in writing. Until otherwise specified, the term of each Mortgage Loan shall be 30 years.

C. The interest rate on each Mortgage Loan shall be as specified by VHFA in writing. Until otherwise specified, the interest rate shall be 7.75% per annum.

D. All Mortgage Loans shall provide for substantially equal monthly installments of principal and interest.

E. Mortgagor eligibility is based upon mortgagor's income to housing debt ratio and total debt ratio. Normally these are 33% or less for housing debt ratio and total debt ratio of 38% or less. These ratios may be higher as determined by RECD on a case by case basis.

F. All Mortgage Loans shall comply with the Act.

G. It is understood and agreed that all Mortgage Loans originated for VHFA hereunder shall supplement loans made by RECD under the RECD's "Rural Housing Loan Program." *Any mortgage securing a loan made by the RECD for its own account shall be subordinate in lien to the VHFA Mortgage Loan applicable to the same property, and shall so state in the RECD mortgage.*

H. The sum of the original principal amount of any Mortgage Loan and the original principal amount of RECD's loan to the same Mortgagor is hereinafter called the "Total Loan Amount" and shall not exceed the mortgage lending authority of the State Director of Vermont, as approved by the RECD's national office at the time the loan is made. Currently that authority is $ 121,500.00. The RECD agrees that no Mortgage Loan originated for VHFA under this agreement shall exceed, in original principal amount, 75% of the Total Loan Amount.

I. The term of this agreement shall be for a period of twelve months from the date hereof, to be reviewed after the first six month period to determine if the program should be continued for the final six month period.

Section III: Mortgage Loan Servicing

After origination and delivery of a Mortgage Loan to VHFA, the only obligations of the RECD with respect to the servicing of such Mortgage Loan shall be as set forth in this Section III.

A. RECD and VHFA shall collect their own mortgage loan payments.

B. If either the RECD or the VHFA discovers information which would materially impair the other's interest in the Mortgage Loan, each will promptly notify the other of such information. Examples of such information include, without limitation, the fact of default past 30 days under the either mortgage lender's retained loan to the Mortgagor, the cancellation or threat of cancellation of applicable homeowners insurance, significant damage to, or waste or abandonment of, the real property secured under the Mortgage Loan, sale of the real property by the Mortgagor, a tax sale and use of the secured real property by the Mortgagor as other than the Principal Residence of the Mortgagor.

Section IV: Procedures for Loan Origination and Sale

A. Credit Underwriting

VHFA acknowledges that it has been apprised of the procedures and standards employed by the RECD with respect to underwriting the credit worthiness of borrowers under its Rural Housing Loan Program. VHFA accepts such procedures and standards for the purposes of this agreement. The RECD agrees to promptly notify VHFA in the event that its procedures or standards are materially altered.

B. Loan Application Form

VHFA has examined the standard loan application form used by the RECD in its Rural Housing Loan Program, and accepts the use of such form for the purposes of this agreement. The RECD agrees promptly to notify VHFA of any change in the RECD's loan application form.

C. Income Eligibility

VHFA has been apprised of the current income-eligibility standards for borrowers under the RECD's Rural Housing Loan Program. VHFA has determined that persons and families who meet the income-eligibility standards of the Rural Housing Loan Program are "Persons and Families of Low and Moderate Income" within the meaning of the Act. The RECD agrees promptly to notify VHFA in the event of any change in its income eligibility standards.

D. Procedure for Approval of Loans

Upon its determination that a Mortgagor is eligible for a loan under its Rural Housing Loan Program, and that the RECD wishes to have VHFA lend a portion of the Total Loan Amount in the form of a Mortgage Loan, copies of the completed documents listed below, as such documents may be changed from time to time, shall be delivered to VHFA for approval at least fourteen (14) business days before the anticipated closing date.

Documents and information needed for loan approval:

1. Loan Application Form;
2. Credit Report;
3. Verification of Deposit;
4. Verification of Employment and Other Income;
5. Properly executed sales agreement;
6. Completed appraisal Report, with 2 descriptive original photographs;
7. Anticipated Loan Closing Date with the name, address, and telephone of the RECD's closing attorney; and
8. Accurate and complete Legal Description of the property.

Within 5 business days of <u>receiving</u> the Mortgage Loan documents for approval, VHFA will notify the RECD of its decision. Prior to the Loan Closing Date VHFA will deliver to the appropriate RECD county office its form of Mortgage Note and Mortgage, ready for execution and acknowledgment in a manner suitable for recording under Vermont law, together with VHFA's check made payable to the Borrowers in an amount equal to the principal amount of the Mortgage Loan (the "Mortgage Check").

At the closing of the Mortgage Loan, the RECD agrees to assure itself that the Residence is covered by a hazard insurance policy or policies containing a standard Vermont mortgage clause, identifying VHFA as first mortgagee.

RECD agrees to furnish, at closing, all documentation and disclosure required for compliance with truth in lending laws, and further agrees to assure proper execution of the same.

Upon closing of the Mortgage Loan and acceptance of the Mortgage Check, the RECD will deliver the original Note and a copy of the unrecorded Mortgage evidencing the Mortgage Loan to VHFA.

The RECD agrees to be responsible to assure proper execution of the Note, and proper execution, acknowledgement, and recording of the Mortgage and the delivery of these items to VHFA.

In the event that the closing of the Mortgage Loan does not occur on the scheduled Loan Closing Date, the RECD agrees to immediately return the Mortgage Check to VHFA unless VHFA shall otherwise consent in writing.

F. <u>Warranties and Covenants of the RECD</u>

1. By acceptance of a Mortgage Check, the RECD will be deemed to have made the following covenants and warranties for the benefit of VHFA with respect to the applicable Mortgage Loan:

(a) The Mortgage Loan constitutes a valid first lien on a Residence as to which the Mortgagor holds marketable record title;

(b) The RECD has complied with all applicable federal, state, and local laws, rules, and regulations which govern the affairs of the RECD and the Mortgagor, including without limitation all applicable truth-in-lending laws; and no counterclaim, offset, defense, or right of rescission exists which can be asserted and maintained by the Mortgagor or his successor in interest against VHFA;

(c) The principal balance on the Mortgage Loan as of its date of closing and all other data provided to VHFA in connection with its Pre-funding Approval have been accurately stated by the RECD; and

(d) The improvements on the property covered by the Mortgage Loan are insured against fire and other hazards by a valid and subsisting policy of hazard insurance naming VHFA as first mortgagee and containing a standard Vermont mortgage clause, in an amount equal to not less than the insurable value of the property being secured by the mortgage deeds or the outstanding principal balances of both mortgage loans, whichever is less.

2. The RECD agrees that it has, and its officers acting on its behalf have and will have, full legal authority to execute this Agreement and to engage in the transactions contemplated by this Agreement.

G. Post-Closing Procedure

Within 14 calendar days of the closing of a Mortgage Loan, the RECD shall deliver the following documents to VHFA:

1. The original Note, properly executed, evidencing the Mortgage Loan.

2. "As-delivered" executed copies of the following:
   A. The Mortgage;
   B. The Warranty Deed;
   C. The Vermont Property Transfer Tax Return; and
   D. Evidence of hazard insurance policy with Agency named as first mortgagee.

3. Such other documents as the RECD and VHFA may agree are appropriate in any particular case.

As soon as available after the Loan Closing Date, but in any case not later than 90 days after the Loan Closing Date, the RECD shall deliver to VHFA the original Mortgage, as recorded and showing the recording information, and updated Title Certificate.

Section V: Loan Payment Moratorium Cooperation

Subject to the limitations set forth below, in any case in which the RECD has granted a payment moratorium to a Mortgagor under its retained loan, on the request of the Mortgagor, VHFA will grant a similar payment moratorium under the Mortgage Loan for a period not exceeding six months. In such cases, the Mortgagor must execute a substitute Note requiring payment of all principal and interest within the term of the original Note.

Notify VHFA upon receiving an application from a borrower for a moratorium and again upon approving or disapproving of same. If the moratorium is approved, RECD will inform VHFA of the terms.

VHFA shall not be required to grant a loan payment moratorium request if, at the time of the request, 10% or more of the aggregate outstanding principal balance of Mortgage Loans originated hereunder is subject to such a moratorium.

VHFA shall not be required to grant a loan payment moratorium in the event VHFA has submitted a written request for purchase pursuant to Section VI below prior to the receipt of a request for a loan payment moratorium.

Section VI: Purchase Agreement

In the event of a breach by a Mortgagor of a Mortgage Loan originated for VHFA, or at VHFA's written request, subject to the condition of Section V above, the RECD agrees to purchase the Mortgage Loan for all funds due VHFA including principal, accrued interest up to and including the payoff date, and expenses. The Mortgage Loan must be purchased within 30 days from receipt of the request made by certified mail addressed to RECD at 89 Main Street, City Center, Third Floor, Montpelier, Vermont 05602. VHFA shall timely deliver the Note, endorsed to RECD, and a validly executed Assignment of Mortgage to RECD, in the event of a purchase under this section.

Section VII: **Fees**

Notwithstanding general provisions of the Program, there shall be no commitment fee charged to the RECD, there shall be no origination fee charged to the Mortgagor, and there shall be no servicing fee payable to the RECD.

IN WITNESS WHEREOF, the parties have caused this agreement to be subscribed by their respective duly authorized agents effective as of the date last signed by the parties below.

RURAL ECONOMIC AND COMMUNITY DEVELOPMENT SERVICE

By:______________________________
Its ________________ and duly authorized agent

Date:_______________

VERMONT HOUSING FINANCE AGENCY

By:______________________________
Its Executive Director and duly authorized agent

Date:_______________

VERMONT HOUSING FINANCE AGENCY
RESOLUTION AUTHORIZING
PARTICIPATION WITH RURAL
ECONOMIC AND COMMUNITY DEVELOPMENT SERVICE
IN THE RURAL VERMONT MORTGAGE PROGRAM

RESOLVED:

Pursuant to § 621(4) of the Vermont Housing Finance Agency Act, the Executive Director is authorized to use up to $1 million of proceeds of the Agency's Series 4 bond issue for loans to borrowers in conjunction with the Rural Economic and Community Development Service under the Rural Vermont Mortgage Program, substantially in accordance with the provisions of the attached Memorandum of Patricia A. Crady directed to the "VHFA Board of Commissioners" and dated December 7, 1994. The loans shall bear an interest rate of 7.75% per annum for a period of not more than thirty years. The loans shall be secured by first mortgages. The Executive Director, the Deputy Director and the Director of Single Family Operations are authorized to take all necessary steps and execute all documents necessary to effectuate the Program authorized in this Resolution.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Irene Jenkins, Director of Development
Paul Cummings, Development Assistant

DATE: December 9, 1994

RE: Proposed Increase in Tax Credit Reservation: Spring and Elliot Street Project, Brattleboro

In the November allocation round, we approved a maximum reservation of $73,319 for the Spring and Elliot Street project in Brattleboro proposed by the Brattleboro Area Community Land Trust (BACLT). BACLT has applied for additional 1994 credits. The attached project summary sheet shows the relevant data for this project.

To date $1,423,901 in credit has been reserved for projects, leaving $64,987 available for reservations for this round. Because the IRS allows credit returns after September 30 of a given year to be treated as returns in the subsequent year, the $64,987 in tax credits remaining could be deemed returned in 1995. This would enable Vermont to qualify for the "National Pool" without allocating any 1994 credit returns this year (Vermont's 1994 returns totaling $78,757 in tax credits were received after September 30, 1994). Vermont must allocate 99 percent of its 1994 tax credit ceiling in order to qualify for the "National Pool" credits (a portion of the unused credit ceiling from other states) in 1995. The amount Vermont stands to gain in credits by qualifying for the National Pool is not known at this time, but will be based on the total credits available and Vermont's population relative to the other states' populations that qualify. An additional allocation of $85,414 in acquisition credits for Olde Windsor Village was taken outside of the state's cap.

The Joint Committee on Tax Credits is scheduled to meet on December 12, 1994. If the Joint Committee endorses the staff recommendation, we request Board approval for an additional reservation of $38,865 in credits.

RECOMMENDED BOARD ACTION

Staff requests Board approval of the attached-described reservation, subject to payment by the sponsors of required reservation fees, and of final allocation subject to the conditions described below. This recommendation is conditioned upon Joint Committee endorsement of the staff recommendation.

PROJECT SUMMARY

Name:	Spring and Elliot Street Project
Location:	Brattleboro
Sponsor:	Brattleboro Area Community Land Trust
Unit Breakdown:	16 total: Two 1-Bedroom, 600 square feet; Fourteen 2-Bedroom, 750 square feet
Cost:	$1,407,050 total; $87,941/unit; $57.35/s.f. hard construction cost
Income Targeting:	100% LIHTC Rent Restricted Units at or Below 55% of Area Median Income

The proposed project is an acquisition/rehab of 16 family units in three buildings in downtown Brattleboro. The existing buildings are approximately 90 to 100-year old, three story structures each with six units. There is very little open space between the buildings as the total site (including approximately 6-10 parking spaces) is less than half an acre. The conditions of these buildings vary but all are in need of repair and improvements. Brattleboro Area Community Land Trust (BACLT) is proposing substantial rehabilitation of the units (approximately $42,000 per unit) and will also remove two units to decrease the total number of units from 18 to 16. All of the units will be tax credit units.

This project has already received approval for a reservation of $73,319 in 1994 credits. The sponsor is seeking an additional allocation of credits based on 1) an increased rehabilitation budget of $53,000 to reflect construction estimates from the sponsor's architect, 2) an increase in the number of tax credit qualified units from 12 to 16 units so that project is now 100% tax credit units, and 3) an adjustment of other development budget items to reflect syndicator and lender underwriting requirements including additional financing costs, legal costs, and other fees.

This project was part of a statewide application to the AFL-CIO for project-based rental subsidies under the HUD demonstration Section 8/Pension Fund program; this project has been approved by the AFL-CIO and will receive eight (8) 10-year Section 8 project-based assistance (certificates). (The original tax credit application reflected 12 Section 8 units with 15-year contracts.) These certificates will make these units affordable to persons earning less than or equal to 50 percent of area median income (adjusted for family size).

BACLT has also sought permanent financing from the AFL-CIO and has a preliminary commitment for a permanent loan not to exceed $125,000 as well as construction financing. (The original tax credit application reflected a larger loan amount from the AFL-CIO based on more Section 8 certificates.) At this time we have only seen a preliminary commitment from the AFL-CIO and are not aware if BACLT will accept the commitment.

In the original tax credit application, BACLT proposed using one of the following sources of financing: 1) the AFL-CIO Section 8 certificates and loan, or 2) HOME funding. If BACLT decides to use HOME funding rather than the AFL-CIO Pension Fund/Section 8 program, then the tax credit basis and allocation will be appropriately reduced. VHFA will review BACLT's sources and uses of financing as well as final development costs prior to issuing a final tax credit allocation (IRS form 8609).

The project's remaining financing sources would consist of tax credit equity and of grants from the Federal Home Loan Bank of Boston (FHLBB), VHCB, and a HUD Special Purpose grant. The tax credits would be syndicated through the Enterprise Social Investment Corporation.

BACLT would manage the units. BACLT has had success managing properties in the Brattleboro area (current portfolio vacancy rate of approximately 2%) and is confident that the proposal will provide highly marketable units. The sponsor will only be rehabilitating one building at a time and therefore does not anticipate a difficult rent up period. Because existing tenants in occupied units will be relocated among buildings, the sponsor does not think a market study is necessary. The sponsor anticipates that approximately six units will be vacant when the building is acquired. BACLT intends to negotiate an option agreement to purchase the buildings from the LIHTC partnership at the end of the compliance period (15 years).

BACLT has secured site control with the current owner (Purchase and Sale contract expires December 29, 1994). The Executive Director of BACLT has indicated that she will be able to incur 10% of reasonably expected basis required for the Carryover Allocation by acquiring the buildings on or before December 22, 1994.

Recommendation: Staff recommends reservation of $38,865 in additional tax credits, for a total allocation to the project of $112,184. This reservation would be subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than 12/22/94 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must demonstrate that requisite financing has been committed or obtained by 12/22/94. "Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

3) Sponsor must provide evidence that the construction prices have been obtained or agree to obtain them through a competitive bidding process.

4) Sponsor must provide a revised development budget at the time of request for a carryover allocation.

RECOMMENDED ACTION:

In view of the expressed willingness by key parties to contribute to a viable solution if such can be developed and the potential benefit to the Agency of reaching an agreement at this time, we request the Board to authorize the Executive Director to negotiate such an agreement and to commit the Agency upon consultation with and approval by the Chairman of the Board.