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Vermont Housing Finance Agency

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director

DATE: December 27, 2006

RE: CONFIRMATION OF VHFA BOARD MEETING
BY CONFERENCE CALL

This is to notify you that the next meeting, to be held by conference call, of the Vermont Housing Finance Agency Board of Commissioners has been confirmed. The meeting will be held:

Wednesday, January 3, 2007
9:30 a.m. – 11:00 a.m.

Dial 1-888-387-8686 and Enter Password 616 9906#

A speakerphone will be setup in the Board Room at
Vermont Housing Finance Agency
164 St. Paul Street
Burlington, Vermont

Attached are the Agenda and Board packet. Please feel free to contact me should you have any questions prior. Please contact Renee Couture at rcouture@vhfa.org or Becky Greenough at bgreenough@vhfa.org by noon on Tuesday, January 2nd, if you wish to request that items be removed from the consent agenda.

Also attached is an updated 2007 VHFA Board of Commissioners Meeting Schedule. The March 12th meeting was moved from Montpelier to Burlington. Location is yet to be determined.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
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EQUAL HOUSING OPPORTUNITY

VHFA BOARD MEETING AGENDA
By Conference Call
Wednesday, January 3, 2007
9:30 a.m. – 11:00 a.m.

Review and Approval of December 4, 2006 Board Minutes — Enclosure

Consent Agenda: ***Action Requested****

- **Development - Loans and Tax Credits ("TC")**
  - Lake Champlain Apartments, Burlington – Perm Loan — Plantilla/Enclosure

Development - Loans and Tax Credits ("TC")

- Whitney Hill, Williston – Perm Loan — Reid/Enclosure

Finance

- Series 27 Single Family Supplemental Resolution — Connors/Enclosure

Legislative Updates — Carpenter/Enclosure

Spinner Place, Winooski Redevelopment Project – Update — Carpenter/Discussion

Other

Adjournment

Reports: ***FYI Only***

- Interesting Housing Fact — Black-Plumeau/Enclosure
- Summary of Homeownership Activities / Reports — Crady/Enclosure
- Interim General Fund Budget Report — Gutchell/Enclosure
- Executive Director's Report — Carpenter/Enclosure

* *Call Renée at 652-3417 or e-mail rcouture@vhfa.org and/or call Becky at 652-3413 or email bgreenough@vhfa.org by noon on January 2nd to request items be removed from the Consent Agenda*

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Vermont Housing Finance Agency

VHFA Board of Commissioners Meeting Minutes
by Telephone Conference
initiated at
Vermont Housing Finance Agency
164 St. Paul Street, Burlington, Vermont
Monday, December 4, 2006 at 9:30 a.m.

VHFA Board Members Present:
Lisa Mitiguy Randall – Chair, Robert Alberts, Thomas Candon (designee for Crowley), Dagyne Canney, Kevin Dorn, Bart Frisbie, Beth Pearce (designee for Spaulding), Gus Seelig, Jeb Spaulding

VHFA Board Member Absent:
Paul Beaulieu

Staff: Dave Adams, Sarah Carpenter, Maura Collins, Tom Connors, Renee Couture, Pat Crady, Elizabeth Mullikin Drake, Joe Erdelyi, Sam Falzone, Pat Loller

Chair Randall called the meeting to order at 9:35 a.m. A quorum of the Board was present.

BOARD MINUTES
Mr. Alberts made a motion to approve the November 6, 2006 Board of Commissioners meeting minutes. Mr. Frisbie seconded the motion which was unanimously approved.

CONSENT AGENDA
Mr. Candon made a motion to approve the items on the Consent Agenda (restated here):

- Waiver of Home Buyer Education Requirement for Non-First Time Buyers using the Fixed 35 Option
- Resolution Re: 401(k) Plan for the Adoption of Provisions of the Final Regulations Under Internal Revenue Code Sections 401(k) and 401(m) and Provisions of the Proposed Regulations Under Internal Revenue Code Section 415
- [Resolution] Regarding KeyBank Non-Revolving Borrowing
- Resolution Authorizing the Issuance and Sale of a Maximum of $35,000,000 of Bonds in One or More Series to Finance Multi-Family Projects

Ms. Canney seconded the motion which was unanimously approved.

MULTIFAMILY

Northgate, Burlington ("Northgate") – Transfer of Ownership to Residents

Mr. Falzone reviewed his memo regarding Northgate Residents Ownership Corporation's (NROC) request of VHFA for conceptual approval of the assumption of existing debt from Northgate Housing Limited Partnership, subject to approvals from VHCB, HUD and the IRS.

Mr. Candon asked what would happen if the Board did not approve the request. Mr. Falzone explained that the current ownership structure would remain intact, but, that this would be counter to the model envisioned for this project, adding that transition of ownership to tenants is a second tier priority in the Allocation Plan adopted by the VHFA Board. He further explained that Northgate has been a great success in terms of a preservation model and use of tax credits, in large part because of the continuity of people involved (the resident's association has always been a co-general partner). To Mr. Candon's question about whether there would be more or less risk to the Agency, Ms. Mullikin Drake explained that there should be no change in the financial risk to the Agency. Ms. Carpenter added that VHFA staff will continue to have some oversight through its approval of the management company, per the Regulatory Agreement.

Ms. Randall asked about the amount of existing debt. Mr. Falzone explained that the amount of debt is about $19 million including accrued amounts of deferred interest, and the amount of VHFA debt is approximately $1 million.

Mr. Seelig asked how much of the debt is active vs. deferred. Mr. Falzone replied that approximately $6.5 million is active.

Mr. Frisbie expressed concern about the size of the residents' association making the oversight of the project cumbersome resulting in regression. Mr. Seelig shared his concern but emphasized that the Board was being asked for conceptual approval and that staff will continue to have oversight of the management company. Even so, Mr. Seelig would like to know how the community representatives to the NROC Board will get their seats, cautioning that this should probably not be a completely internal process.

Mr. Seelig made a motion to approve, in concept, NROC's assumption of the existing debt from Northgate Housing Limited Partnership, subject to approvals by VHCB, HUD and the IRS. Ms. Pearce seconded the motion. The motion was unanimously approved.

LEGISLATIVE UPDATE

2007 Legislative Session

Ms. Carpenter reviewed her memo regarding issues likely to surface in the new legislative session and requested feedback from the Board about them. She added that she will continue the discussion at the January Board meeting, at which point there may be more specific proposals.

Regarding increasing the State Housing Credit by $100,000 for new homeownership development, Mr. Dorn explained that, given the modest amount of the increase, it is unlikely that the proposed expansion would be in the form of an employee assisted housing program; instead, programs currently in place would likely be expanded.

Regarding the establishment of a statewide rental registry with a fee attached to support rental housing code enforcement, Mr. Dorn commented that, although the administration does not yet have a position, his sense is that anything that involves increasing fees in housing will be a challenge to the administration. Mr. Seelig mentioned that there was a related Vermont Supreme Court decision a few weeks ago related to State code enforcement and asked whether that would impact the need for this bill. Ms. Mullikin Drake said that she would look into it. Mr. Frisbie is concerned about creating another layer of bureaucracy, ultimately increasing the cost to the tenant, when, he suspects, the majority of rental unit owners comply with code.

Regarding the New Neighborhoods Initiative, Ms. Carpenter reminded the Board members that they supported the bill last year. The same bill will be introduced this year. (Mr. Dorn will forward last year's Homes for Vermonters legislative draft to Ms. Carpenter who will distribute.) Mr. Dorn added that he, and, on behalf of the Governor, would appreciate the support of the VHFA Board for this initiative.

Regarding mobile home issues, Mr. Adams explained that the goal of any legislation introduced is to induce Freddie Mac and Fannie Mae to finance mobile homes. Mr. Adams believes that legislation will be re-introduced to convert mobile homes on leased land to Real estate. He added that there is no downside to the Agency as it already considers mobile homes it finances to be Real estate.

Mr. Adams explained that he has served on a study group, along with John Hall, which may introduce legislation requiring all home inspectors to become licensed. Mr. Adam's suggestion would be to make a licensing facility available but not required. The study group is continuing to meet; it has not reached full consensus on a formal recommendation.

Property Transfer Tax Proposal

Ms. Carpenter explained that the issue of property transfer taxes (PPT) will probably get the most attention, in the realm of affordable housing, from the legislature during the upcoming session. She asked for support from the Board with regards to expanding the VHFA PPT exemption up to $140,000 and to include homes with RD and HOMELAND loans. There was consensus to follow through with this again this year.

She briefly reviewed her and Ms. Collins' memo regarding the property transfer tax proposal staff expects to be championed by NeighborWorks® Vermont Homeownership Centers and others. She explained that she expects there will be multiple proposals and that people will be looking to VHFA, as a lead state housing agency, for its opinion.

Ms. Randall pointed out that increasing the PPT rate on vacation and rental property and higher end homes could be fairly controversial, something realtors and some bankers and developers are likely to oppose. Mr. Alberts agreed. Ms. Randall is also concerned about raising the PTT on primary homes, adding that she wouldn't want to see the cost of purchasing a home increase because of a position the Agency has taken. Ms. Carpenter explained that some previous opponents may support an increase if the additional money goes back into housing.

Ms. Canney confirmed that Realtors would oppose an increase in the PTT, and that Realtors need to be pro-VHFA. Mr. Frisbie pointed out that raising the PTT on residential property seems contrary to the Agency's mission as it raises the price of housing.

Mr. Dorn believes that the Governor will not support an increase in taxes and asked why efforts haven't been put forth to retain, for housing, PPT revenues which are currently diverted to the general fund. Ms. Carpenter explained that there has been some effort to do this, something she would support, but there always is the question about how to raise the revenue that has been diverted to the general fund. Mr. Seelig also thinks there is an opportunity to dedicate more PTT revenue to housing, at least for a limited period of time. However, he cautioned that the legislative economist predicts a 20% PTT revenue reduction because of a slowing market. He also thinks that staff should have a discussion with the Governor to learn if there are any circumstances under which he would support a statutory formula increase.

Mr. Spaulding suggested staff obtain an independent economist's opinion (someone with expertise in the area of real estate marketing) about the impact of various scenarios for increasing the PTT. After more discussion, Ms. Carpenter said that staff would return to the Board in January or February with more information about the economic impact of an increase in PPT (possibly, with input from an expert in the field) and with information about how PPT revenues are currently distributed. Mr. Seelig offered to have VHCB help with some analysis.

OTHER

The Bank of New York

Mr. Candon informed the Board and staff that The Bank of New York (BoNY) has purchased Mellon Bank, making BoNY the largest security servicing company in the world.

Vermont Statewide Housing Conference

Ms. Randall remarked that the housing conference was outstanding and congratulated staff on a job well done. Mr. Alberts concurred.

ADJOURNMENT

Mr. Seelig made a motion to adjourn the meeting. Ms. Pearce seconded the motion and the Board unanimously approved to adjourn the meeting at 10:53 a.m.

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Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Liza Vedder Plantilla

DATE: December 20, 2006

RE: Lake Champlain Apartments, Burlington; Loan Consolidation and Refinance

Name:	Lake Champlain Apartments	**Location:**	Burlington
Housing Type:	Multifamily	**Unit Type:**	Flats
Unit Count:	27 Units	**Unit Sizes:**	**9** One Bedroom units **16** Two Bedroom units **2** Three Bedroom units
Total Cost:	$1,364,128	**Per Unit Cost**	$50,523
Loan Requested:	$758,563 Permanent Loan	**Sponsor:**	Burlington Housing Authority (BHA)
Other Funding:	BHA Equity		

Recommendation: That the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board authorize the Executive Director to issue a Letter of Interest and/or a Commitment Letter to finance this development upon satisfactory completion of staff underwriting and due diligence.

Project Summary:
Lake Champlain Apartments is a three building scattered site project owned by the Burlington Housing Authority (BHA) located at 185 Pine Street and 234-237 Church Street in Burlington. The project has project based Section 8 which expires in 2011 and 2012. All three buildings were built c.1900 with rehabilitation and additions completed in 1981. The thirteen unit Pine Street building is in good condition having undergone minor renovations as well as roof and window replacements in a period stretching from 2001 to 2004. The fourteen units on Church Street have not seen renovation since 1981; at that time all the windows were replaced, and the kitchens and bathrooms were gutted. BHA has a solid track record for maintaining its properties, and recently completed C.N.A's for Lake Champlain Apartments. There are capital needs in the coming years that will exceed projected replacement reserves. It was also recently necessary for BHA to replace the twenty-seven hot water boilers in these buildings at an expense of approximately $160,000.

Currently Lake Champlain Apartments has three VHFA permanent loans and one zero percent loan on these properties; the outstanding balance on these loans amounts to $1,198,928. The rates on these loans range from 7.25% to 8.00%, and their monthly payment is $13,386. BHA has proposed a refinance and consolidation of two of these loans at current rates of 6.75%. In addition to consolidating those two loans, they would like to increase the total amount by $260,983. These additional proceeds will be used to repay BHA for the new boilers, as well as repay VHFA $100,983 for the zero-percent loan that the project no longer needs, as it is able to carry more debt. The total amount of the new loan will be $758,563. The third existing permanent loan of $600,365 is only five years old, has a competitive rate, and will not be a part of the consolidation.

Even with this increase in debt (which will now total $1,358,928) monthly payment will be approximately $9,713, thanks to the lower rate. This annual saving of $44,076 will be used to enhance reserves and should be sufficient to handle the capital needs projected by C.N.A for at least the next five years, if not longer. We have not yet received an appraisal from the sponsor, but the total new loan amount on these buildings is $1,358,928 and the combined city assessed value (which is generally lower than appraised value) is $1,861,900. In light of this information, staff would like to request a waiver on the appraisal requirement.

21-Dec-06 **Lake Champlain Apartments**

Total Residential Units:	27	Increase in Income from Rental Units:	1.50%		
Housing Credit Restricted Units:	0	Increase in Income from Other Sources:	1.00%		
Percent Restricted:	0.00%	Increase after End of HAP	2.00%		
Total Development Cost:	1,364,128	Expense increase:	3.50%		
Total Development Cost per Unit:	50,523	Vacancy Rate:	2%		
Total Development Cost Per SF:	65	Vacancy Rate after end of HAP:	10%		
		Long Depreciation Schedule:	27.5	years	
Max Credit Potential:	n/a	Short Depreciation Schedule:	7	years	
Credit Amount Allocated:	n/a				

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
Current VHFA Loan	600,365	44.01%	7.25%	25	25
New VHFA Loan	758,563	55.61%	6.25%	25	25
BHA	5,200	0.38%			
		0.00%			
TOTAL SOURCES	1,364,128	100.00%			

USES

Acquisition	1,199,128	87.90%
Construction Hard Costs	160,000	11.73%
Soft Costs	5,000	0.37%
TOTAL USES	1,364,128	100%
Gap	0	

21-Dec-06 **Lake Champlain Apartments**

		Budget	Per Unit	Current VHFA Loan 7.25%	New VHFA Loan 6.75%	BHA	TOTAL	
	ACQUISITION			600,365	758,563	5,200		
1	Repay VHFA Loan #1 (@ 7.31%)	464,060	17,187		464,060		464,060	0
2	Repay VHFA Loan #2 (@ 8%)	33,520	1,241		33,520		33,520	0
3	Current VHFA Loan (@7.25%)	600,365	22,236	600,365			600,365	0
4	Repay 0% Loan	100,983	3,740		100,983		100,983	0
5	Legal - Title and Recording	200	7			200	200	0
	Subtotal - Acquisition	1,199,128	44,412					1,199,128
	CONSTRUCTION HARD COSTS							0
6	Rehabilitation	0	0				0	0
7	New Building(s)		0				0	0
8	Accessory Buildings		0				0	0
9	Sitework		0				0	0
10	Commercial Space Costs (if any)		0				0	0
11	General Requirements		0				0	0
12	Contractor Overhead		0				0	0
13	Contractor Profit		0				0	0
14	Construction Contingency	0	0				0	0
15	Construction Management	0	0				0	0
16	Construction Bond Fee		0				0	0
17	Hazardous Materials Abatement		0				0	0
18	Off-Site Improvements		0				0	0
19	Furnishings, Fixtures, & Equipment		0				0	0
20	Furnace Replacement	160,000	5,926		160,000		160,000	0
	Subtotal - Hard Costs	160,000	5,926					160,000
	SOFT COSTS							0
21	Architectural		0				0	0
22	Engineering		0				0	0
23	Legal/Accounting	2,500	93			2,500	2,500	0
24	Relocation		0				0	0
25	Environmental Assessment		0				0	0
26	Energy Assessment		0				0	0
27	Permits/Fees	0	0				0	0
28	Independent Market Study		0				0	0
29	Construction Period Insurance		0				0	0
30	Construction Interest		0				0	0
31	Construction Loan Origination Fee	0	0				0	0
32	Taxes During Construction	0	0				0	0
33	Clerk of the Works		0				0	0
34	Marketing		0				0	0
35	Tax Credit Fees		0				0	0
36	Soft Cost Contingency		0				0	0
37	Permanent Loan Origination Fee		0				0	0
38	Lender's Counsel's Fee	2,500	93			2,500	2,500	0
39	Other (_____)		0				0	0
	SYNDICATION COSTS							0
40	Organizational (Partnership)		0				0	0
41	Bridge Loan Fees and Expenses		0				0	0
42	Syndication Consultant		0				0	0
43	Tax Opinion		0				0	0
	DEVELOPER'S FEES							0
44	Developer's Fees		0				0	0
45	Other Partnership Fees		0				0	0
46	Consultant Fees		0				0	0
	RESERVES							0
47	Working Capital	0	0				0	0
48	Rent-up (Deficit Escrow) Reserve		0				0	0
49	Other Operating Reserves		0				0	0
50	Sinking Fund		0				0	0
51	Replacement Reserves	0	0				0	0
	Subtotal - Soft Costs	5,000	185					5,000
	TOTAL DEVELOPMENT COSTS	1,364,128	50,523	600,365	758,563	5,200	1,364,128	0

21-Dec-06 **Lake Champlain Apartments**

Project Based Section 8 Units

	Bedrooms	Number	Average Rent	Utilities	Total Annual Rent
185-11	2	1	854	125	10,248
185-12	1	1	782	98	9,384
185-21	1	1	773	98	9,276
185-22	1	1	776	98	9,312
185-23	2	1	845	125	10,140
185-24	2	1	845	125	10,140
185-25	2	1	858	125	10,296
185-26	1	1	781	98	9,372
185-31	1	1	773	98	9,276
185-32	1	1	780	98	9,360
185-33	2	1	863	125	10,356
185-34	2	1	863	125	10,356
185-35	1	1	782	98	9,384
243-1	2	1	855	125	10,260
243-2	2	1	855	125	10,260
243-3	2	1	861	125	10,332
243-4	2	1	861	125	10,332
243-5	2	1	835	125	10,020
243-6	1	1	773	98	9,276
243-7	1	1	780	98	9,360
243-8	2	1	862	125	10,344
247-1	2	1	861	125	10,332
247-2	2	1	861	125	10,332
247-3	2	1	855	125	10,260
247-4	2	1	855	125	10,260
247-5	3	1	1,013	149	12,156
247-6	3	1	1,013	149	12,156
	Totals	27	22,715		272,580

All Units

Grand Totals	27		272,580
	2.00%		(5,452)
		NET RENT	267,128

1,900
475
1,250

TOTAL INCOME	270,753

21-Dec-06 **Lake Champlain Apartments**

	Annual	Monthly	Per Unit Per Month
Administration			
Management Fee	25,365	2,114	78
Supportive Services	0	0	0
Audit/Accounting	2,025	169	6
Legal	1,266	105	4
Compliance Monitoring	0	0	0
Marketing	0	0	0
Other	1,181	98	4
TOTAL ADMINISTRATIVE	29,837	2,486	92
Utilities			
Electricity	3,502	292	11
Fuel	1,772	148	5
Water and Sewer	7,847	654	24
Fire Alarm / Emergency	506	42	2
Other	0	0	0
TOTAL UTILITIES	13,627	1,136	42
Maintenance			
Maintenance / Janitor Payroll	1,215	101	4
Janitor Supplies	0	0	0
Exterminating	844	70	3
Trash Removal	4,809	401	15
Snow Removal	2,109	176	7
Grounds	1,772	148	5
Repairs Material	5,484	457	17
Repairs Contract	10,336	861	32
HVAC Repairs / Maintenance	0	0	0
Elevator Contract / Repairs	0	0	0
Painting and Decorating	6,581	548	20
Other	0	0	0
TOTAL MAINTENANCE	33,151	2,763	102
Real Estate Taxes	0	0	0
Property Insurance	5,906	492	18
Replacement Reserves	16,875	1,406	52
Primary Debt Service	3,661	305	11
Secondary Debt Service	4,222		
Other	1	0	0
Total	107,280	8,940	331

21-Dec-06	**Lake Champlain Apartments**															
Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Operating Income																
Gross Rent	272,580	276,669	280,819	285,031	289,306	293,646	298,051	302,522	308,572	314,743	321,038	327,459	334,008	340,688	347,502	354,452
Other Income	3,625	3,661	3,698	3,735	3,772	3,810	3,848	4,233	4,275	4,318	4,361	4,405	4,449	4,493	4,538	4,584
Vacancy and other losses	(5,452)	(5,533)	(5,616)	(5,701)	(5,786)	(5,873)	(5,961)	(30,252)	(30,857)	(31,474)	(32,104)	(32,746)	(33,401)	(34,069)	(34,750)	(35,445)
Total Operating Income	270,753	274,797	278,900	283,065	287,293	291,583	295,938	276,502	281,990	287,587	293,296	299,118	305,056	311,113	317,290	323,590
Operating Expenses																
Total Expenses (excl. Reserves)	82,520	85,409	88,398	91,492	94,694	98,008	101,439	104,989	108,664	112,467	116,403	120,477	124,694	129,058	133,575	138,251
Reserves	16,875	17,128	17,385	17,646	17,911	18,179	18,452	18,729	19,010	19,295	19,584	19,878	20,176	20,479	20,786	21,098
Total Operating Expense	99,395	102,537	105,783	109,138	112,605	116,188	119,891	123,718	127,673	131,762	135,987	140,355	144,870	149,537	154,361	159,348
Net Operating Income	171,358	172,260	173,117	173,928	174,688	175,396	176,047	152,785	154,317	155,825	157,308	158,763	160,186	161,576	162,929	164,242
Less Primary Debt Service	52,074	52,074	52,074	52,074	52,074	52,074	52,074	52,074	52,074	52,074	52,074	52,074	52,074	52,074	52,074	52,074
Less Secondary Debt Service	60,048	60,048	60,048	60,048	60,048	60,048	60,048	60,048	60,048	60,048	60,048	60,048	60,048	60,048	60,048	60,048
Annual Cash Flow	59,236	60,138	60,995	61,806	62,566	63,274	63,925	40,663	42,195	43,704	45,186	46,641	48,064	49,454	50,807	52,120
Operating Subsidies / Sinking Fund	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash	59,236	60,138	60,995	61,806	62,566	63,274	63,925	40,663	42,195	43,704	45,186	46,641	48,064	49,454	50,807	52,120
DCR	152.83%	153.64%	154.40%	155.12%	155.80%	156.43%	157.01%	136.27%	137.63%	138.98%	140.30%	141.60%	142.87%	144.11%	145.31%	146.49%
Cumulative Cash Flow																
Beginning Balance	0	59,828	122,366	187,028	253,811	322,704	393,698	466,775	517,587	570,977	626,974	685,604	746,890	810,853	877,513	946,886
Deposits	59,236	60,138	60,995	61,806	62,566	63,274	63,925	40,663	42,195	43,704	45,186	46,641	48,064	49,454	50,807	52,120
Interest 2.0%	592	2,399	3,667	4,977	6,328	7,720	9,152	10,149	11,196	12,294	13,443	14,645	15,899	17,206	18,566	19,980
Withdrawals	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	59,828	122,366	187,028	253,811	322,704	393,698	466,775	517,587	570,977	626,974	685,604	746,890	810,853	877,513	946,886	1,018,987
Cumulative Replacement Reserves																
Beginning Balance	11,752	15,713	8,870	15,717	30,997	45,396	62,211	77,970	91,665	88,782	88,157	70,219	58,998	57,965	76,229	57,485
Deposits	16,875	17,128	17,385	17,646	17,911	18,179	18,452	18,729	19,010	19,295	19,584	19,878	20,176	20,479	20,786	21,098
Interest 2.0%	286	328	263	334	489	636	807	967	1,107	1,081	1,077	901	792	784	970	786
Withdrawals	13,200	24,300	10,800	2,700	4,000	2,000	3,500	6,000	23,000	21,000	38,600	32,000	22,000	3,000	40,500	4,000
Ending Balance	15,713	8,870	15,717	30,997	45,396	62,211	77,970	91,665	88,782	88,157	70,219	58,998	57,965	76,229	57,485	75,368

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: PERMANENT FINANCING FOR LAKE CHAMPLAIN APARTMENTS, BURLINGTON

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow monies and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, an application has been submitted to the Agency by Burlington Housing Authority (the "Borrower") involving the permanent financing of three (3) buildings containing a total of twenty-seven (27) units of rental housing in the City of Burlington (the "Development"); and

WHEREAS, the application contemplates a new mortgage loan for the refinancing and rehabilitation of the Development with the new mortgage interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds; and

WHEREAS, the Borrower 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; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Liza Vedder Plantilla dated December 20, 2006, containing information and recommendations about the Development (the "Memorandum");

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 to be incurred by the Borrower 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 Borrower undertaking the Development will increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency 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 loan.

6. The Borrower is financially responsible and is a qualified housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a new mortgage loan to the Borrower for the permanent financing of the Development based on the recommendations in the attached Memorandum. 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 Borrower in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a new mortgage loan to the Borrower for the permanent financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter shall be conditioned on the satisfaction by the Borrower of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

3. The Executive Director and the Loan Review Committee will establish the final source and amount of the loan for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines.

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Senior Development Underwriter CR

DATE: December 22, 2006

RE: Request for Permanent Financing: Whitney Hill Homestead, Williston

Name:	Whitney Hill Homestead	**Location:**	Williston
Housing Type:	Senior	**Unit Type:**	Flats
Unit Count:	44 Units	**Unit Sizes:**	38 1-BR @ 577 s.f. 6 2-BR @ 731 s.f.
Total Cost:	$2,088,034	**Per S.F. Acquisition & Construction Cost:**	$70
Loan Requested:	$1,241,000 Permanent	**Sponsor:**	Cathedral Square Corporation
Other Funding:	VHCB/VHFA Participation Loan (Existing), Williston Elder (existing), Project Reserves		

Recommendation: That the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board authorize the Executive Director to issue a Letter of Interest and/or a Commitment Letter to finance this development upon satisfactory completion of staff underwriting and due diligence.

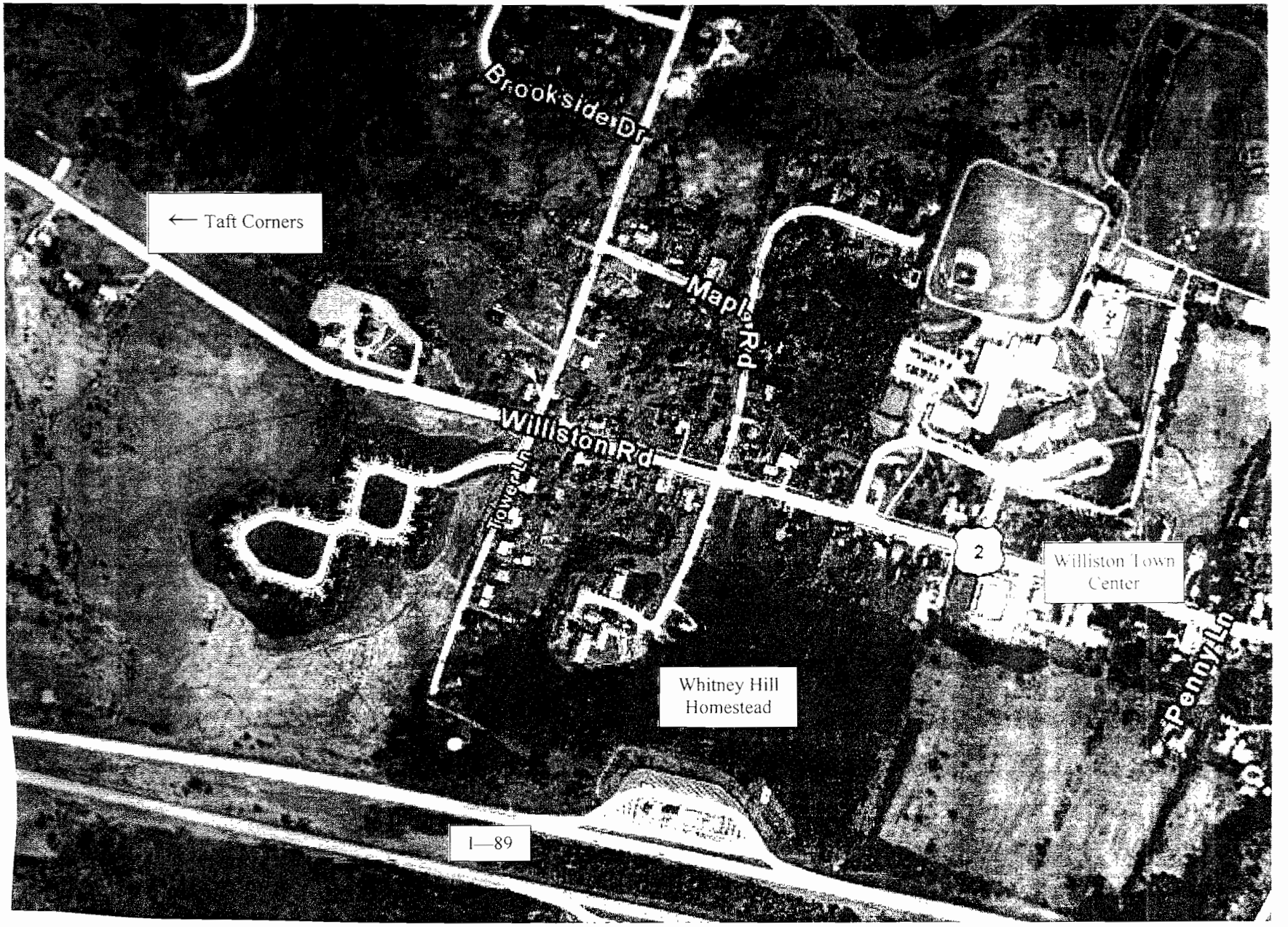
Project Summary: Whitney Hill Homestead (WHH), a 44-unit senior housing community in Williston, was developed in 1991 by Housing Vermont, Cathedral Square Corporation (CSC) and a local non-profit organization, Williston Elder Housing. It is now reaching the end of its 15-year tax credit compliance period. WHH was one of the first housing developments in the State to use the tax credit program, and has been mixed-income since the beginning. VHFA currently holds the mortgage on this property, and the loan balloons in February 2007. The owner is interested in transferring the property to CSC (the manager), and CSC would like to refinance the loan with VHFA. The property has been very well managed, has consistently had a very low vacancy rate, and does not need significant work. Because interest rates are lower today than on the current mortgage, the resulting savings in debt service will be used to increase services to residents, and to increase deposits to the replacement reserve. A Capital Needs Assessment has been done, and the assumptions of what the property needs now and over the next five years and those respective costs have been incorporated in the attached spreadsheet. The property will be transferred for an amount equal to the outstanding balance of the debt plus applicable taxes and a disposition fee negotiated with the general partners. In purchasing the development, CSC will continue to serve the current residents with a range of incomes from 30% of area median income to market without increasing rents (beyond what is required for increases in operating costs). Currently 23 residents have tenant-based Section 8 rental assistance.

CSC is requesting a tax-exempt loan from VHFA which could be assumed in the future by a limited partnership. Should this happen, a to-be-formed limited partnership could assume the debt, and syndicate the tax credits (4%) from the tax-exempt financing. A similar financing structure was used in the

refinancing of Heineberg Senior Housing a year ago. One wrinkle is that the stormwater permit for this property has expired. Since it is in an area of Williston that has an impaired waterway, it cannot obtain a stormwater permit easily. CSC is planning to obtain a "Notice of Deferral of Stormwater Discharge Permit" from the Agency of Natural Resources prior to closing. This will make the title marketable and allow the transfer to take place. Once the general permit for the Allen Brook (the impaired waterway) comes out, CSC will need to comply with the permit. CSC's engineer estimates that the general permit could be issued anywhere from six months to six years. In order to mitigate its potential risk, CSC is capitalizing an additional replacement reserve of $90,000 to deal with this in the future. If less is needed for the stormwater permit, the balance can be used for future capital improvements.

Another similarity to Heineberg is that WHH has a VHCB/VHFA participation loan. CSC is requesting that VHFA approve CSC's assumption of the debt, that the interest accrual change from "compounded quarterly" to "simple interest" (the interest rate is 4%), and that principal and interest be deferred and the term be extended to 30 years (to match the maturity date of the Agency's new first mortgage loan). VHCB has recommended the rate be reduced to 0%.

Staff approves making this loan with two conditions: that CSC obtain (1) the "Notice of Deferral of Stormwater Discharge Permit"; and (2) VHCB consent to the transfer of the VHCB/VHFA participation loan from the current owner to CSC, at the terms described above, both to occur prior to closing.



Whitney Hill Homestead Location Map

21-Dec-06 **Whitney Hill Homestead**

Total Residential Units:	44	Increase in Income from Rental Units:	1.50%
Total Development Cost:	2,088,034	Increase in Income from Other Sources:	1.50%
Total Development Cost per Unit:	47,455	Increase in Income from Commercial:	1.50%
Total Development Cost Per SF:	79.38	Expense increase:	3.00%
		Vacancy Rate:	2.5%
		Long Depreciation Schedule:	27.5 years
		Short Depreciation Schedule:	7 years

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage	1,241,000	59.43%	6.30%	30	30
VHCB	672,178	32.19%	4.00%	30	deferred
Williston Elder	113,000	5.41%	0.00%	20	deferred
Reserves	48,856	2.34%	N/A	N/A	
Operating Cash	13,000	0.62%	N/A	N/A	
TOTAL SOURCES	2,088,034	100.00%			

118%

12/6/06

USES

Acquisition	1,817,678	87.05%	6.06% tax-exempt
Construction Hard Costs	29,000	1.39%	6.99% taxable
Soft Costs	241,356	11.56%	
TOTAL USES	2,088,034	100.00%	

Gap 0

		Budget	Per Unit	Per s.f.	VHCB Terms:____	Williston El Terms:___	VHFA Terms:___	Reserves	Operating Cash	TOTAL SOURCES
	ACQUISITION									
1	Land		0	0.00						0
2	Mortgage Balance - VHFA	1,025,000	23,295	38.97			1,025,000			1,025,000
3	Mortgage Balance - VHCB Deferred	672,178	15,277	25.56	672,178					672,178
4	Mortgage - Williston Elder	113,000	2,568	4.30		113,000				113,000
5	Legal - Title and Recording	7,500	170	0.29			7,500			7,500
	Subtotal - Acquisition	1,817,678	41,311	69.11						
	CONSTRUCTION HARD COSTS									
6	Rehabilitation	29,000	659	1.10			29,000			29,000
7	New Building(s)		0	0.00						0
8	Accessory Buildings		0	0.00						0
9	Sitework		0	0.00						0
10	Commercial Space Costs (if any)		0	0.00						0
11	General Requirements		0	0.00						0
12	Contractor Overhead		0	0.00						0
13	Contractor Profit		0	0.00						0
14	Construction Contingency		0	0.00						0
15	Construction Management		0	0.00						0
16	Construction Bond Fee		0	0.00						0
17	Hazardous Materials Abatement		0	0.00						0
18	Off-Site Improvements		0	0.00						0
19	Furnishings, Fixtures, & Equipment		0	0.00						0
20	Other (_____)		0	0.00						0
	Subtotal - Hard Costs	29,000	659	1.10						
	SOFT COSTS									
21	Architectural		0	0.00						0
22	Engineering		0	0.00						0
23	Legal/Accounting	6,000	136	0.23			6,000			6,000
24	Relocation		0	0.00						0
25	Environmental Assessment		0	0.00						0
26	Energy Assessment		0	0.00						0
27	Permits/Fees		0	0.00						0
28	Independent Market Study		0	0.00						0
29	Construction Period Insurance		0	0.00						0
30	Construction Interest		0	0.00						0
31	Construction Loan Origination Fee		0	0.00						0
32	Taxes During Construction		0	0.00						0
33	Clerk of the Works	6,000	136	0.23			6,000			6,000
34	Marketing		0	0.00						0
35	Tax Credit Fees		0	0.00						0
36	Soft Cost Contingency		0	0.00						0
37	Permanent Loan Origination Fee		0	0.00						0
38	Lender's Counsel's Fee	5,000	114	0.19			5,000			5,000
39	Other (HVT Fee)	7,000	159	0.27			7,000			7,000
	SYNDICATION COSTS									
40	Organizational (Partnership)		0	0.00						0
41	Bridge Loan Fees and Expenses		0	0.00						0
42	Syndication Consultant		0	0.00						0
43	Tax Opinion		0	0.00						0
	DEVELOPER'S FEES									
44	Developer's Fees	44,000	1,000	1.67			44,000			44,000
45	Other Partnership Fees	500	11	0.02			500			500
46	Consultant Fees		0	0.00						0
	RESERVES									
47	Working Capital		0	0.00						0
48	Rent-up (Deficit Escrow) Reserve		0	0.00						0
49	Other Operating Reserves	13,000	295	0.49					13,000	13,000
50	Reserve for Stormwater	90,000	2,045	3.42			60,000	30,000		90,000
51	Replacement Reserves	69,856	1,588	2.66			51,000	18,856		69,856
	Subtotal - Soft Costs	241,356	5,485	9.18						
	TOTAL DEVELOPMENT COSTS	2,088,034	47,455	79.38	672,178	113,000	1,241,000	48,856	13,000	2,088,034

1,241,000
62,050 5%

21-Dec-06 **Whitney Hill Homestead**

HC 60% rents	
0 br	741
1 br	793
2 br	952

HC Restricted Units Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent	
1 Br		577	23	740	0	204,240	These 23 units currently have residents with Section 8.
2 Br		731	15	631	0	113,580	
2 Br		731	6	859	0	61,848	
	Totals	28,622	44			379,668	
	Grand Totals	28,622	44			379,668	
	Less Vacancy	2.50%				(9,492)	
					NET RENT	370,176	
	OTHER INCOME						
	Laundry					4,500	
	Interest					200	
	Other -cable & A/C installation					13,256	
					TOTAL INCOME	388,132	

21-Dec-06 **Whitney Hill Homestead**

	Annual	Monthly	Per Unit Per Month
Administration			
Management Fee	26,400	2,200	50
Supportive Services	23,340	1,945	44
Audit/Accounting	3,500	292	7
Legal	100	8	0
Training	700	58	1
Office Expense	1,850	154	4
Phone	2,100	175	4
Advertising	700	58	1
Salaries	17,160	1,430	33
Other	250	21	0
TOTAL ADMINISTRATIVE	76,100	6,342	144
Utilities			
Electricity	26,028	2,169	49
Fuel	24,500	2,042	46
Water and Sewer	5,700	475	11
Fire Alarm / Emergency	3,800	317	7
Other - cable	4,800	400	9
TOTAL UTILITIES	64,828	5,402	123
Maintenance			
Maintenance / Janitor Payroll	37,176	3,098	70
Janitor Supplies	600	50	1
Exterminating	400	33	1
Trash Removal	2,600	217	5
Snow Removal	6,000	500	11
Grounds	2,800	233	5
Repairs Material	8,000	667	15
Repairs Contract	7,000	583	13
HVAC Repairs / Maintenance	2,000	167	4
Elevator Contract / Repairs	5,500	458	10
Painting and Decorating	1,000	83	2
Other	1,600	133	3
TOTAL MAINTENANCE	74,676	6,223	141
Real Estate Taxes	29,534	2,461	56
Property Insurance	13,261	1,105	25
Replacement Reserves	21,120	1,760	40
Primary Debt Service	92,177	7,681	175
Other "must pay" debt service		0	0
Other		0	0
Total	371,696	30,975	704

489 pum

form revision date: 2/27/97

21-Dec-06		**Whitney Hill Homestead**														
	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Operating Income																
Gross Rent		379,668	385,363	391,143	397,011	402,966	409,010	415,145	421,373	427,693	434,109	440,620	447,230	453,938	460,747	467,658
Other Income		17,956	18,225	18,499	18,776	19,058	19,344	19,634	19,928	20,227	20,531	20,839	21,151	21,469	21,791	22,117
Vacancy and other losses		(9,492)	(9,634)	(9,779)	(9,925)	(10,074)	(10,225)	(10,379)	(10,534)	(10,692)	(10,853)	(11,016)	(11,181)	(11,348)	(11,519)	(11,691)
Total Operating Income		388,132	393,954	399,864	405,862	411,949	418,129	424,401	430,767	437,228	443,787	450,443	457,200	464,058	471,019	478,084
Operating Expenses																
Total Expenses (excl. Reserves)		258,399	266,151	274,135	282,360	290,830	299,555	308,542	317,798	327,332	337,152	347,267	357,685	368,415	379,468	390,852
Reserves		21,120	21,437	21,758	22,085	22,416	22,752	23,094	23,440	23,792	24,148	24,511	24,878	25,251	25,630	26,015
Total Operating Expense		279,519	287,588	295,894	304,444	313,246	322,307	331,635	341,238	351,124	361,300	371,777	382,563	393,667	405,098	416,866
Net Operating Income		108,613	106,367	103,970	101,417	98,703	95,821	92,765	89,529	86,105	82,486	78,666	74,637	70,391	65,921	61,218
Less Primary Debt Service		92,177	92,177	92,177	92,177	92,177	92,177	92,177	92,177	92,177	92,177	92,177	92,177	92,177	92,177	92,177
Less Secondary Debt Service		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow		16,436	14,189	11,792	9,240	6,526	3,644	588	(2,649)	(6,073)	(9,691)	(13,511)	(17,540)	(21,786)	(26,256)	(30,960)
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	2,649	6,073	9,691	13,511	17,540	21,786	26,256	30,960
Net Cash		16,436	14,189	11,792	9,240	6,526	3,644	588	0	0	0	0	0	0	0	0
DCR		117.83%	115.39%	112.79%	110.02%	107.08%	103.95%	100.64%	97.13%	93.41%	89.49%	85.34%	80.97%	76.37%	71.52%	66.41%
Cumulative Cash Flow																
Beginning Balance		103,000	121,660	138,424	153,103	165,497	175,398	182,587	186,832	187,920	185,605	179,626	169,707	155,561	136,886	113,367
Deposits		16,436	14,189	11,792	9,240	6,526	3,644	588	0	0	0	0	0	0	0	0
Interest	2.0%	2,224	2,575	2,886	3,154	3,375	3,544	3,658	3,737	3,758	3,712	3,593	3,394	3,111	2,738	
Withdrawals		0	0	0	0	0	0	0	(2,649)	(6,073)	(9,691)	(13,511)	(17,540)	(21,786)	(26,256)	(30,960)
Ending Balance		121,660	138,424	153,103	165,497	175,398	182,587	186,832	187,920	185,605	179,626	169,707	155,561	136,886	113,367	82,408
Cumulative Replacement Reserves																
Beginning Balance		69,856	63,134	69,498	75,064	85,071	85,113	109,795	135,315	161,695	188,959	107,128	134,026	161,834	190,574	220,272
Deposits		21,120	21,437	21,758	22,085	22,416	22,752	23,094	23,440	23,792	24,148	24,511	24,878	25,251	25,630	26,015
Interest	2.0%	1,608	1,477	1,608	1,722	1,926	1,930	2,427	2,941	3,472	4,021	2,388	2,929	3,489	4,068	4,666
Withdrawals		(29,450)	(16,550)	(17,800)	(13,800)	(24,300)	0	0	0	0	(110,000)	0	0	0	0	(110,000)
Ending Balance		63,134	69,498	75,064	85,071	85,113	109,795	135,315	161,695	188,959	107,128	134,026	161,834	190,574	220,272	140,953

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: PERMANENT FINANCING FOR WHITNEY HILL HOMESTEAD, WILLISTON

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow monies and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, an application has been submitted to the Agency by Cathedral Square Corporation (the "Borrower") involving the financing of forty-four (44) units of senior rental housing referred to as Whitney Hill Homestead in the Town of Williston (the "Development"); and

WHEREAS, the Agency desires to take "official action" for the purpose of, and to reimburse itself for any advances of its funds prior to, the issuance and sale of tax-exempt bonds (the "Bonds") to finance a loan to the Borrower; and

WHEREAS, the application contemplates a mortgage loan for permanent financing for the Development with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds; and

WHEREAS, the Borrower 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; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated December 22, 2006, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

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

2. The construction costs to be incurred by the Borrower 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 Borrower undertaking the Development will maintain the supply of well-planned, well-designed permanent, temporary, transitional or emergency 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 loan.

6. The Borrower is financially responsible and qualifies as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the Borrower for the permanent financing of the Development based on the recommendations in the attached Memorandum. 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 Borrower in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the Borrower for the permanent financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter shall be conditioned on the satisfaction by the Borrower of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

3. The issuance of the Bonds for the purpose of financing one or more loans to the Borrower is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.

4. The preliminary approval described in the preceding paragraph does not obligate the Agency to give final approval for the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by independent action, which may contain such conditions thereto as the Agency may deem appropriate. The Agency in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Borrower or any other person for its refusal to do so.

5. The Executive Director and the Loan Review Committee will establish the final source and amount of the loan for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines, and the conditions described in the Memorandum.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Tom Connors, Chief Financial Officer

RE: Thirty-First Supplemental Resolution for Series 27 Bonds and Notes

DATE: December 22, 2006

Board Action Requested: Adoption of the attached[1] resolution.

The attached resolution authorizes the current structure options for the Series 27 Single Family Housing Bonds and Notes. The structure for Series 27 will be similar to resolutions previously approved by the Board. As in previous bond issues, we anticipate Series 27 may include a Swap facility that will not exceed 25%.

Please feel free to call me at (802) 652-3436 if you have any questions regarding this request.

[1] To support paper reduction, resolution distributed to Board Members and Executive Management only.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

THIRTY-FIRST SUPPLEMENTAL SINGLE FAMILY HOUSING BOND RESOLUTION

Adopted January 3, 2007

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EXHIBIT A	DIRECTION TO TENDER

THIRTY-FIRST SUPPLEMENTAL SINGLE FAMILY HOUSING BOND RESOLUTION

BE IT RESOLVED by the Vermont Housing Finance Agency, and the Commissioners thereof, as follows:

ARTICLE I

DEFINITIONS AND AUTHORITY

Section 1.01. Short Title. This resolution is hereinafter sometimes referred to as the "Thirty-First Supplemental Resolution."

Section 1.02. Definitions and Interpretation.

(a) Except as provided in Paragraph (B) of this Section, all terms used herein shall have the same meanings as are given such terms in Section 101 of the Resolution.

(b) In this Thirty-First Supplemental Resolution unless a different meaning clearly appears from the context:

"*Adjusted Interest Rate*" means the rate or rates of interest to be borne by all Adjusted Rate Bonds subsequent to the Adjustment Date as determined pursuant to Section 2.03(a)(iv) hereof.

"*Adjusted Rate Bonds*" means all Series 27 Tender Bonds on which the interest rate has been adjusted to the Adjusted Interest Rate on the Adjustment Date and any Series 27 Bonds authenticated and delivered under the Resolution thereafter upon transfer of, or in exchange or substitution for, any such Bonds.

"*Adjustment Date*" means the Business Day, if any, not later than the last Business Day of the Adjustment Option Period, on which the interest rate on the Series 27 Tender Bonds is adjusted to the Adjusted Interest Rate as determined in accordance with Section 2.03(a)(ii) hereof.

"*Adjustment Option Period*" means the period set forth in the Series Certificate during which the Agency may exercise its right to cause the mandatory tender of Series 27 Bonds in accordance with Section 2.03 hereof.

"*Adjustment Rating Certificate*" means (i) a certificate of an Authorized Officer to the effect that the Agency has notified each Nationally Recognized Credit Rating Agency then maintaining a credit rating on any Bonds Outstanding that the interest rate on the Series 27 Tender Bonds will be adjusted to the Adjusted Interest Rate on the Adjustment Date and has furnished each such Nationally Recognized Credit Rating Agency with a Remarketing Projection of Revenues satisfying the requirements of Section 2.03(a)(vi) hereof, accompanied by (ii) a letter from each such Nationally Recognized Credit Rating Agency (or

other evidence satisfactory to the Trustee) confirming that adjustment of the interest rate on the Series 27 Tender Bonds will not cause such Nationally Recognized Credit Rating Agency to change the unenhanced credit ratings then assigned by it to any Bonds Outstanding.

"*Arbitrage Projection Certificate*" means a certificate of an Authorized Officer setting forth the Agency's reasonable expectations that adjustment of the interest rate on the Series 27 Tender Bonds on the Adjustment Date to the Adjusted Interest Rate and the purchase thereafter of Loans at a certain specified rate or rates with proceeds allocable to the Adjusted Rate Bonds will not cause the Series 27 Bonds to be "arbitrage bonds" within the meaning of Section 143(g) or Section 148(a) of the Code, accompanied by an opinion of Bond Counsel to the effect that the adjustment of the interest rate on the Series 27 Tender Bonds on the Adjustment Date will not adversely affect the excludability of interest on the Series 27 Bonds from the gross income of the holders thereof for federal income tax purposes and that no matters have come to the attention of such counsel which make unreasonable or incorrect the representations made in such certificate.

"*Authenticating Agent*" with respect to all Series 27 Bonds, means the Trustee.

"*Beneficial Owner*" means the person or entity that is considered to be the beneficial owner of any Series 27 Bond pursuant to the arrangements for book entry determination of ownership applicable to the Bond Depository.

"*Bond Counsel*" means Kutak Rock LLP, or any successor firm of attorneys or such other firm of nationally recognized bond attorneys designated by the Agency.

"*Bond Depository*" means The Depository Trust Company, and its successors and any replacement depository appointed pursuant to Section 2.02 hereof.

"*Bond Insurer*" means the provider of municipal bond insurance with respect to the Series 27 Bonds, if any, as shall be set forth in the Series Certificate.

"*Bond Year*" means the twelve month period beginning on each April 1 and ending on the following March 31; provided that the initial Bond Year shall commence on the date of issuance of the Series 27 Bonds and end on March 31, 2007.

"*Business Day*" means any calendar day other than a Saturday, a Sunday or a day on which banks in Burlington, Vermont or New York, New York, are authorized or required to be closed.

"*Calculation Date*" means the date, if any, on which the Adjusted Interest Rate is determined, which date shall be any Business Day selected by the Tender

Bond Remarketing Agent with the approval of the Agency not earlier than 15 days prior to the Adjustment Date and not later than seven days prior to the Adjustment Date.

"*Code*" means the Internal Revenue Code of 1986, as amended, and all Treasury Regulations thereunder to the extent applicable to the Series 27 Bonds.

"*Hedge Agreement*" shall mean a payment exchange agreement, swap agreement, forward purchase agreement or any other hedge agreement entered into by the Agency authorized by the Agency's then current Swap Management Plan and a Qualified Institution providing for payments between the parties based on levels of, or changes in interest rates, stock or other indices or contracts to exchange cash flows or a series of payments or contracts, including without limitation, interest rate floors, or caps, options, puts or calls, which allows the Agency to manage or hedge payment, rate, spread or similar risk with respect to all or a portion of the Series 27 Bonds or any assets pledged under the Resolution.

"*Liquidity Facility*" means, if applicable, the facility pursuant to which any Variable Rate Bonds are purchased if such Variable Rate Bonds are tendered for purchase and are not remarketed by the Remarketing Agent, all as shall be set forth in the Series Certificate.

"*Loan Loss*" means the amount, certified to the Trustee by an Authorized Officer, of any loss realized by the Agency upon the default on a Loan held under the Resolution for the account of the Series 27 Bonds, which amount shall not exceed the sum of (i) the unpaid principal balance of the Loan at the date of the default, (ii) the amount of accumulated delinquent interest due on the Loan (excluding late charges and penalty interest), and (iii) the amount of advances made by or for the account of the Agency with respect to such Loan for regularly scheduled payments of principal and interest in arrears, hazard insurance premiums, property taxes, property protection and preservation expenses and foreclosure costs, less the sum of (iv) the amount of all rents, sale proceeds, foreclosure proceeds, insurance settlements, self-insurance proceeds (other than Loan Loss Claim Fund Withdrawals) and other payments (excluding proceeds of fire and extended coverage insurance) collected or received by the Agency from or on account of such Loan and the property securing the same, (v) the amount of cash remaining in any escrow account maintained for such Loan, (vi) the amount paid under any fire and extended coverage policy which is in excess of the amount applied to the restoration of the property or the payment of the Loan and (vii) the amount of any Loan Loss on account of such Loan previously paid from amounts on deposit in the Series 27 Loan Loss Claim Fund.

"*Loan Loss Claim Fund Withdrawals*" means amounts withdrawn from the Series 27 Loan Loss Claim Fund pursuant to Section 3.06(b) hereof on account of a Loan Loss.

"*Municipal Bond Insurance Policy*" means, to the extent required by the Series Certificate, the municipal bond insurance policy issued by the Bond Insurer insuring the scheduled payment when due of the principal of and interest on all or a portion of the Series 27 Bonds as provided therein.

"*Municipal Bond Insurance Policy Premium*" means the premium payable to the Bond Insurer with respect to the Municipal Bond Insurance Policy, if any, required by the Series Certificate, payable at the times and in the amount set forth in the Series Certificate. Such Municipal Bond Insurance Policy Premium shall be deemed a Program Expense for all purposes under the Resolution.

"*Notice Date*" means the Business Day which is 30 days prior to the Adjustment Date.

"*Official Statement*" or "*Official Statements*" means any Official Statement of the Agency describing the Series 27 Bonds, dated the date of execution of the related Purchase Contract.

"*Participant*" means securities brokers or dealers, banks, trust companies, clearing corporations and various other entities, some of whom and/or their representatives own the Bond Depository.

"*Principal Amount*" for purposes of Section 204(B) of the Resolution and at any date of computation, means, with respect to any Series 27 Bond, the stated principal amount thereof.

"*Pro-Forma Adjusted Interest Rate*" shall have the meaning given such term in Section 2.03(a)(i) hereof.

"*Pro-Forma Tender Bonds*" shall have the meaning given such term in Section 2.03(a)(i) hereof.

"*Purchase Contract*"" means the Series 27 Bond Purchase Contract.

"*Qualified Institution*" shall mean (i) a bank, a trust company, a national banking association, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, or an insurance company or association chartered or organized under the laws of any state of the United States of America, a corporation, a trust, a partnership, an unincorporated organization, or a government or an agency, instrumentality, program, account, fund, political subdivision or corporation thereof, in each case the unsecured or uncollateralized long-term debt obligations of which, or obligations secured or supported by a letter of credit, contract, agreement or surety bond issued by any such organization, at the time a Hedge Agreement is entered into by the Agency are either (a) rated at least as high as the Series 27 Bonds (without giving effect to the

existence of a municipal bond insurance policy or other credit enhancement thereon) by each Nationally Recognized Credit Rating Agency which rates such obligations or (b) such that entering into a Hedge Agreement with such entity will not adversely effect the then current ratings, if any, assigned to the Series 27 Bonds by each Nationally Recognized Credit Rating Agency or (ii) the Government National Mortgage Association or any successor thereto, Fannie Mae or any successor thereto, or any other federal agency or instrumentality, the obligations of which are backed by the full faith and credit of the United States of America.

"*Record Date*" with respect to the payment of interest on a Series 27 Bond, means, except as may otherwise be provided in the Series Certificate, the fifteenth day of the month next preceding the date on which interest is to be paid on such Series 27 Bond or, if such fifteenth day is not a Business Day, the next preceding Business Day; provided that, with respect to overdue interest or interest payable on a Series 27 Bond other than on an Interest Payment Date or interest on any overdue amount, the Trustee may establish a special record date, which date shall be not more than twenty Business Days before the date set for payment; and provided further that the Trustee shall give notice of a special record date by mailing a copy of such notice to the Holders of all Series 27 Bonds Outstanding to which such special record date is applicable in the manner provided in Section 801 of the Resolution at least ten days before the special record date or in such other time and manner as the Trustee may deem appropriate.

"*Remarketing Agent*" means the investment banking firm or firms selected by the Agency to remarket any of the Series 27 Bonds that are issued as Variable Rate Bonds, as shall be set forth in the Series Certificate.

"*Remarketing Agreement*" means the Remarketing Agreement, if any, executed in connection with the issuance of any Series 27 Bonds as Variable Rate Bonds.

"*Remarketing Projection of Revenues*" means a Projection of Revenues satisfying the requirements of Section 2.03(a)(vi) hereof calculated on the assumption that the Adjusted Rate Bonds will bear interest at the Adjusted Interest Rate and will mature on the dates determined in accordance with Section 2.03(a)(v) hereof.

"*Representation Letter*" means, with respect to the Series 27 Bonds held in book-entry only form with the Bond Depository, the Blanket Letter of Representations of the Agency dated April 4, 1995.

"*Resolution*" means the resolution of the Agency adopted September 20, 1990, entitled "Single Family Housing Bond Resolution."

"*Series Certificate*" means the Series Certificate of the Chair or Vice Chairman and Executive Director and Secretary of the Agency dated on or before

the date of issuance of the Series 27 Bonds which Series Certificate shall establish certain terms of the Series 27 Bonds as provided herein.

"Series 26 Bonds" means the $53,830,000 aggregate principal amount of the Agency's Single Family Housing Bonds, Series 26 issued on October 26, 2006.

"*Series 27 Bond Purchase Contract*" means the Purchase Contract, or Contracts, by and among the Agency, the Underwriters named therein and the direct institutional purchaser of the Series 27 Bonds, if any, providing for the terms and conditions of the sale of the Series 27 Bonds in substantially the form of the Bond Purchase Contract executed in connection with the Agency's Series 26 Bonds; provided, however, that if the Series Certificate provides for the issuance of Variable Rate Bonds, the Agency may execute additional Purchase Contracts as provided in Section 5.07 hereof.

"*Series 27 Bond Reserve Requirement*" means an amount with respect to the Series 27 Bonds at least equal to the lesser of (i) 50% of the maximum amount of Debt Service payable on all Series 27 Bonds Outstanding in the current or any subsequent Fiscal Year and (ii) 10% of the original net proceeds of the Series 27 Bonds.

"*Series 27 Bonds*" means the Series 27 Bonds of the Agency authorized to be issued in one or more Series by this Thirty-First Supplemental Resolution; provided, however, that as provided in Section 2.01 hereof and as may be provided in the Series Certificate, a portion of the Series 27 Bonds may be issued as a separate issue for federal tax purposes and shall be designated as Series 28 Bonds. References herein to the Series 27 Bonds shall be deemed to include the Series 28 Bonds, if any.

"*Series 27 Contingency Account*" means the account in the Redemption Fund so designated and created pursuant to Section 3.01(e) hereof.

"*Series 27 Contingency Account Deposits*" means the Series 27 Contingency Account Surety Bond, cash or any one or more of the following to the extent its deposit in the Series 27 Contingency Account will not adversely affect the then current unenhanced ratings, if any, assigned to the Bonds by each Nationally Recognized Credit Rating Agency then maintaining a credit rating on the Bonds: (i) irrevocable and unexpired letters of credit issued by banking institutions, (ii) irrevocable policies of insurance in full force and effect issued by insurers, (iii) irrevocable guarantees by banks, bank holding companies, insurance companies or surety companies or (iv) any other similar security or source thereof; in any case deposited or held under the Resolution for the credit of the Series 27 Contingency Account.

"*Series 27 Contingency Account Surety Bond*" means the irrevocable surety bond issued by the Series 27 Contingency Account Deposit Provider to be

held for the credit of the Series 27 Contingency Account and any extension thereof or substitute surety bond therefor deposited with the Trustee pursuant to Section 3.02(c) thereof.

"*Series 27 Contingency Account Deposit Provider*" means the provider of any other Series 27 Contingency Account Deposit as shall be provided in the Series Certificate

"*Series 27 Cost of Issuance Account*" means the account in the Program Fund so designated and created by Section 3.01(c) hereof.

"*Series 27 Funded Loan Loss Claim Fund Requirement*" means, at any date of computation, an amount equal to the Series 27 Loan Loss Claim Fund Requirement less the stated and unpaid amounts, if any, of all Series 27 Loan Loss Claim Fund Deposits in full force and effect held for the account of the Series 27 Loan Loss Claim Fund.

"*Series 27 Loan Loss Claim Fund*" means the fund so designated and created pursuant to Section 3.01(a) hereof.

"*Series 27 Loan Loss Claim Fund Deposit Provider*" means the provider of any other Series 27 Loan Loss Claim Fund Deposit as shall be provided in the Series Certificate.

"*Series 27 Loan Loss Claim Fund Deposits*" means cash or any one or more of the following to the extent its deposit in the Series 27 Loan Loss Claim Fund will not adversely affect the then current unenhanced ratings, if any, assigned to the Bonds by each Nationally Recognized Credit Rating Agency then maintaining a credit rating on the Bonds: (i) irrevocable and unexpired letters of credit issued by banking institutions, (ii) irrevocable policies of insurance in full force and effect issued by insurers, (iii) irrevocable guarantees by banks, bank holding companies, insurance companies or surety companies or (iv) any other similar security or source thereof; in any case deposited or held under the Resolution for the credit of the Series 27 Loan Loss Claim Fund and providing for the payment of sums available to pay Loan Loss Claim Fund Withdrawals.

"*Series 27 Loan Loss Claim Fund Requirement*" means, as of any date of computation, (i) an amount at least equal to (A) one and eighty-five hundredths percent (1.85%) of the sum of (1) the aggregate unpaid principal amount of all Loans purchased under the Resolution from amounts on deposit in the Series 27 Program Account plus (2) the aggregate amount, if any, then held in the Series 27 Program Account which may be applied to the purchase of such Loans, less (B) the aggregate amount of all Loan Loss Claim Fund Withdrawals that have been theretofore made from the Series 27 Loan Loss Claim Fund, or (ii) such lesser amount as each Nationally Recognized Credit Rating Agency confirms to the Agency will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding.

"*Series 27 Loan Loss Claim Fund Surety Bond*" means, if so provided in the Series Certificate, the irrevocable surety bond issued by the Bond Insurer to be held for the credit of the Series 27 Loan Loss Claim Fund and any extension thereof or substitute surety bond deposited with the Trustee pursuant to Section 3.02(b) hereof.

"*Series 27 Program Account*" means the one or more Series 27 Program Accounts authorized to be established in the Series Certificate.

"*Series 27 Rebate Account*" means the account in the Rebate Fund so designated and created pursuant to Section 3.01(f) hereof.

"*Series 27 Rebate Requirement*" with respect to the Series 27 Bonds, means an amount equal to the cumulative net sum calculated and determined from time to time in accordance with the requirements of Section 148(f) of the Code that must be paid to the United States pursuant to Section 3.05 hereof.

"*Series 27 Reimbursement Agreements*" means, as applicable, (i) the agreement by and between the Agency and the Series 27 Loan Loss Claim Fund Deposit Provider in connection with the Series 27 Loan Loss Claim Fund Deposit, (ii) the agreement by and between the Agency and the Series 27 Contingency Account Deposit Provider in connection with the Series 27 Contingency Account Deposit and, (iii) the agreement by and between the Agency and the provider of a Liquidity Facility in connection with the issuance of any Variable Rate Bonds and, in each case, as such agreement or agreements may be amended from time to time in accordance therewith.

"*Series 27 Tender Bonds*" means the Series 27 Bonds selected in accordance with Section 2.03(A)(3) hereof for mandatory tender on the Adjustment Date and exchange for or remarketing as Adjusted Rate Bonds.

"*Series 27 Tender Bonds Proceeds Subaccount*" means the Series 27 Program Account Tender Bonds Proceeds Subaccount established pursuant to Section 3.01(b) hereof.

"*Tender Bond Remarketing Agent*" means, collectively, UBS Securities LLC, Citigroup Global Markets Inc. and A.G. Edwards & Sons, Inc. or any other investment banking firm, financial institution or other entity at the time acting in the capacity of Tender Bond Remarketing Agent under the Tender Bond Remarketing Agreement.

"*Tender Bond Remarketing Agreement*" means the Remarketing Agreement executed in connection with the remarketing of Series 27 Tender Bonds, in such form as shall be approved by the Agency prior to the Adjustment Date.

"*Trustee*" means TD Banknorth, N.A., Burlington, Vermont, or its successor in trust under the Resolution.

"*Underwriters*" means, collectively, UBS Securities LLC, Citigroup Global Markets Inc. and A.G. Edwards & Sons, Inc., as underwriters of the Series 27 Bonds; provided, however, that if the Series Certificate provides for the issuance of Variable Rate Bonds, such Variable Rate Bonds initially may be sold to one or more of the Underwriters.

"*Yield*" means the yield on the Series 27 Bonds or the yield on any Loan or any other investment held under the Resolution and allocable to the Series 27 Bonds calculated as required by Sections 148(h) and 143(g) of the Code.

(c) Unless a different meaning clearly appears from the context, for all purposes of the Resolution and this Thirty-First Supplemental Resolution, the term "Interest Payment Date" shall mean (i) with respect to the Series 27 Bonds issued as Fixed Rate Bonds, May 1 and November 1 of each year commencing on May 1, 2007, (ii) with respect to any Series 27 Bonds issued as Variable Rate Bonds, such dates as shall be set forth in the Series Certificate and (iii) with respect to all Series 27 Bonds, any redemption date of any Series 27 Bonds and any other date on which interest on the Series 27 Bonds is required or permitted by the Resolution to be paid.

Section 1.03. Authority. This Thirty-First Supplemental Resolution supplements the Resolution and is adopted pursuant to Section 701 of the Resolution and in accordance with the Act.

ARTICLE II

AUTHORIZATION OF SERIES 27 BONDS

Section 2.01. Series 27 Bonds; Authorization; Purpose; Findings.

(a) The Agency hereby authorizes the issuance of one or more Series of Bonds to be designated "Single Family Housing Bonds, Series 27" for the purpose of funding mortgage loans, costs of issuance, reserve funds and the refunding of certain obligations of the Agency. Each separate Series of Bonds shall have its own letter designation (i.e. Series 27A, Series 27B, Series 27C, etc.) as shall be set forth in the Series Certificate. In addition, in order to distinguish between Bonds of different tax plans for federal tax purposes, the Bonds of such Series may be designated (as herein provided and as may be provided in the Series Certificate or Certificates delivered in connection with such Bonds) as Series 28 Bonds and, within such designation(s), may be further designated as Series 28A, Series 28B, and so forth. References herein to the Series 27 Bonds shall be deemed to include the Series 28 Bonds, if any.

Collectively, the aggregate Principal Amount of the Series 27 Bonds shall not to exceed $50,000,000. The Agency hereby determines (i) that the original aggregate Principal Amount of the Series 27 Bonds is necessary to provide sufficient funds to be used and expended for the Program, (ii) that Loans made on behalf of the Agency with moneys allocable to the Series 27 Bonds can be issued bearing rates of interest which will be less than the prevailing rate of interest on comparable loans available in the State of

Vermont without the assistance of the Agency and (iii) that the Agency will derive receipts, revenues or other income from the Loans purchased with moneys allocable to the Series 27 Bonds as provided herein, sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the Series 27 Bonds and the payment of all costs and expenses incurred by the Agency with respect to the Program for which the Series 27 Bonds are being issued. For purposes of Section 204(B) of the Resolution, the Series 27 Bonds may be issued as "Fixed Rate Bonds" as described in Section 203(B) of the Resolution or as "Variable-Rate Bonds" as described in Section 203(C) of the Resolution (or any combination of Fixed-Rate Bonds and Variable-Rate Bonds) and all or a portion of the Series 27 Bonds shall be issued as "Tender Bonds" as described in Section 203(D) of the Resolution.

If the Series Certificate provides for the issuance of Variable-Rate Bonds, the Series Certificate shall establish the requirements with respect to such Variable-Rate Bonds as provided in Section 203(C) of the Resolution.

(b) The Series 27 Bonds are being issued to provide funds for the refunding of certain outstanding obligations of the Agency and to make deposits in one or more of the Series 27 Program Accounts, the Series 27 Cost of Issuance Account, the Series 27 Capitalized Interest Account, the Debt Service Fund and the Bond Reserve Fund, subject to the limitations and provisions provided in Article V of the Resolution. The amounts of the deposits described in this paragraph (b) shall be as set forth in the Series Certificate.

(c) Except as may otherwise be provided in the Series Certificate with respect to the issuance of Variable-Rate Bonds and subject to Section 2.02 hereof, all Series 27 Bonds shall be issued only in the form of fully registered bonds each in the denomination of $5,000 or any whole multiple thereof and shall be lettered and numbered separately from one consecutively upward in order of maturity preceded by the letters "RA," "RB" or "RC," etc., as applicable, and with such further or alternate designation as the Trustee shall determine with the approval of the Agency.

(d) The Series 27 Bonds shall be dated as shall be set forth in the Series Certificate. Subject to Section 2.03 hereof, the Series 27 Bonds shall mature on the dates and in the Principal Amounts and shall bear interest at the rates set forth in the Series Certificate; provided, however, that in no event shall the Yield on the Series 27 Bonds exceed a Yield which would result in an interest rate on the zero point Mortgage Loans to be financed with the proceeds of the Series 27 Bonds in excess of 7.50% per annum nor may the final maturity date of the Series 27 Bonds be later than October 1, 2042.

(e) The Principal Amount and Redemption Price of the Series 27 Bonds shall be payable at the Principal Office of the Trustee. Interest on the Series 27 Bonds shall be payable solely by check or draft drawn upon the Trustee, bearing on its face or by attached notation the CUSIP number of the Series 27 Bond on account of which such payment is made, mailed to the address of the registered owner thereof as it appears on the registry books of the Agency, determined as of the close of business on the applicable Record Date. The Principal Amount or Redemption Price of and interest on the Series 27 Bonds shall also be payable at any other place which may be provided for such payment

by the appointment of any other Paying Agent or Paying Agents as permitted by the Resolution. Notwithstanding anything in the Resolution or this Paragraph (e) to the contrary, if at any time the Series 27 Bonds are not restricted to being registered in the registry books of the Agency in the name of Cede & Co., as nominee of the Bond Depository, as provided in Section 2.02 hereof, the Principal Amount and Redemption Price of and interest on the Series 27 Bonds of any registered owner of Series 27 Bonds of $1,000,000 or more in Principal Amount shall be payable, at the option of such registered owner expressed in a written notice delivered to the Trustee, in immediately available funds by wire transfer to the account of such registered owner on file with the Trustee. Each such wire transfer shall bear a notation of the CUSIP number of the Series 27 Bonds on account of which such payment is made.

(f) Pursuant to Section 305(C) of the Resolution, the Agency in its sole discretion may charge for every exchange or transfer of a Series 27 Bond a fee sufficient to reimburse the Agency for the cost of preparing each new Series 27 Bond delivered upon such exchange or transfer and for any other expenses of the Agency or the Trustee incurred in connection therewith (in addition to any applicable tax, fee or other governmental charge other than one imposed by the Agency), which fee shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer.

Section 2.02. Book Entry System. Notwithstanding the foregoing provisions of Section 2.01 hereof and anything in Article III of the Resolution to the contrary:

(a) The Series 27 Bonds shall be initially issued in the form of a single separate fully registered bond for each Series and maturity of the Series 27 Bonds in the amount of such maturity. Upon initial issuance, the ownership of the Series 27 Bonds shall be registered in the registry books of the Agency kept by the Trustee in the name of Cede & Co., as nominee of the Bond Depository. With respect to Series 27 Bonds registered in the registry books kept by the Trustee in the name of Cede & Co., as nominee of the Bond Depository, the Agency and the Trustee shall have no responsibility or obligation to any Participant or to any Beneficial Owner of the Series 27 Bonds. Without limiting the immediately preceding sentence, the Agency and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Bond Depository, Cede & Co. or any Participant with respect to any ownership interest in the Series 27 Bonds, (ii) the delivery to any Participant, any Beneficial Owner or any other person, other than the Bond Depository, of any notice with respect to the Series 27 Bonds, including any notice of redemption, or (iii) the payment to any Participant, any Beneficial Owner or any other person, other than the Bond Depository, of any amount with respect to the Principal Amount or Redemption Price of, or interest on, the Series 27 Bonds. The Trustee shall pay the Principal Amount or Redemption Price of, and interest on, the Series 27 Bonds only to or upon the order of the Bond Depository, and all such payments shall be valid and effective to fully satisfy and discharge the Agency's obligations with respect to the Principal Amount or Redemption Price of, and interest on, the Series 27 Bonds to the extent of the sum or sums so paid. No person other than the Bond Depository shall receive an authenticated Series 27 Bond evidencing the obligation of the Agency to make payments of Principal Amount or Redemption Price of, and

interest pursuant to the Resolution. Upon delivery by the Bond Depository to the Trustee of written notice to the effect that the Bond Depository has determined to substitute a new nominee in place of Cede & Co., the words "Cede & Co." in this Thirty-First Supplemental Resolution shall refer to such new nominee of the Bond Depository.

(b) Upon receipt by the Agency and the Trustee of written notice from the Bond Depository to the effect that the Bond Depository is unable or unwilling to discharge its responsibilities and no substitute depository willing to undertake the functions of the Bond Depository hereunder can be found which is able to undertake such functions upon reasonable and customary terms, then the Series 27 Bonds shall no longer be restricted to being registered in the registry books of the Agency kept by the Trustee in the name of Cede & Co., as nominee of the Bond Depository, but may be registered in whatever name or names the owners transferring or exchanging Series 27 Bonds shall designate, in accordance with the provisions of the Resolution.

(c) In the event the Agency determines that Beneficial Owners should be able to obtain certificates for the Series 27 Bonds, the Agency shall notify the Bond Depository and the Trustee of the availability of such certificates. In such event, the Trustee shall issue, transfer and exchange certificates as requested by the Bond Depository (or, pursuant to Section 2.02(b) hereof, any other owner of Series 27 Bonds) in appropriate amounts, and, whenever the Bond Depository requests the Agency and the Trustee to do so, the Trustee and the Agency will cooperate with the Bond Depository in taking appropriate action after reasonable notice (i) to transfer the certificates to any Participant having Series 27 Bonds credited to its Bond Depository account or (ii) to arrange for another securities depository to maintain custody of certificates evidencing the Series 27 Bonds.

(d) Notwithstanding any other provision of this Thirty-First Supplemental Resolution to the contrary, so long as any Series 27 Bond is registered in the name of Cede & Co., as nominee of the Bond Depository, all payments with respect to the Principal Amount or Redemption Price of, and interest on, such Bond and all notices with respect to such Bond shall be made and given, respectively, to or on the order of the Bond Depository as provided in the Representation Letter.

Section 2.03. Adjusted Rate Bonds.

(a) The Series 27 Bonds are issued subject to the provision that all or part of such Series 27 Bonds issued as Fixed-Rate Bonds may be called for mandatory tender on the Adjustment Date and exchanged for or remarketed as an equal Principal Amount of Series 27 Bonds bearing interest at the Adjusted Interest Rate determined in accordance with this Section 2.03.

(i) If at any time and from time to time during the Adjustment Option Period (but not less than 40 days prior to the end of the Adjustment Option Period) any amount attributable to the Series 27 Bonds remains on deposit in the Series 27 Program Account and the Agency has determined (A) that the rate of interest to be borne by Loans allocable to Series 27 Bonds bearing interest at the

rates set forth in the Series Certificate either (1) exceeds that rate which the Agency reasonably determines is the maximum rate which eligible Borrowers can then afford or (2) exceeds the maximum rate at which Mortgage Lenders are willing, in the judgment of the Agency, to commit to sell Loans for the Agency or (B) that Loans made by or on behalf of the Agency, directly or indirectly, with the proceeds of Series 27 Bonds bearing interest at the rates set forth in the Series Certificate cannot be issued bearing a rate or rates of interest which is less than the prevailing rate of interest on comparable loans available in the State without the assistance of the Agency, the Agency may deliver to the Tender Bond Remarketing Agent a certificate of an Authorized Officer directing the Tender Bond Remarketing Agent to determine and certify to the Agency a Pro-Forma Adjusted Interest Rate as of a date (the "Certification Date") specified in such Certificate (which date shall be not less than two Business Days after the date of such certificate). The certificate of an Authorized Officer shall also specify a Principal Amount of Series 27 Bonds which are Fixed-Rate Bonds (not in excess of the amount then on deposit in the Series 27 Program Account and in a multiple of $5,000) for which the Pro-Forma Adjusted Interest Rate shall be determined (hereinafter referred to as the "Pro-Forma Tender Bonds"). On the Certification Date, the Tender Bond Remarketing Agent shall determine and certify to the Agency and the Trustee the Pro-Forma Adjusted Interest Rate with respect to the Pro-Forma Tender Bonds. The Pro-Forma Adjusted Interest Rate shall be the lowest rate or rates which, in the Tender Bond Remarketing Agent's judgment on the basis of prevailing market conditions, would permit the resale of the Pro-Forma Tender Bonds at par plus accrued interest, if any, on the Certification Date.

(ii) If on or after any Certification Date (A) the Agency determines that the yield (calculated as of the Certification Date) on the Pro-Forma Tender Bonds bearing interest at the Pro-Forma Adjusted Interest Rate is at least 1/2 of 1% lower than the yield on the Series 27 Bonds (calculated as of the original date of authentication and delivery of the Series 27 Bonds) and (B) the Agency determines that the rate of interest to be borne by Loans allocable to proceeds of Series 27 Bonds bearing interest at the Pro-Forma Adjusted Interest Rate does not exceed that rate which the Agency reasonably determines is the maximum rate which eligible Borrowers can afford and does not exceed the maximum rate which is allowable under Section 143(g) or Section 148(a) of the Code without causing the Series 27 Bonds to become "arbitrage bonds" within the meaning of Section 143(g) or Section 148(a) of the Code and (C) the Agency determines that Loans made by or on behalf of the Agency, directly or indirectly, with proceeds allocable to Series 27 Bonds bearing interest at the Pro-Forma Adjusted Interest Rate can be issued bearing a rate or rates of interest which will be less than the prevailing rate of interest on comparable loans available in the State without the assistance of the Agency and (D) the Agency determines that the rate of interest on such Loans will be sufficient, together with all other Revenues and other funds available for the purpose, to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due and all Program Expenses (on the assumption that the Pro-Forma Tender Bonds will bear interest at the Pro-Forma Adjusted

Interest Rate subsequent to the Certification Date), the Agency may elect in a certificate of an Authorized Officer delivered to the Trustee and the Tender Bond Remarketing Agent to call a Principal Amount of Series 27 Bonds which are Fixed-Rate Bonds (not in excess of the Principal Amount of Pro-Forma Tender Bonds) for mandatory tender on the Adjustment Date and exchange for or remarketing as Adjusted Rate Bonds. The certificate of an Authorized Officer delivered to the Trustee shall also specify the Adjustment Date after with the Adjusted Rate Bonds shall bear interest at the Adjusted Interest Rate, which Adjustment Date, in the sole discretion of the Agency, shall be any date within the Adjustment Option Period not less than 33 days after the date such certificate is delivered to the Trustee.

(iii) If the Agency shall have elected to call a Principal Amount of Series 27 Bonds which are Fixed-Rate Bonds for tender on the Adjustment Date and exchange for or remarketing as Adjusted Rate Bonds as provided in Paragraph (ii) of this Section 2.03, the Trustee shall select the Outstanding Series 27 Bonds which are Fixed-Rate Bonds (hereinafter refereed to as "Series 27 Tender Bonds") to be tendered (in aggregate Principal Amount equal to the Principal Amount of Series 27 Bonds specified by the Agency pursuant to Paragraph (a)(ii) of this Section 2.03). If less than all Series 27 Bonds which are Fixed-Rate Bonds are to be tendered, Series 27 Bonds which are Fixed-Rate Bonds of each maturity Outstanding shall be called for tender, as nearly as practicable, in accordance with the ratio which the aggregate Principal Amount of Series 27 Bonds which are Fixed-Rate Bonds of each maturity Outstanding bears to the aggregate Principal Amount of all Series 27 Bonds which are Fixed-Rate Bonds of all maturities Outstanding. If less than all Series 27 Bonds which are Fixed-Rate Bonds of any particular maturity are to be tendered, the Trustee shall select by lot the Series 27 Bonds which are Fixed-Rate Bonds within such maturity to be tendered. Not later than the Notice Date, notice of tender shall be given by the Trustee, in the name of the Agency, by first-class registered mail to all Holders of Series 27 Tender Bonds at their addresses appearing on the registration books of the Agency maintained by the Trustee (or at such other address as may have been provided to the Trustee for such purpose). A copy of such notice shall be furnished by the Agency on or before the Notice Date to each Nationally Recognized Credit Rating Agency then maintaining a rating on any Bonds Outstanding. In addition to the purposes provided in this Section 2.03, the notice of tender shall also constitute a notice of redemption of the Series 27 Tender Bonds on the Adjustment Date in whole or in part pursuant to Section 2.04(d) and Section 3.03(c) to the extent the conditions provided in Paragraphs (a)(iv) or (vii) of this Section 2.03 shall occur. Each such notice shall state in effect:

(A) the Principal Amount of Series 27 Tender Bonds owned by such Holder and the bond numbers and maturity dates thereof;

(B) the calendar date on which the Adjustment Date will occur and that, unless the conditions provided in Paragraph (iv) or

Paragraph (vii) of this Section 2.03(a) shall occur, Series 27 Tender Bonds of such Holder will be exchanged for and either redelivered to such Holder or remarketed as Adjusted Rate Bonds on the Adjustment Date, in either case bearing the same maturity dates as the Series 27 Tender Bonds for which they were exchanged;

(C) that the Holders of Series 27 Tender Bonds will no longer be entitled to receive interest on such Bonds after the Adjustment Date, except in the case of Series 27 Tender Bonds retained as provided in Section 2.03(b)(iii) hereof and not purchased (in which case such Bonds shall, from and after the Adjustment Date, bear interest at the Adjusted Interest Rate);

(D) that each Series 27 Tender Bond shall be purchased on the Adjustment Date unless the Bondholder directs the Agency and the Trustee not to purchase all or any specified portion of such Holder's Series 27 Tender Bonds (which portion shall not be less than $5,000 and shall be in whole multiples of $5,000 in Principal Amount) upon compliance by such Bondholder with the provisions of clause (iii) of Section 2.03(b);

(E) the date by which a Holder making the election described in Section 2.03(b)(iii) hereof must notify the Trustee of such election and the address and facsimile number to which a Holder making the election may deliver notice of such election;

(F) that if the Series 27 Tender Bonds had been exchanged for Adjusted Rate Bonds on the Certification Date, they would have borne interest thereafter at the Pro-Forma Adjusted Interest Rate and that the actual Adjusted Interest Rate will be determined on the Calculation Date (describing the dates on which the Calculation Date may occur and the method by which the actual Adjusted Interest Rate will be determined);

(G) that, whether or not each Bondholder elects to direct the Agency and the Trustee not to purchase any or all of such Bondholder's Series 27 Tender Bonds in accordance with Section 2.03(b)(iii), unless such Bonds are registered in the name of the Bond Depository or its nominee, such Bondholder shall deliver such Bond or Bonds to the Trustee no later than 10:30 a.m. (New York City time) on the Adjustment Date duly endorsed in blank for transfer (the Trustee and the Bond Depository may agree as to any procedures to be followed by them with respect to the delivery of Series 27 Tender Bonds); and

(H) that if no adjustment of interest rate takes place as a result of a failure of or inability of the Tender Bond Remarketing Agent to set the Adjusted Interest Rate on the Calculation Date, or otherwise as provided herein, whether or not a Bondholder has elected to direct the Agency or the Trustee not to purchase all or a portion of such

Bondholder's Series 27 Tender Bonds, all of such Series 27 Tender Bonds will be subject to mandatory redemption on the Adjustment Date.

(iv) On the Calculation Date the Tender Bond Remarketing Agent shall determine and announce to the Trustee and the Agency, in addition to those matters set forth in Paragraph (v) of this Section 2.03(a), the Adjusted Interest Rate that the Adjusted Rate Bonds of each applicable maturity shall bear as of the Adjustment Date. The Adjusted Interest Rate shall be the interest rate which, in the judgment of the Tender Bond Remarketing Agent, as of the date of such determination and under prevailing market conditions, would permit the resale of the Adjusted Rate Bonds on such date at par plus accrued interest, if any. If the Tender Bond Remarketing Agent shall fail or be unable to set the Adjusted Interest Rate on the Calculation Date, all Series 27 Tender Bonds shall be subject to mandatory redemption on the Adjustment Date. The Tender Bond Remarketing Agent shall announce the Adjusted Interest Rate by telephone to the Trustee and the Agency prior to 12:00 Noon, New York City time, on the Calculation Date, and shall confirm such notice by telex, facsimile or in writing or by wire sent on the same day or by next-day delivery service. Subject to Paragraph (vii) of this Section 2.03(a), as soon as possible after the Calculation Date the Trustee shall notify Bondholders who elected not to have their Series 27 Tender Bonds purchased pursuant to subparagraph (b)(iii) below of the Adjusted Interest Rate applicable to the Adjusted Rate Bonds to be retained by such holders. Following the Calculation Date, but in no event later than the second Business Day prior to the Adjustment Date, the Agency shall also deliver to the Trustee (1) an Arbitrage Projection Certificate, (2) a Remarketing Projection of Revenues satisfying the provisions of Paragraph (vi) of this Section 2.03(a), (iii) an Adjustment Rating Certificate and (3) a certificate of an Authorized Officer to the effect that the balance on deposit in the Bond Reserve Fund and the Series 27 Loan Loss Claim Fund as of the Adjustment Date will not be less than the Bond Reserve Fund Requirement and the Series 27 Loan Loss Claim Fund Requirement, respectively, calculated as of the Adjustment Date.

(v) On the Certification Date and on the Calculation Date, the Tender Bond Remarketing Agent shall deliver to the Agency and the Trustee a schedule of Principal Installments (including Sinking Fund Installments, if any) of the Pro-Forma Tender Bonds and the Adjusted Rate Bonds, as applicable. The maturity dates of, and schedule of Principal Installments for, the Pro-Forma Tender Bonds and the Adjusted Rate Bonds, as applicable, shall be the same dates and schedule as established pursuant to Sections 2.01 and 2.04(d) hereof for the Series 27 Bonds for which they are to be exchanged, provided that, the Sinking Fund Installments, if any, for the Adjusted Rate Bonds of any maturity shall be the pro-rata proportion of each Sinking Fund Installment established for such maturity by the Tender Bond Remarketing Agent pursuant to Section 2.04(d) hereof determined, as nearly as practicable, in accordance with the ratio which the aggregate Outstanding Principal Amount of Adjusted Rate Bonds of such maturity bears to the aggregate Outstanding Principal Amount of all Series 27 Bonds of such maturity.

(vi) In addition to the requirements of Section 610 of the Resolution, the Remarketing Projection of Revenues delivered in connection with the remarketing of the Adjusted Rate Bonds shall assume the schedule of Principal Installments for the Adjusted Rate Bonds delivered to the Agency on the Calculation Date in accordance with Paragraph (v) of this Section 2.03(a) and shall demonstrate that following such remarketing expected Revenues and other funds available for the purpose will be sufficient to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due and all Program Expenses or, if not, that the amount of Revenues and other funds available to pay Aggregate Debt Service in the current and each subsequent Fiscal Year on all Bonds Outstanding other than the Series 27 Tender Bonds, and to pay all Program Expenses allocable to such Bonds, will be greater following adjustment of the Series 27 Tender Bonds to Adjusted Rate Bonds than would be the case if the Agency did not remarket the Adjusted Rate Bonds but redeemed the Series 27 Tender Bonds in accordance with Section 2.04(b) hereof. A copy of the Remarketing Projection of Revenues, together with a schedule of Investment Obligations in which the proceeds of the Series 27 Bonds will be invested following the Adjustment Date, shall be furnished by the Agency to each Nationally Recognized Credit Rating Agency then maintaining a rating on the Series 27 Bonds not later than five days prior to the Adjustment Date. In addition to the foregoing requirements, the Remarketing Projection of Revenues shall also take into account the provisions of Section 3.03(c) hereof. No moneys, other than Revenues, and no other amounts, Reserve Deposits or Series 27 Loan Loss Claim Fund Deposits, other than amounts, Reserve Deposits and Series 27 Loan Loss Claim Fund Deposits available therefor on the Adjustment Date for such Adjusted Rate Bonds in the Funds and Accounts held under the Resolution, and no other Additional Security for the Series 27 Bonds, shall be assumed in such Remarketing Projection of Revenues to be available to pay the Series 27 Bonds unless at or prior to such Adjustment Date the Agency shall have deposited such moneys, Reserve Deposits or Series 27 Loan Loss Claim Fund Deposits in one or more of the Funds or Accounts held under the Resolution, or shall have assigned or delivered such Additional Security to the Trustee, and shall have delivered to the Trustee an opinion of Bond Counsel to the effect that such moneys, Reserve Deposits, Series 27 Loan Loss Claim Fund Deposits or Additional Security have been validly pledged as security for the payment of the Principal Amount and Redemption Price of and interest on the Bonds and that such assignment or delivery will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Series 27 Bond Outstanding.

(vii) If on or prior to the second Business Day immediately preceding the Adjustment Date either (A) the Agency shall fail to deliver to the Trustee the Arbitrage Projection Certificate, Adjustment Rating Certificate or Remarketing Projection of Revenues or certificate of an Authorized Officer described in Paragraph (iv) of this Section 2.03(a) or (B) either (1) the Agency shall determine (and certify to the Trustee) that the rate of interest to be borne by Loans to be acquired with the proceeds attributable to the Adjusted Rate Bonds exceeds the rate which the Agency reasonably determines is the maximum rate which eligible

Borrowers can afford or (2) the Agency shall have reasonably determined (and shall so certify to the Trustee) that Mortgage Lenders would be unable or unwilling to originate Loans for sale to the Agency at such rate or in a principal amount sufficient to fully apply all proceeds allocable to the Adjusted Rate Bonds as herein provided, or (3) the Agency shall determine that Loans made by or on behalf of the Agency, directly or indirectly, with proceeds attributable to the Adjusted Rate Bonds cannot be issued bearing a rate or rates of interest which will be less than the prevailing rate of interest on comparable loans available in the State without the assistance of the Agency, the Series 27 Tender Bonds (or such portion of the Principal Amount thereof as the Agency shall determine is necessary to satisfy the provisions of this Paragraph (vii)) shall not be exchanged for or remarketed as Adjusted Rate Bonds on the Adjustment Date but shall be redeemed on the Adjustment Date in accordance with Section 2.04(B) hereof.

(b) (i) Subject to Paragraph (b)(iii) of this Section 2.03, all Series 27 Tender Bonds shall be subject to mandatory tender for purchase on the Adjustment Date. Subject to the following sentence, any Series 27 Tender Bond subject to purchase on the Adjustment Date shall be purchased on the Adjustment Date from moneys transferred to the Debt Service Fund pursuant to Section 3.04(c) hereof at a purchase price equal to the Principal Amount thereof (including any initial issue premium paid with respect to the related maturity of the Series 27 Bonds) plus accrued interest, if any, thereon to the Adjustment Date, and without premium. There shall not be purchased from such moneys:

(A) Series 27 Tender Bonds purchased with remarketing proceeds as contemplated by subparagraph (ii) hereof;

(B) Series 27 Tender Bonds with respect to which the Trustee shall have received directions from the Holder thereof in accordance with subparagraph (c) hereof not to purchase the same; or

(C) Series 27 Tender Bonds issued in exchange for or upon the transfer of Series 27 Tender Bonds referred to in the preceding sub clauses (A) or (B).

(ii) In lieu of purchase from moneys held in the Debt Service Fund in accordance with Section 3.04(c) hereof, the purchase price of Series 27 Tender Bonds subject to purchase on the Adjustment Date may be paid from the proceeds of sale of the Adjusted Rate Bonds to a person or persons designated by the Remarketing Agent (who may but need not be the Tender Bond Remarketing Agent) at par plus accrued interest, if any. Adjusted Rate Bonds shall be sold to the person or persons designated by the Tender Bond Remarketing Agent if the purchase price in immediately available funds is delivered to the Trustee by 10:30 a.m., New York City time on the Adjustment Date. The Tender Bond Remarketing Agent, acting pursuant to the Tender Bond Remarketing Agreement, shall notify the Trustee in writing no later than the close of business on the third Business Day immediately preceding the Adjustment Date of the identity of the

purchasers to whom the Adjusted Rate Bonds shall be remarketed as of the Adjustment Date, the names in which such Bonds are to be registered and addresses and tax identification number of such purchasers and the Principal Amount, denominations, maturity date or dates and interest rate or rates of the Adjusted Rate Bonds which shall be so purchased.

(A) Any Series 27 Tender Bond subject to purchase and not delivered to the corporate trust office of the Trustee (or to a depository previously approved by the Trustee) by 10:30 a.m., New York City time, on the Adjustment Date will be deemed tendered, and an Adjusted Rate Bond may be issued in place thereof and delivered to the purchaser thereof. Any Series 27 Tender Bond deemed tendered and purchased shall not bear interest from and after the Adjustment Date and shall not be entitled to any rights under, or be secured by the pledge of, the Resolution, but shall have only the right to receive the purchase price thereof.

(B) For all Series 27 Tender Bonds purchased as herein provided, the Trustee shall authenticate Adjusted Rate Bonds in the appropriate denominations and maturity and bearing interest at the Adjusted Interest Rate and, after receipt of the purchase price therefor, deliver the same to, and register the same in the name of, such person or persons as shall be designated by the Remarketing Agent. Any Series 27 Tender Bonds presented to the Trustee after the Adjustment Date for payment shall be paid from the aforementioned amounts set aside and shall be cancelled in accordance with Section 308 of the Resolution.

(iii) Any Holder of Series 27 Tender Bonds who has received notice that such Holder's Series 27 Tender Bonds will be exchanged for Adjusted Rate Bonds may direct in writing by mail or by telex or facsimile received by an officer in the Corporate Trust Division of the Trustee no later than 4:00 p.m. (New York City time) on the fifteenth (15th) day prior to the Adjustment Date (or if such day is not a Business Day, on the next succeeding Business Day), as specified in such notice, that all or any specified portion of such Holder's Series 27 Tender Bonds (which portion shall not be less than $5,000 and shall be in whole multiples of $5,000 in Principal Amount) not be purchased, provided that, except with respect to Series 27 Tender Bonds registered in the name of the Bond Depository or its nominee, in lieu of purchase, such person agrees to exchange such specified portion of such Series 27 Tender Bonds for an amount of Adjusted Rate Bonds equal in Principal Amount to the Series 27 Tender Bonds tendered for exchange and of the same maturity as the Series 27 Tender Bonds so exchanged. The Trustee and the Bond Depository may agree to other arrangements for evidencing the exchange of Series 27 Tender Bonds for Adjusted Rate Bonds in the case of Series 27 Tender Bonds registered in the name of the Bond Depository or its nominee. The Trustee shall notify the Remarketing Agent and the Agency by 5:00 p.m. (New York City time) on the Fifteenth (15th) day prior to the Adjustment Date (or if such day is not a Business Day, on the next succeeding

Business Day) of the aggregate amount of Series 27 Tender Bonds with respect to which notices were so received and the maturity dates thereof.

(iv) Unless otherwise agreed to by the Trustee with respect to Series 27 Tender Bonds registered in the name of the Bond Depository or its nominee, the direction of a Holder of Series 27 Tender Bonds described in subparagraph (iii) of this Section 2.03(b) shall be substantially in the form of Exhibit A hereto and shall state:

(A) the maturity date or dates of the Adjusted Rate Bonds for which the Holder's Series 27 Tender Bonds are to be exchanged and the Principal Amount or Amounts applicable to such maturity date(s) but shall acknowledge that if the conditions described in Section 2.03(a)(iv) or Section 2.03(a)(vii) hereof shall occur, such Holder's Series 27 Tender Bonds shall be subject to mandatory redemption despite direction to the contrary; and

(B) that such person is the owner of the Series 27 Tender Bonds to be exchanged for Adjusted Rate Bonds.

(v) Series 27 Tender Bonds purchased with moneys on deposit in the Debt Service Fund pursuant to Section 2.03(b)(i) hereof shall be cancelled by the Trustee.

(vi) Notwithstanding anything herein to the contrary, the aggregate principal amount of Adjusted Rate Bonds may be in an amount which exceeds the aggregate principal amount of Series 27 Tender Bonds (which increased amount reflects the unamortized premium paid with respect to any Series 27 Tender Bonds) upon receipt by the Trustee and the Agency of an opinion of Bond Counsel to the effect that the remarketing of the Adjusted Rate Bonds in such amount will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Series 27 Bond.

Section 2.04. Redemption Provisions.

(a) The Series 27 Bonds shall be subject to optional redemption as set forth in the Series Certificate.

(b) All Series 27 Tender Bonds shall be subject to redemption prior to maturity in whole or in part on the Adjustment Date as provided in Section 2.03(a)(iv) and Section 2.03(a)(vii) hereof from moneys deposited in the Special Redemption Account pursuant to Section 3.04(b) hereof at a Redemption Price of par plus accrued interest to the redemption date.

(c) The Series 27 Bonds shall be subject to special redemption as set forth in the Series Certificate upon compliance with the provisions of Section 509 of the Resolution.

(d) If so provided in the Series Certificate, Series 27 Bonds maturing on the dates set forth in the Series Certificate shall be subject to redemption prior to maturity in part on the dates and in the amounts set forth in the Series Certificate through application of Sinking Fund Installments at a Redemption Price equal to the Principal Amount of each Series 27 Bond or portion thereof to be redeemed, plus accrued interest to the redemption date.

(e) Except as otherwise provided herein, notice of redemption of Series 27 Bonds, bearing, in addition to such other information as may be required by Section 405 of the Resolution, the "CUSIP" number of each Series 27 Bond or portion thereof to be redeemed, the date and interest rate of such Bond or portion and the name and telephone number of a representative of the Trustee from whom information regarding such redemption can be obtained, shall be given by mailing a copy of such notice not more than 60 days and not less than 30 days prior to the redemption date to the registered owners of all Series 27 Bonds or portions thereof to be redeemed. Notwithstanding anything herein or in the Resolution to the contrary, notice of redemption of any Series 27 Bonds or portions thereof given to the registered owner of $1,000,000 or more Principal Amount of Series 27 Bonds Outstanding shall, upon the prior written request of such owner to the Trustee, be mailed by certified mail, return receipt requested. Failure to mail any redemption notice as herein provided with respect to a Series 27 Bond or any defect therein shall not affect the redemption of any other Series 27 Bonds for which the required notice of redemption shall have been given. Not less than two Business Days prior to the giving of any notice of redemption of Series 27 Bonds to the registered owners thereof, the Agency shall also give notice of such redemption to at least two national information services who customarily disseminate information concerning the redemption of bonds (provided failure to give such notice or any defect therein shall not affect the redemption of such Series 27 Bonds on the redemption date therefor). If any Series 27 Bonds called for redemption as provided herein are not presented for payment within 60 days of the redemption date, the Trustee shall mail an additional notice of the redemption of such Series 27 Bonds to the registered owners thereof, provided failure to mail such notice or any defect therein shall not affect the redemption of such Series 27 Bonds on the redemption date therefor.

Section 2.05. Sale of Series 27 Bonds.

(a) The Series 27 Bonds shall be sold to the Underwriters and any other direct purchasers of the Series 27 Bonds on the terms and conditions, and upon the representations set forth in the related Purchase Contract, which Purchase Contract (or Purchase Contracts) may be executed and delivered on behalf of the Agency by the Chair, the Executive Director and Secretary, or any other Authorized Officer in such form as shall be approved by Counsel to the Agency; provided, however, that in no event shall the Yield on the Series 27 Bonds exceed a Yield which would result in an interest rate on the zero point Mortgage Loans to be financed with the proceeds of the Series 27 Bonds in excess of 7.50% per annum nor may any Series 27 Bond mature later than October 1, 2042.

(b) The distribution of the preliminary Official Statements in a form comparable to the forms previously used by the Agency and acceptable to Counsel to the Agency is hereby authorized in all respects. The final Official Statements in substantially the form of the related preliminary Official Statement, as modified and supplemented to reflect the pricing of the Series 27 Bonds, is hereby approved and the execution and delivery thereof to the Underwriters and any other direct purchasers is hereby authorized in all respects.

(c) The Series 27 Bonds shall be delivered upon compliance with the provisions of Section 204 of the Resolution, at the time and place provided by the related Purchase Contract.

(d) The proceeds of the good faith check received by the Agency under any Purchase Contract shall be deposited with the Trustee in a special account established by the Agency and invested in Investment Obligations, subject to the terms of the related Purchase Contract.

ARTICLE III

ESTABLISHMENT OF ACCOUNTS AND APPLICATION OF PROCEEDS OF SERIES 27 BONDS

Section 3.01. Establishment of Funds and Accounts.

(a) In accordance with Section 502 of the Resolution, the Series 27 Loan Loss Claim Fund is hereby established to be held by the Trustee. The Series 27 Loan Loss Claim Fund shall be deemed to be Additional Security for the Series 27 Bonds within the meaning and with the effect given by Section 207 of the Resolution, and the Series 27 Loan Loss Claim Fund Surety Bond, Investment Obligations and Series 27 Loan Loss Claim Fund Deposits held in such Fund shall be used for the purposes and as provided in Section 3.06 of this Thirty-First Supplemental Resolution.

(b) There are hereby ordered to be established in the Program Fund one or more separate accounts to be designated as "Program Accounts" and "Premium Accounts" moneys in each of which shall be used for the purposes and as authorized by Section 504 of the Resolution and Section 3.03 of this Thirty-First Supplemental Resolution. The actual number of such Program Accounts and Premium Accounts shall be set forth in the Series Certificate. There shall also be established within any Program Account relating to the Series 27 Bonds a separate subaccount designated the "Series 27 Tender Bonds Proceeds Subaccount," moneys in which shall be used solely for the purposes and as authorized by Section 3.04 hereof. Except as provided in Section 3.04 hereof, amounts on deposit in the Series 27 Tender Bonds Proceeds Subaccount shall be considered for all proposes of the Resolution as on deposit in the related Program Account for such Series 27 Bonds.

(c) In accordance with Section 502 of the Resolution, a separate account is hereby established in the Program Fund designated the "Series 27 Cost of Issuance

Account," moneys in which shall be used for the purposes and as authorized by Section 505(A) of the Resolution.

(d) In accordance with Section 502 of the Resolution, a separate account is hereby established in the Program Fund designated the "Series 27 Capitalized Interest Account," moneys in which shall be used for the purposes and as authorized by Section 505(B) of the Resolution.

(e) In accordance with Section 502 of the Resolution, a separate account is hereby established in the Redemption Fund to be held by the Trustee designated the "Series 27 Contingency Account," the amounts in which shall be used for the purposes and as authorized by Section 3.05 of this Thirty-First Supplemental Resolution. The Series 27 Contingency Account shall be deemed to be Additional Security for the Series 27 Bonds within the meaning and with the effect given by Section 207 of the Resolution.

(f) There is hereby established in the Rebate Fund a separate account designated the "Series 27 Rebate Account," moneys in which shall be used for the purposes and as authorized by Section 510 of the Resolution and Section 3.07 of this Thirty-First Supplemental Resolution.

(g) The Series Certificate may establish such additional funds or accounts as may be required upon the issuance of any Variable-Rate Bonds or upon the execution of any Hedge Agreement.

Section 3.02. Application of Proceeds and Other Moneys.

(a) Upon the authentication and delivery of the Series 27 Bonds, the proceeds of sale of the Series 27 Bonds shall be deposited by the Trustee as provided in the Series Certificate.

(b) On or before the original delivery date of the Series 27 Bonds, the Agency shall deliver to the Trustee cash, the Series 27 Loan Loss Claim Fund Surety Bond or Series 27 Loan Loss Claim Fund Deposits, in an aggregate stated amount equal to the Series 27 Loan Loss Claim Fund Requirement, to be held by the Trustee for the credit of the Series 27 Loan Loss Claim Fund, as provided in Section 3.06 hereof.

(c) On or before the original delivery date of the Series 27 Bonds, the Agency shall deliver cash, the Series 27 Contingency Account Surety Bond or Series 27 Contingency Account Deposits to the Trustee in the amount provided in the Series Certificate. If a Series 27 Contingency Account Deposit is other than cash, the Series 27 Contingency Account Deposit shall have an initial term of at least five years from its date and shall be held by the Trustee for the credit of the Series 27 Contingency Account.

Section 3.03. Application of Certain Amounts in Series 27 Program Accounts.

(a) Notwithstanding anything in the Resolution to the contrary, except as hereinafter provided or as otherwise provided in the Series Certificate, amounts deposited in any Program Account created with respect to the Series 27 Bonds in accordance with

the Series Certificate shall be applied solely to the purchase or making of Mortgage Loans (excluding Mortgage Loans for the construction of Residential Housing) as provided herein, in the Series Certificate and in Section 504 of the Resolution. Amounts deposited in any Program Account created with respect to the Series 27 Bonds as provided herein, in the Series Certificate or in the Resolution may be applied by the Agency to the purchase or making of Cooperative Housing Loans, Mortgage Loans for the construction of Residential Housing or Home Improvement Loans provided that at or prior to the purchase or making of any such Loan (i) the Agency shall furnish to each Nationally Recognized Credit Rating Agency the form of purchase agreement, servicing agreement, operations manual and other Program instruments and guidelines pursuant to which such Loans will be purchased or made, and (ii) the Agency shall deliver to the Trustee a letter from each Nationally Recognized Credit Rating Agency (or other evidence satisfactory to the Trustee) to the effect that the purchase or making of such Loans will not cause such agency to lower, suspend or otherwise modify adversely the unenhanced credit ratings then assigned to any Bonds Outstanding. In connection with the purchase of Cooperative Housing Loans, Mortgage Loans for the construction of Residential Housing or Home Improvement Loans, if any, hereunder the Agency may adopt a Supplemental Resolution pursuant to Section 701 of the Resolution specifying the terms of such Loans and any conditions to the purchase or making thereof and providing for any Additional Security therefor or for the Series 27 Bonds in accordance with Section 207 of the Resolution.

(b) Amounts on deposit in any Program Account allocable to the Series 27 Bonds shall be applied by the Agency to the purchase or origination of Loans bearing interest at rates not less than the rates set forth in the Series Certificate for each type of Loan authorized by the Series Certificate. Notwithstanding the foregoing, the Agency may purchase or make Loans with provisions differing from the foregoing restriction if at or prior to the purchase or making of such Loans the Agency delivers to the Trustee (i) a Projection of Revenues demonstrating that following the purchase or making of such Loans, expected Revenues and other funds available for the purpose will be sufficient to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due and all Program Expenses, and (ii) an opinion of Bond Counsel to the effect that the purchase or making of such Loans will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 27 Bonds.

(c) Amounts, if any, of deposit in any Premium Account allocable to the Series 27 Bonds of the Program Fund shall be applied by the Agency to provide down payment and closing cost assistance to borrowers who elect to receive Downpayment Assistance Loans as described in the Series Certificate. Notwithstanding the foregoing, the Agency may use amounts on deposit in any Premium Account allocable to the Series 27 Bonds to purchase or make Loans which do not constitute Downpayment Assistance Loans if at or prior to the purchase or making of such Loans to the Agency delivers to the Trustee the Protection of Revenues and opinion of Bond Counsel described in clause (i) and (ii) of paragraph (b) of this Section 3.03.

Upon the mandatory tender of Series 27 Bonds pursuant to Section 2.03(b) hereof, the redemption of Series 27 Tender Bonds pursuant to Section 2.04(b) hereof or the

redemption of Series 27 Bonds from unexpended proceeds pursuant to Section 2.04(c) hereof, amounts on deposit in the Series 27 Premium Account allocable to the initial issue premium, if any, paid with respect to the Series 27 Bonds, shall be transferred to the Series 27 Tender Bonds Proceeds Subaccount or the Special Redemption Account, as applicable, to pay a portion of the tender price or redemption price, as applicable, of the Series 27 Bonds.

Section 3.04. Application of Series 27 Tender Bond Proceeds Subaccount.

(a) Notwithstanding anything in Section 504 of the Resolution to the contrary, upon receipt by the Trustee of the certificate of an Authorized Officer described in Section 2.03(a)(ii) hereof to the effect that the Agency has elected to call a Principal Amount of Series 27 Bonds for exchange for or remarketing as Adjusted Rate Bonds on the Adjustment Date, the Trustee shall withdraw (i) from the Program Accounts allocable to the Series 27 Bonds and deposit in the Series 27 Tender Bonds Proceeds Subaccount an amount equal to the Principal Amount of Series 27 Bonds so certified and (ii) from any Premium Account allocable to the Series 27 Bonds and deposit in the Series 27 Tender Bonds Proceeds Subaccount an amount equal to the initial issue premium paid with respect to any Series 27 Tender Bonds. Until the Adjustment Date, the amount so deposited shall be applied solely as provided in Paragraph (b) and (c) of this Section 3.04.

(b) Notwithstanding anything in Section 504 of the Resolution to the contrary, if the conditions specified in Section 2.03(a)(iv) or Section 2.03(a)(vii) hereof shall have occurred, the Trustee shall transfer from the Series 27 Tender Bonds Proceeds Subaccount to the Series 27 Special Redemption Account in the Redemption Fund all or such portion of such funds on deposit in the Series 27 Tender Bonds Proceeds Subaccount as shall be directed by the Agency for application to the redemption of all Series 27 Tender Bonds in accordance with Section 2.04(b) hereof.

(c) Notwithstanding anything in Section 504 of the Resolution to the contrary, if on the Adjustment Date any Series 27 Tender Bonds have not been remarketed as Adjusted Rate Bonds in accordance with Section 2.03(b)(ii) hereof, the Trustee shall transfer from the Series 27 Tender Bonds Proceeds Subaccount to the Debt Service Fund an amount equal to the sum of (i) the Principal Amount of all such Series 27 Tender Bonds not so remarketed and (ii) the initial issue premium allocable to any Series 27 Tender Bonds issued with such premium not so remarketed. The amounts so transferred shall be applied on the Adjustment Date to the purchase of Series 27 Tender Bonds as provided in Section 2.03(b)(i) hereof.

(d) Notwithstanding anything herein to the contrary, on the Adjustment Date, but only upon compliance with Paragraph (b) and (c) of this Section 3.04, the Trustee shall return the entire balance then remaining in the Series 27 Tender Bonds Proceeds Subaccount to the related Program Account allocable to the Series 27 Bonds and any Premium Account allocable to the Series 27 Bonds, as applicable, for application thereafter as provided in Section 504 of the Resolution and Section 3.03 hereof.

Section 3.05. Application of Series 27 Contingency Account.

(a) Notwithstanding anything in the Resolution to the contrary, in connection with the purchase or redemption of Bonds with funds on deposit in a Special Redemption Account pursuant to Section 509(C) of the Resolution, the Agency may pay to the Trustee for deposit in the Revenue Fund amounts from the General Fund or from any other lawful source available to the Agency to the extent that the Projection of Revenues required by Section 509(G) of the Resolution shows that the balance to be on deposit and available for such purpose on the redemption date of such Bonds in all Funds and Accounts under the Resolution, other than the Rebate Fund, will be insufficient to satisfy the requirements of said Section 509(G) of the Resolution with respect to such purchase or redemption.

(b) The Trustee shall hold the cash deposited by the Agency, the Series 27 Contingency Account Surety Bond or the Series 27 Contingency Account Deposit, as applicable, for the credit of the Series 27 Contingency Account as security for the payment to the Trustee for deposit in the Revenue Fund of amounts, if any, necessary to satisfy the requirements of Section 509(G) of the Resolution upon any redemption of Series 27 Bonds (and, to the extent provided in the Series Certificate, any other Bonds of the Agency) as described in Paragraph (a) of this Section 3.05 and, to the extent provided in the applicable Supplemental Resolution and, if the Agency has provided a Series 27 Contingency Account Deposit, with the prior approval of the Series 27 Contingency Account Deposit Provider, upon the redemption of any other Series of Bonds Outstanding under the Resolution. The Agency hereby instructs the Trustee, as applicable, to withdraw funds on deposit in the Series 27 Contingency Account or to give notice to the Series 27 Contingency Account Deposit Provider and to draw upon the Series 27 Contingency Account Deposit in accordance with its terms to the extent that the amount on deposit and available therefor in all Funds and Accounts under the Resolution (other than amounts available under the Series 27 Contingency Account Deposit and amounts on deposit in or held for the credit of the Series 27 Loan Loss Claim Fund), after consideration of any other amounts deposited in the Revenue Fund pursuant to Paragraph (a) of this Section 3.05 or the related provision of any applicable Supplemental Resolution set forth in the Series Certificate is insufficient to enable the Agency to satisfy the requirements of Section 509(G) of the Resolution with respect to the purchase or redemption of Series 27 Bonds (and any other Bonds of the Agency set forth in the Series Certificate) as described in Paragraph (a) of this Section 3.05. Any such certificate shall include instructions to the Trustee to draw upon the Series 27 Contingency Account Deposit to the extent of such deficiency and otherwise in accordance with its terms and to deposit the amount so drawn in the Revenue Fund.

(c) At any time while a Series 27 Contingency Account Deposit is held under the Resolution for the account of the Series 27 Bonds, the Agency may direct the Trustee to reduce the stated amount thereof or to cancel the Series 27 Contingency Account Deposit and return it to the Series 27 Contingency Account Deposit Provider upon the filing with the Trustee of a certificate of an Authorized Officer to the effect that the Agency has informed each Nationally Recognized Credit Rating Agency of such reduction or cancellation and each such Agency has confirmed that such reduction or

cancellation will not adversely affect the unenhanced ratings then assigned to any Bonds Outstanding. In the event the Agency has deposited cash with the Trustee in lieu of a Series 27 Contingency Account Deposit, the Agency may direct the Trustee to withdraw any or all funds on deposit in the Series 27 Contingency Account and return such funds to the Agency upon the same conditions as a reduction or cancellation of the Series 27 Contingency Account Deposit.

(d) If the Trustee shall receive a notice from the Series 27 Contingency Account Deposit Provider pursuant to the Series 27 Reimbursement Agreement, if any, to the effect that an Event of Default has occurred and is continuing under the Series 27 Reimbursement Agreement and the Series 27 Contingency Account Deposit Provider has elected to direct the Trustee to make a drawing of an amount equal to the stated and unpaid amount of the Series 27 Contingency Account Deposit, the Trustee shall make such drawing and shall deposit the amount so drawn in the Series 27 Contingency Account.

(e) Subject to the provisions of Paragraph (c) of this Section 3.05, not less than five Business Days prior to the date of expiration of the Series 27 Contingency Account Deposit the Agency shall deposit with the Trustee an extension thereof or a substitute Series 27 Contingency Account Deposit therefor (the deposit of which will not adversely affect the unenhanced ratings then assigned to any Bonds Outstanding by any Nationally Recognized Credit Rating Agency) in a stated amount equal to the stated amount of the initial Series 27 Contingency Account Deposit. If the Agency shall fail to deposit such extension or substitute letter of credit, not less than three Business Days prior to the expiration date of the Series 27 Contingency Account Deposit the Trustee shall draw upon the Series 27 Contingency Account Deposit the full amount then available to be drawn thereunder and shall deposit such amount in the Series 27 Contingency Account. If at any time thereafter the Agency shall certify to the Trustee in accordance with Paragraph (c) of this Section 3.05 that all or a portion of the amount on deposit in the Series 27 Contingency Account is not required for the purposes of such account, the Trustee shall pay the surplus in the Series 27 Contingency Account (as determined by the Agency) or the entire balance therein, as appropriate, to the Agency.

(f) Withdrawals from the Series 27 Contingency Account pursuant to Paragraphs (b) or (c) of this Section 3.05 shall be made by the Trustee, *first*, from cash and Investment Obligations, if any, on deposit in the Series 27 Contingency Account and *second*, from amounts drawn on any Series 27 Contingency Account Deposit. If at the time of making any withdrawal the amount of cash and Investment Obligations on deposit in the Series 27 Contingency Account is less than the withdrawal to be made, the Trustee shall notify the Agency of the amount of the deficiency and, unless the Agency shall pay to the Trustee for deposit in the Series 27 Contingency Account not later than the close of business on the Business Day next succeeding the date which such notice is received by the Agency an amount equal to such deficiency, the Trustee shall draw on the Series 27 Contingency Account Deposit the amount of the deficiency (or such portion thereof that has not been funded by such a deposit by the Agency) or, if less, the full amount available under the Series 27 Contingency Account Deposit.

(g) Interest or other income derived from the investment or deposit of moneys, if any, in the Series 27 Contingency Account shall be transferred by the Trustee to the Agency.

Section 3.06. Application of Series 27 Loan Loss Claim Fund.

(a) The Trustee shall deposit in the Series 27 Loan Loss Claim Fund (i) the amount, if any, set forth in the Series Certificate, (ii) all amounts drawn on the Series 27 Loan Loss Claim Fund Deposit, if any, in accordance with this Section 3.06, (iii) any amount deposited therein from the Revenue Fund pursuant to Section 3.08 of this Thirty-First Supplemental Resolution, (iv) all interest and other earnings on investment or deposit of amounts on deposit in the Series 27 Loan Loss Claim Fund and (v) any other amounts (not required by the Resolution to be otherwise deposited), as determined by the Agency. Except as otherwise provided herein, amounts on deposit in the Series 27 Loan Loss Claim Fund, including, without limitation, amounts drawn on the Series 27 Loan Loss Claim Fund Deposit, shall be used solely for the purposes provided in Paragraphs (b) and (c) of this Section 3.06.

(b) Upon receipt by the Trustee of a certificate of an Authorized Officer to the effect that a Loan Loss has been realized on a defaulted Loan allocable to the Series 27 Bonds and specifying the amount of such Loan Loss, the Trustee shall withdraw from the Series 27 Loan Loss Claim Fund and deposit in the Revenue Fund the amount of such Loan Loss as so specified, or such lesser amount as directed in such certificate. Upon deposit thereof in the Revenue Fund, each Loan Loss Claim Fund Withdrawal shall constitute Revenues for all purposes of the Resolution.

(c) Notwithstanding anything herein to the contrary, if at any time the conditions described in Section 3.05(b) hereof shall occur and the amount on deposit in or held for the credit of the Series 27 Contingency Account shall be insufficient for the purposes of such account, the Trustee shall give notice to the Series 27 Loan Loss Claim Fund Deposit Provider and shall draw the amount of the deficiency from the Series 27 Loan Loss Claim Fund provided following such drawing and application of the amount withdrawn to the redemption of Bonds as contemplated by Section 3.05(b) hereof the amount on deposit in the Series 27 Loan Loss Claim Fund, together with the stated and unpaid amount of the Series 27 Loan Loss Claim Fund Deposit, if any, shall be not less than the Series 27 Loan Loss Claim Fund Requirement. Any amounts withdrawn from the Series 27 Loan Loss Claim Fund in accordance with this Paragraph (c) shall be deposited in the Revenue Fund and shall be applied to the redemption of Bonds as contemplated by Section 3.05(b) hereof.

(d) Withdrawals from the Series 27 Loan Loss Claim Fund pursuant to Paragraphs (b) or (c) of this Section 3.06 shall be made by the Trustee, *first*, from cash and Investment Obligations, if any, on deposit in the Series 27 Loan Loss Claim Fund and *second*, from amounts drawn on any Loan Loss Claim Fund Deposit. If at the time of making any withdrawal the amount of cash and Investment Obligations on deposit in the Series 27 Loan Loss Claim Fund is less than the withdrawal to be made, the Trustee shall notify the Agency of the amount of the deficiency and, unless the Agency shall pay

to the Trustee for deposit in the Series 27 Loan Loss Claim Fund not later than the close of business on the Business Day next succeeding the date which such notice is received by the Agency an amount equal to such deficiency, the Trustee shall draw on the Series 27 Loan Loss Claim Fund Deposit the amount of the deficiency (or such portion thereof that has not been funded by such a deposit by the Agency) or, if less, the full amount available under the Series 27 Loan Loss Claim Fund Deposit.

(e) Notwithstanding the foregoing provisions of this Section 3.06, nothing in the Resolution or this Thirty-First Supplemental Resolution shall obligate the Agency to deposit in the Series 27 Loan Loss Claim Fund an amount which would cause the balance in the Series 27 Loan Loss Claim Fund, after application of amounts therein to Loan Loss Claim Fund Withdrawals notice of which has theretofore been received by the Trustee, to exceed the Series 27 Loan Loss Claim Fund Requirement. Unless otherwise directed by the Agency, no Loan Loss Claim Fund Withdrawal shall be made by the Trustee if the amount of such Loan Loss Claim Fund Withdrawal, together with the amount of all Loan Loss Claim Fund Withdrawals theretofore made by the Trustee, would exceed an amount equal to (i) 1.85% of the sum of (A) the aggregate original principal amount of all Loans purchased under the Resolution from amounts on deposit in any Program Account allocable to the Series 27 Bonds plus (B) the aggregate amount, if any, then held in any Program Account allocable to the Series 27 Bonds which may be applied to the purchase of such Loans, or (ii) such lesser amount as each Nationally Recognized Credit Rating Agency confirms to the Agency will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding.

(f) Notwithstanding anything herein or in the Resolution to the contrary, at any time the Agency may direct the Trustee to withdraw from the Series 27 Loan Loss Claim Fund and pay to the Agency all or any part of the moneys on deposit in the Series 27 Loan Loss Claim Fund provided that prior to any such withdrawal the Agency shall deliver to the Trustee (i) one or more Reserve Deposits in an aggregate amount available to be drawn thereunder, together with any moneys to remain on deposit in the Series 27 Loan Loss Claim Fund following such withdrawal, equal to not less than the Series 27 Loan Loss Claim Fund Requirement, (ii) letters from each Nationally Recognized Credit Rating Agency (or other evidence satisfactory to the Trustee) confirming that such withdrawal will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding and (iii) an opinion of Bond Counsel to the effect that such withdrawal will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Bonds Outstanding. In connection with any such withdrawal and the deposit of any Reserve Deposit with the Trustee, the Agency may adopt a Supplemental Resolution pursuant to Section 701 of the Resolution specifying the terms and conditions under which such Reserve Deposit is held for the credit of the Series 27 Loan Loss Claim Fund.

(g) Subject to Paragraph (h) of this Section 3.06, if at any time the amount of cash and Investment Obligations on deposit in the Series 27 Loan Loss Claim Fund exceeds the Series 27 Loan Loss Claim Fund Requirement, the Trustee, at the request of the Agency, shall withdraw the excess (or such portion thereof as directed by the Agency) and deposit it in the Revenue Fund.

(h) If at any time (i) the amount of cash and Investment Obligations in the Series 27 Loan Loss Claim Fund exceeds the Series 27 Funded Loan Loss Claim Fund Requirement, and/or (ii) the stated and unpaid amount of the Series 27 Loan Loss Claim Fund Deposit exceeds the Series 27 Loan Loss Claim Fund Requirement, the Agency may direct the Trustee to notify the Series 27 Loan Loss Claim Fund Deposit Provider of a reduction in the stated amount of the Series 27 Loan Loss Claim Fund Deposit; provided that if any such excess has resulted from a decrease in the Series 27 Loan Loss Claim Fund Requirement other than due to the payment of Loan Loss Claim Fund Withdrawals in accordance with this Section 3.06, the direction of the Agency shall be accompanied by letters from each Nationally Recognized Credit Rating Agency (or other evidence satisfactory to the Trustee) to the effect that the reduction of the Series 27 Loan Loss Claim Fund Deposit will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding.

(i) If the Trustee shall receive a notice from the Series 27 Loan Loss Claim Fund Deposit Provider pursuant to the Series 27 Reimbursement Agreement, if any, to the effect that an Event of Default has occurred and is continuing under the Series 27 Reimbursement Agreement and the Series 27 Loan Loss Claim Fund Deposit Provider has elected to direct the Trustee to make a drawing of an amount equal to the lesser of the Series 27 Loan Loss Claim Fund Requirement or the stated and unpaid amount of the Series 27 Loan Loss Claim Fund Deposit, the Trustee shall make such drawing and shall deposit the amount so drawn in the Series 27 Loan Loss Claim Fund.

(j) Not less than five Business Days prior to the date of expiration of the Series 27 Loan Loss Claim Fund Deposit, the Agency shall deposit with the Trustee either an extension of the Series 27 Loan Loss Claim Fund Deposit in a stated amount available to be drawn thereunder not less than the lesser of (i) an amount equal to the Series 27 Loan Loss Claim Fund Requirement calculated at such date less the aggregate amount of cash and Investment Obligations, if any, on deposit in the Series 27 Loan Loss Claim Fund at such date and (ii) the stated amount of the Series 27 Loan Loss Claim Fund Deposit at such date. If the Agency shall fail to deposit such extension of the Series 27 Loan Loss Claim Fund Deposit with the Trustee, not less than three Business Days prior to the expiration date of the Series 27 Loan Loss Claim Fund Deposit, the Trustee shall draw on the Series 27 Loan Loss Claim Fund Deposit and deposit in the Series 27 Loan Loss Claim Fund an amount sufficient to cause the Series 27 Funded Loan Loss Claim Fund Requirement to equal the Series 27 Loan Loss Claim Fund Requirement as of such date or, if less, the full amount then available to be drawn under the Series 27 Loan Loss Claim Fund Deposit.

(k) Notwithstanding anything herein or in the Resolution to the contrary, the Series 27 Loan Loss Claim Fund Requirement shall be reduced to zero if at any time the Agency shall file with the Trustee (i) a certificate of an Authorized Officer to the effect that the Agency then maintains or has caused to be maintained in full force and effect a policy or policies of insurance obtained by the Agency under which an insurance company qualified to do business in the State insures the Agency on a portfolio basis, for so long as any Series 27 Bonds are Outstanding under the Resolution, against loss arising out of default on Loans purchased or made from moneys on deposit in any Program

Account allocable to the Series 27 Bonds during the period of insurance eligibility specified in such policy up to such aggregate loss limit as the Agency shall determine in its discretion, and (ii) letters from each Nationally Recognized Credit Rating Agency (or other evidence satisfactory to the Trustee) confirming that the provision of such insurance and the reduction of the Series 27 Loan Loss Claim Fund requirement will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding.

Section 3.07. Series 27 Rebate Account.

(a) Pursuant to the requirements of Section 148(f) of the Code, the Agency shall pay to the United States at least once every five years an amount determined in accordance with said Section 148(f) equal to the sum of (i) the excess of the amount earned on all Nonpurpose Investments (hereinafter defined) (other than investments attributable to an excess described in this clause) over the amount which would have been earned if such Nonpurpose Investments were invested at a yield equal to the Yield on the Series 27 Bonds, plus (ii) any income attributable to the investment of the excess described in clause (i) above. The Agency further covenants to pay such amount to the United States, in a manner consistent with the requirements of Section 148(f) of the Code, whether or not the amount on deposit in the Series 27 Rebate Account and available therefor is sufficient for such payment, and to establish such accounting procedures as are required to determine the amount of such excess investment earnings and the Series 27 Rebate Requirement.

(b) Within 30 days of the end of each Bond Year, the Agency shall furnish to the Trustee a certificate of an Authorized Officer, upon which the Trustee may conclusively rely, setting forth the Series 27 Rebate Requirement for such Bond Year.

(c) Within 60 days after the close of the fifth Bond Year, and at least once in each five-year period thereafter, the Trustee shall pay from the Series 27 Rebate Account to the United States on behalf of the Agency the full amount then required to be paid under Section 148(f) as certified and directed by the Agency in a certificate of an Authorized Officer delivered to the Trustee prior to the due date of such payment. Within 60 days after the Series 27 Bonds have been paid in full, the Trustee shall pay to the United States from the Series 27 Rebate Account on behalf of the Agency the full amount then required to be paid under Section 148(f) as certified by the Agency in a certificate of an Authorized Officer delivered to the Trustee prior to the due date of such payment. Each such payment shall be filed with the Internal Revenue Service Center, 1600 W. 1200 S., Ogden, UT 84201 or any successor location specified by the Internal Revenue Service, accompanied by a copy (furnished to the Trustee by the Agency) of the Form 8038-T (or other similar information reporting form).

(d) In the event that, at the time of any required payment of the Series 27 Rebate Requirement, the amount in the Series 27 Rebate Account available for such payment shall be insufficient to make such payment, the Agency shall pay the amount of the deficiency from the General Fund or from any other moneys available to the Agency and not pledged under the Resolution to the Bonds.

(e) In the event that on any Interest Payment Date of the Series 27 Bonds the amount on deposit in the Series 27 Rebate Account exceeds the Series 27 Rebate Requirement (calculated as of such Interest Payment Date), the Trustee, at the written direction of an Authorized Officer, shall withdraw such excess amount and deposit it in the Revenue Fund.

(f) For purposes of this Section 3.07, the term "Nonpurpose Investments" shall have the meaning given in Section 148(f) of the Code. Nonpurpose Investments shall be valued at accreted value or market value, as appropriate for the purposes of this Section 3.07. In determining the aggregate amount earned on Nonpurpose Investments, any gain or loss on the disposition of such Investments shall be taken into account.

(g) The Agency and the Trustee shall keep such records as will enable them to fulfill the responsibilities under this section and Section 148(f) of the Code and shall retain such records for at least six years following final payment of the Series 27 Bonds.

(h) The purpose of this Section 3.07 is to satisfy the requirements of Section 148(f) of the Code and any applicable regulations thereunder or official interpretations thereof. Accordingly, this section shall be construed so as to meet such requirements.

Section 3.08. Application of Certain Amounts in Revenue Fund.

(a) Notwithstanding anything in Section 506(B) of the Resolution to the contrary, on or before each Interest Payment Date of the Series 27 Bonds, after satisfying the requirements of Clauses (i) through (vii), inclusive, of Section 506(B), the Trustee shall apply any balance on deposit in the Revenue Fund attributable to the Series 27 Bonds to the Series 27 Loan Loss Claim Fund to the extent the amount therein is less than the Series 27 Funded Loan Loss Claim Fund Requirement calculated at such Interest Payment Date.

(b) Notwithstanding anything in Section 506(B)(7) of the Resolution, the amount of moneys in the Revenue Fund allocable to the Series 27 Bonds that may be applied to the payment or reimbursement of Program Expenses in any one Fiscal Year pursuant to such Section 506(B)(7) shall not exceed the sum of (i) $10,000 plus (ii) the sum of the fees and reimbursement amounts payable to the Series 27 Loan Loss Claim Fund Deposit Provider in connection with the Series 27 Loan Loss Claim Fund Deposit, the fees and reimbursement amounts payable to the Series 27 Contingency Account Deposit Provider in connection with the Series 27 Contingency Account Deposit, the expenses and reimbursements payable to the Bond Insurer in connection with the Municipal Bond Insurance Policy, the amount of the Municipal Bond Insurance Policy Premium, any fees, expenses and reimbursements payable to the provider of any Hedge Agreement, any fees, expenses and reimbursements payable to the providers of any Liquidity Facility and any fees, expenses and reimbursements payable with respect to the issuance of Variable-Rate Bonds unless the Agency shall file with the Trustee a certificate of an Authorized Officer to the effect that the Agency has confirmed that a greater amount (specified in such certificate) will not adversely affect the unenhanced

ratings then assigned to any Bonds Outstanding by any Nationally Recognized Credit Rating Agency.

(c) Notwithstanding anything in Section 506(B)(8) of the Resolution to the contrary, no amount on deposit in the Revenue Fund attributable to the Series 27 Bonds shall be transferred to the General Fund pursuant to such Section 506(B)(viii) unless (i) there are no amounts owed to the Series 27 Loan Loss Claim Fund Deposit Provider or the Series 27 Contingency Account Deposit Provider under either of the Series 27 Reimbursement Agreements, (ii) there are no amounts owed to the provider of any Hedge Agreement or Liquidity Facility, and (iii) the Projection of Revenues filed with the Trustee in accordance with said Section 506(B)(viii) shows that on the date of such Projection of Revenues the unpaid balance of all Loans then held under the Resolution for the account of the Series 27 Bonds, plus the amount then held in all Funds and Accounts under the Resolution attributable to the Series 27 Bonds, other than amounts held in the Rebate Fund, the Series 27 Contingency Account and the Series 27 Loan Loss Claim Fund and the amounts attributable to the Series 27 Bonds then to be paid to the Agency in accordance with said Section 506(B)(viii), are at least equal to 101% of the Principal Amount of all Series 27 Bonds plus all interest accrued and unpaid thereon as of such date.

(d) The Agency hereby acknowledges and agrees that amounts payable under each of the Series 27 Reimbursement Agreements and any fees, expenses or reimbursements under any Hedge Agreement constitute Program Expenses and shall be paid in accordance with Section 506(B)(7) of the Resolution and Section 3.08(b) hereof.

ARTICLE IV

FORM OF SERIES 27 BONDS

Section 4.01. Form of Series 27 Bonds.

(a) All Series 27 Bonds authenticated and delivered hereunder prior to the Adjustment Date shall be in such form and shall bear such terms and conditions, not inconsistent with the Resolution or this Thirty-First Supplemental Resolution, as the Chair, Executive Director and Secretary or other Authorized Officer of the Agency shall determine and certify to the Trustee on or prior to the date of original authentication and delivery of any Series 27 Bonds hereunder.

(b) The Adjusted Rate Bonds shall be in such form and shall bear such terms and conditions, not inconsistent with the Resolution and this Thirty-First Supplemental Resolution, as the Chair, Executive Director and Secretary or other Authorized Officer of the Agency shall determine and certify to the Trustee on or before the Adjustment Date.

ARTICLE V

MISCELLANEOUS

Section 5.01. Authorization of Officers. The Chair, Vice Chairman or any other Commissioner of the Agency, Executive Director and Secretary, Chief Financial Officer and Treasurer, Chief of Program Operations, Director of Homeownership Programs of the Agency are hereby authorized and directed to do all acts and things and to execute and deliver any all documents, certificates and other instruments necessary or desirable to effectuate the transaction contemplated by this Thirty-First Supplemental Resolution, the Resolution, the Purchase Contract, the Tender Bond Remarketing Agreement, the Continuing Disclosure Agreement, the Official Statement or any other document contemplated herein.

Section 5.02. Series Certificate. The Chair or Vice-Chairman and the Executive Director and Secretary are hereby authorized to execute the Series Certificate in such form as shall be approved by Counsel to the Agency and to deliver the same to the Trustee.

Section 5.03. Reimbursement Agreement. The Chair, Vice-Chairman, or any other Commissioner, Executive Director and Secretary, Chief Financial Officer and Treasurer or Chief of Program Operations are hereby authorized to execute the Series 27 Reimbursement Agreements in such form as shall be approved by Counsel to the Agency and to deliver the same to the Series 27 Loan Loss Claim Fund Deposit Provider, the Series 27 Contingency Account Deposit Provider and the provider of any Liquidity Facility, as applicable.

Section 5.04. Hedging Transactions.

(a) In furtherance of the powers of the Agency granted in the Act, the Agency is hereby authorized to enter into a Hedge Agreement in connection with the issuance of the Series 27 Bonds so long as the Hedge Agreement and the terms thereof is consistent with the Agency's then existing Swap Management Plan and so long as the provider of the Hedge Agreement is, at the time the Agency enters into the Hedge Agreement, a Qualified Institution or the provider's obligations under the Hedge Agreement are unconditionally guaranteed by a Qualified Institution;

(b) If the Agency shall enter into any Hedge Agreement with respect to the Series 27 Bonds, then during the term of the Hedge Agreement and so long as the provider of the Hedge Agreement is not in default:

(i) for purposes of any calculation of Debt Service, the interest rate on the Series 27 Bonds with respect to which the Hedge Agreement applies shall be determined as if such Series 27 Bonds had interest payments equal to the interest payable on those Series 27 Bonds less any payments reasonably expected to be made to the Agency by the provider and plus any payments reasonably expected to be made by the Agency to the provider in accordance with the terms of the Hedge Agreement (other than fees or termination payments payable to such provider for providing the Hedge Agreement);

(ii) any such payments (other than fees and termination payments) required to be made by the Agency to the provider pursuant to such Hedge Agreement shall be made from amounts on deposit in the Debt Service Fund on a parity basis with the payment of principal and interest on the Bonds and, as permitted by Section 207 of the Resolution, the obligation of the Agency to make such payments (other than fees and termination payments) shall be secured by a lien on and pledge of the Revenues, Loans, Reserve Deposits and other moneys, securities and rights under the Resolution on a parity with the pledge provided to the Owners of the Bonds as set forth in Section 501 of the Resolution;

(iii) any such payments received by or for the account of the Agency from the provider pursuant to such Hedge Agreement shall be deposited in the Debt Service Fund; and

(iv) fees and termination payments, if any, payable to the provider of the Hedge Agreement shall be treated as Program Expenses and shall be paid in accordance with Section 3.08(d) hereof.

Section 5.05. Tender Bond Remarketing Agent.

(a) The Tender Bond Remarketing Agent is hereby appointed by the Agency to serve as Tender Bond Remarketing Agent hereunder.

(b) Any corporation, association, partnership or firm which succeeds to the business of the Tender Bond Remarketing Agent (collectively, the "Agents") as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall thereby become vested with all the property, rights and powers of such Agent under the Resolution. Such successor Agent shall execute, deliver, record and file such instruments as are required to confirm or perfect its succession hereunder and predecessor Agent shall from time to time execute, deliver, record and file such instruments as the incumbent Agent may reasonably require to confirm or perfect any succession hereunder.

(c) In the event that an Agent shall resign or be dissolved, or if the property or affairs of an Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, the Agency, by certificate of an Authorized Officer filed with the Trustee, shall appoint a successor. If in any such case the Agency shall fail to appoint a successor, the Trustee shall appoint a successor.

Section 5.06. Continuing Disclosure Agreement. The Continuing Disclosure Agreement is hereby approved in substantially the form of the Continuing Disclosure Agreement executed in connection with the issuance by the Agency of its Series 26 Bonds with such changes, omissions, insertions and revisions thereto as the Chair, the Executive Director and Secretary or any other Authorized Officer executing the same may deem advisable, the execution thereof by such person to be conclusive evidence of the approval thereof. The aforementioned officers of the Agency are, and each of them is, hereby authorized to execute the Continuing

Disclosure Agreement and, upon such execution, to deliver it to the Continuing Disclosure Agent.

Section 5.07. Additional Documents and Agreements. The Chair, Vice-Chairman, or any other Commissioner, Executive Director and Secretary, Chief Financial Officer and Treasurer or Chief of Program Operations are hereby authorized and directed to execute and deliver any other document, agreement or certificate contemplated by this Supplemental Resolution, including, without limitation, any Purchase Contract, Hedge Agreement, Liquidity Facility or Remarketing Agreement and any other document, agreement or certificate related thereto, in such forms as shall be approved by Counsel to the Agency.

Section 5.08. Private Activity Volume Cap. The Agency hereby authorizes the use of its available private activity volume cap in an amount not to exceed $50,000,000 in connection with the issuance of the Series 27 Bonds. The actual amount of private activity volume cap to be utilized for the Series 27 Bonds shall be set forth in the Series Certificate.

Section 5.09. Agency Contribution. The Agency is hereby authorized to contribute to the Resolution available funds of the Agency in an amount not to exceed three percent (3%) of the aggregate principal amount of the Series 27 Bonds for such purposes as shall be set forth in the Series Certificate, including, but without limitation, the payment of Costs of Issuance and capitalized interest.

Section 5.10. Effective Date. This Thirty-First Supplemental Resolution shall take effect immediately.

ARTICLE VI

MUNICIPAL BOND INSURANCE POLICY

Section 6.01. Municipal Bond Insurance Policy. If the Series Certificate provides for the acquisition of a Municipal Bond Insurance Policy in connection with all or a portion of the Series 27 Bonds, the Agency shall deposit such Municipal Bond Insurance Policy with the Trustee on the date of issuance of the Series 27 Bonds.

Section 6.02. Payment Procedures. Except as shall otherwise be provided in the Series Certificate, as long as any such Municipal Bond Insurance Policy shall be in full force and effect, the Agency and the Trustee agree to comply with the following provisions:

(a) If, on the third Business Day prior to the related scheduled Interest Payment Date or principal payment date ("Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under the Resolution, moneys sufficient to pay the principal of and interest on the Series 27 Bonds due on such Payment Date, the Trustee shall give notice to the Bond Insurer and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or facsimile of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Series 27 Bonds due on such Payment Date, the Trustee shall make a claim under the Insurance Policy and give notice to the

Bond Insurer and the Bond Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Series 27 Bonds and the amount required to pay principal of the Series 27 Bonds, confirmed in writing to the Bond Insurer and the Bond Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Insurance Policy.

(b) In the event the claim to be made is for a Sinking Fund Installment, upon receipt of the moneys due, the Trustee shall authenticate and deliver to affected Bondholders who surrender their Series 27 Bonds a new Series 27 Bond or Series 27 Bonds in the aggregate principal amount equal to the unredeemed portion of the Series 27 Bond surrendered. The Trustee shall designate any portion of payment of principal on Series 27 Bonds paid by the Bond Insurer, whether by virtue of Sinking Fund Redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Series 27 Bonds registered to the then current Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement Series 27 Bond to the Insurer, registered in the name of the Bond Insurer or its designee, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Series 27 Bond shall have no effect on the amount of principal or interest payable by the Agency on any Series 27 Bond or the subrogation rights of the Bond Insurer.

(c) The Trustee shall keep a complete and accurate record of all funds deposited by the Bond Insurer into the Series 27 Policy Payments Account of the Debt Service Fund (which Series 27 Policy Payments Account is hereby created) and the allocation of such funds to payment of interest on and principal paid in respect of any Series 27 Bond. The Bond Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

(d) Upon payment of a claim under the Municipal Bond Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of holders of the Series 27 Bonds referred to herein as the "Series 27 Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Municipal Bond Insurance Policy in trust on behalf of holders of the Series 27 Bonds and shall deposit any such amount in the Series 27 Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to holders of the Series 27 Bonds in the same manner as principal and interest payments are to be made with respect to the Series 27 Bonds under the sections hereof regarding payment of Series 27 Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments.

(e) Funds held in the Series 27 Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee or of any other person or entity.

(f) Any funds remaining in the Series 27 Policy Payments Account following a payment date with respect to the Series 27 Bonds shall promptly be remitted to the Bond Insurer.

(g) The Bond Insurer shall, to the extent it makes any payment of principal of or interest on the Series 27 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Municipal Bond Insurance Policy.

Section 6.03. Notices to the Bond Insurer.

(a) While any Municipal Bond Insurance Policy is in effect, the Agency shall cause to be furnished to the Bond Insurer:

(i) as soon as practicable after the filing thereof, a copy of any financial statement of the Agency and a copy of any audit and annual report of the Agency;

(ii) a copy of any notice to be given to the registered owners of the Series 27 Bonds, including, without limitation, notice of any redemption of or defeasance of Series 27 Bonds, and any certificate rendered pursuant to the Resolution relating to the security for the Series 27 Bonds;

(iii) any notice or certificate given to a Nationally Recognized Credit Rating Agency;

(iv) notice of any draw upon the Bond Reserve Fund within two Business Days after knowledge thereof other than (A) withdrawals of amounts in excess of the Bond Reserve Requirement and (B) withdrawals in connection with a refunding of Bonds;

(v) notice of any default known to the Trustee within five Business Days after knowledge thereof;

(vi) prior notice of the advance refunding or redemption of any of the Series 27 Bonds, including the principal amount, maturities and CUSIP numbers thereof;

(vii) notice of the resignation or removal of the Trustee, Paying Agent and Bond Registrar and the appointment of, and acceptance of duties by, any successor thereto;

(viii) notice of the commencement of any proceeding by or against the Agency commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");

(ix) notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Series 27 Bonds;

(x) any data, cash flow schedules or other information relating to the Agency, the Resolution or the trust estate pledged under the Resolution as Financial Security may reasonably request;

(xi) A full original transcript of all proceedings relating to the execution of any amendment or supplement to the Resolution, the Thirty-First Supplemental Resolution or any other document executed in connection with issuance of the Series 27 Bonds;

(xii) all reports, notices and correspondence with respect to the Series 27 Bonds to be delivered under the terms of the Resolution, the Thirty-First Supplemental Resolution or any other document executed in connection with the issuance of the Series 27 Bonds;

(xiii) such additional information it may reasonably request; and

(xiv) all notices, documents and certificates furnished the Bond Insurer in accordance with this Section 6.03(a) shall be delivered to such address as shall be designated by the Bond Insurer. In each case in which notice or other communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of General Counsel and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

(b) The Trustee shall notify the Bond Insurer of any failure of the Agency to provide any notice, certificate or other document required under the Resolution.

(c) The Agency will permit the Bond Insurer to discuss the affairs, finances and accounts of the Agency or any information the Bond Insurer may reasonably request regarding the security for the Series 27 Bonds with appropriate officers of the Agency. The Trustee and the Agency will permit the Bond Insurer to have access to and to make copies of all books and records relating to the Series 27 Bonds at any reasonable time.

(d) The Bond Insurer shall have the right to direct an accounting at the Agency's expense, and the Agency's failure to comply with such direction within 30 days after receipt of written notice of the direction from the Bond Insurer shall be deemed a default hereunder; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any registered owner of the Series 27 Bonds.

(e) Notwithstanding any other provision of the Resolution, the Trustee shall immediately notify the Bond Insurer if at any time there are insufficient moneys to make any payments of principal and/or interest on the Series 27 Bonds as required and

immediately upon the occurrence of any Event of Default with respect to the Series 27 Bonds.

Section 6.04. Consent of the Bond Insurer. While any Municipal Bond Insurance Policy is in effect, no modification, amendment or supplement to the Resolution, the Thirty-First Supplemental Resolution or any other document executed in connection with the Series 27 Bonds that requires the consent of the owners of the Series 27 Bonds may become effective except upon obtaining the prior written consent of the Bond Insurer. Additionally, no amendment, modification or supplement to the Resolution or the Thirty-First Supplemental Resolution shall be permitted unless the Bond Insurer receives a written confirmation from Standard and Poor's and Moody's that, after giving effect to such amendment, modification or supplement, the Series 27 Bonds will be rated no less than "A+" and "A1" respectively (without giving effect to the Municipal Bond Insurance Policy). Copies of any modification or amendment to the Resolution, the Thirty-First Supplemental Resolution or any other document executed in connection with the Series 27 Bonds shall be sent to each Nationally Recognized Credit Rating Agency at least 10 days prior to the effective date thereof.

Section 6.05. Consent of the Bond Insurer in the Event of Insolvency. Any reorganization or liquidation plan with respect to the Agency must be acceptable to the Bond Insurer. In the event of any reorganization or liquidation, the Bond Insurer shall have the right to vote on behalf of all Series 27 Bondholders absent a default by the Bond Insurer under the Municipal Bond Insurance Policy.

Section 6.06. Rights of Bond Insurer. The Bond Insurer shall be deemed to be the sole holder of the Series 27 Bonds insured by it for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Series 27 Bonds insured by it are entitled to take pursuant to Article IX (pertaining to defaults and remedies) and Article X (pertaining to the Trustee) of the Resolution. The Trustee shall take no action with respect to the Series 27 Bonds pursuant to such Article IX and Article X except with the consent, or at the direction, of the Bond Insurer.

In addition, in the event the maturity of the Series 27 Bonds is accelerated, the Bond Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued, on such principal to the date of acceleration (to the extent unpaid by the Agency) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Bond Insurer's obligations under the Municipal Bond Insurance Policy with respect to such Series 27 Bonds shall be fully discharged.

Section 6.07. Defeasance of Series 27 Bonds. Notwithstanding anything in the Resolution to the contrary, in the event that the principal and/or interest due on the Series 27 Bonds shall be paid by the Bond Insurer pursuant to the Municipal Bond Insurance Policy, the Series 27 Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Agency, and the assignment and pledge of the Resolution and all covenants, agreements and other obligations of the Agency to the registered owners of the Series 27 Bonds shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such registered owners.

Notwithstanding anything in Article XI of the Resolution to the contrary, only (a) cash and (b) non-callable direct obligations of the United States of America shall be authorized to be used to effect defeasance of the Series 27 Bonds unless the Bond Insurer otherwise approves. In addition, in order to accomplish a defeasance the Agency shall cause to be delivered to the Bond Insurer (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Bond Insurer ("Accountant") verifying the sufficiency of the escrow established to pay the Series 27 Bonds in full on the Bond maturity and redemption date ("Verification"), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Bond Insurer), and (iii) an opinion of nationally recognized bond counsel to the effect that the Series 27 Bonds are no longer "Outstanding" under the Resolution; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Agency, the Trustee and the Bond Insurer. In the event a forward purchase agreement will be employed in the refunding, such agreement shall be subject to the approval of the Bond Insurer and shall be accompanied by such opinions of counsel as may be required by the Bond Insurer. The Bond Insurer shall be provided with final drafts of the above-referenced documentation not less than five Business Days prior to the funding of the escrow. The Series 27 Bonds shall be deemed "Outstanding" under the Resolution unless and until they are in fact paid and retired or the above criteria are met.

Section 6.08. Payment of Municipal Bond Insurance Premium; Expenses. Notwithstanding any provision of Section 506 of the Resolution to the contrary, amounts on deposit in the Revenue Fund and allocable to the Series 27 Bonds shall be used to pay the Municipal Bond Insurance Policy Premium prior to being deposited in the Bond Reserve Fund to replenish any deficiency therein as provided in Section 506(B)(2) of the Resolution.

In addition, the Agency shall pay or reimburse the Bond Insurer as a Program Expense pursuant to Section 5.06(B)(7) of the Resolution, but only to the extent of the trust estate pledged under the Resolution, any and all charges, fees, costs and expenses which the Bond Insurer may reasonably pay or incur in connection with (a) the administration, enforcement, defense or preservation of any rights or security under the Resolution, this Thirty-First Supplemental Resolution or any other document executed in connection with the issuance of the Series 27 Bonds; (b) the pursuit of any remedies under the Resolution, this Thirty-First Supplemental Resolution or any other document executed in connection with the issuance of the Series 27 Bonds or otherwise afforded by law or equity, (c) any amendment, waiver or other action with respect to, or related to, the Resolution, this Thirty-First Supplemental Resolution or any other document executed in connection with the issuance of the Series 27 Bonds whether or not executed or completed, (d) the violation by the Agency of any law, rule or regulation, or any judgment, order or decree applicable to it or (e) any litigation or other dispute in connection with the Resolution, this Thirty-First Supplemental Resolution or any other document executed in connection with the issuance of the Series 27 Bonds or the transactions contemplated thereby, other than amounts resulting from the failure of the Bond Insurer to honor its obligations under the Municipal Bond Insurance Policy. The Agency acknowledges that the Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Resolution, this Thirty-First Supplemental Resolution or any other document executed in connection with the issuance of the Series 27 Bonds.

Section 6.09. Payments by Bond Insurer. The Bond Insurer shall be entitled to pay principal or interest on the Series 27 Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Agency (as such terms are defined in the Municipal Bond Insurance Policy) and any amounts due on the Series 27 Bonds as a result of acceleration of the maturity thereof in accordance with the Resolution, whether or not the Bond Insurer has received a Notice of Nonpayment (as such terms are defined in the Municipal Bond Insurance Policy) or a claim upon the Municipal Bond Insurance Policy.

Section 6.10. Additional Bonds. No additional parity Bonds may be issued under the Resolution unless (a) the Bond Insurer receives written confirmation that the rating assigned to such bonds by S&P and Moody's shall be no less than "A+" and "A1" respectively (without giving effect to a municipal bond insurance policy or any other credit enhancement) and (b) the Bond Insurer receives a copy of the Projection of Revenues (as defined in the Resolution); provided, however, that failure to comply with this Section 6.10 shall not relieve the Bond Insurer of any of its obligations under the Municipal Bond Insurance Policy.

Section 6.11. The Bond Insurer as Beneficiary Hereof. To the extent that this Thirty-First Supplemental Resolution confers upon or gives or grants to the Bond Insurer any right, remedy or claim under or by reason of the Resolution, the Bond Insurer is hereby explicitly recognized as being a beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

Section 6.12. Parties Interested Herein; References to Ratings. Nothing in this Thirty-First Supplemental Resolution expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Agency, the Trustee, the Bond Insurer and the registered owners of the Series 27 Bonds, any right, remedy or claim under or by reason of this Thirty-First Supplemental Resolution or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Thirty-First Supplemental Resolution contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Agency, the Trustee, the Bond Insurer and the registered owners of the Series 27 Bonds.

Notwithstanding anything in the Resolution or this Thirty-First Supplemental Resolution to the contrary, any reference in the Resolution or the Thirty-First Supplemental Resolution with respect to the ratings maintained in the Series 27 Bonds by any Nationally Recognized Credit Rating Agency shall mean the unenhanced credit rating on the Series 27 Bonds.

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EXHIBIT A

DIRECTION TO TENDER

VERMONT HOUSING FINANCE AGENCY
SINGLE FAMILY HOUSING BONDS
Series 27 Tender Bonds Selected
For Tender on _____

TD Banknorth, N.A.
Burlington, VT 05402-0409
Attention: Corporate Trust Department

Re: Election to Retain Adjusted Rate Bonds

Dear Sir or Madam:

We have received the Trustee's notification of the mandatory tender and proposed exchange of the above-mentioned Bonds for Adjusted Rate Bonds which will become effective on _____ (the "Adjustment Date").

In accordance with the information given in the Trustee's Notice dated _____, we hereby give you irrevocable notice that we elect to retain $_____ aggregate principal amount of Series 27 Tender Bonds and to exchange such Bonds for Adjusted Rate Bonds as described below.

The principal amount or amounts of Series 27 Tender Bonds which we have elected to retain in exchange for Adjusted Rate Bonds and the maturity date or dates thereof are listed below:

Series	**Maturity**	**Amount**

[Remainder of page intentionally left blank]

We acknowledge that if certain conditions described in the Agency's Thirty-First Supplemental Single Family Housing Bond Resolution shall occur on or prior to the Adjustment Date, such Series 27 Tender Bonds will be subject to mandatory redemption on the Adjustment Date despite this direction to exchange such Bonds for Adjusted Rate Bonds.

CEDE & CO., a nominee of The Depository Trust Company

_____

Signature

_____

Name

_____

Date

vhfa

Vermont Housing Finance Agency

To: VHFA Board of Commissioners

From: Sarah Carpenter

Re: Legislative Updates

PTT Changes /Resources for Housing –

The Board asked staff to review various assumptions and recommendations about the Property Transfer Tax. The information explored in the attached memo looks at options that could net between $1.6 and $4.3 million in additional revenue.

I would say that the consensus among our banker and homebuilder partners is that they recognize the need for more resources for housing, but feel that fully funding VHCB first is the way to go. They are resistant to raising the PTT unless there is no other way and want to be sure that these funds are dedicated to housing.

Our non-profit partners of course also want to see more resources for housing and also advocate for fully funding VHCB. However they feel that given the current budget pressures and the requests for funding other programs that increases from the PTT make sense and would not hurt affordable home buying.

None of the groups can offer data on how this might affect the market. Most seem to feel it would be neutral, although others feel the perception of increased taxes would not be good for the second home market, even if they are easily amortized. I would say that most of the persons we talked with would like the PTT split between buyers and sellers.

Staff Recommendations

- ✓ As a lead State housing agency, VHFA will continue to advocate for more housing resources.
- ✓ Since the intent of the previous increases to the PTT was to create resources for housing, conservation, and planning particularly during times of growth, that should be honored. There should be the opportunity to adjust the split among those activities as times change but flexibility to meet opportunities as they arise.
- ✓ If increased PTT revenue is needed to fund housing, VHFA will monitor how this affects primary homeownership and try to broker the suggestions from various constituencies. As requested VHFA will continue to provide data on various PTT scenarios.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

- ✓ VHFA will look to find a sponsor for increasing the PTT exemption from $100,000 to $140,000, adding RD and Homeland buyers.

- ✓ VHFA will explore the option of splitting the PTT between buyer and seller. (This might affect how the PTT exemption is written.)

- ✓ VHFA will work with others for a $100,000 increase to the State affordable housing credit for the development of affordable home ownership.

New Neighborhood Initiatives (NNI)

Attached is a draft of the Governor's proposal about the New Neighborhood Initiatives (NNI) which intends to provide further incentives and permitting relief for building in residential areas designated by a community. Since this involves other areas of zoning and permitting law the devil will be in the details. Some planners and others involved with growth centers may wish to see this delayed until those rules have been implemented. Others have suggested that given the dynamics of the tax committees it may easier to pass this without the TIF pieces.

This seems like it should be win win for everyone, but nothing is ever that easy. I am hoping we can get an interested bi-partisan group together to push this.

Vermont Affordable Housing Coalition

Also attached is a summary of legislative proposals likely to be adopted by VAHC.

Vermont Housing Finance Agency

MEMORANDUM

To: VHFA Board of Commissioners
From: Maura Collins, Policy and Planning Coordinator
Date: December 26, 2006
Re: Research on potential effects of PTT increase

The Board asked for several pieces of information while discussing the Vermont Homeownership Center's request for VHFA to support an increase of the Property Transfer Tax (PTT) for high end homes and vacation homes.

Expanding the exemption of PTT for affordable homes

Currently, the first $100,000 of a home is exempt from PTT if the borrower financed the home with VHFA. VHFA and the Homeownership Centers would like to see this exclusion extended to $140,000 for VHFA borrowers as well as adding Rural Development and HOMELAND borrowers as eligible. Expanding this exemption to $140,000 for VHFA, RD, and HOMELAND borrowers would cost the state approximately $741,000 ($367,000 more than the current exemption for just VHFA at $100,000).

Question: What would the cost to the state be for expanding the PTT exemption (on the first $140,000 of the sales price) to all homes?
Answer: Currently PTT rates and exemptions apply to the portion of the sales price under a certain amount. Therefore this wouldn't be exempting all homes sold for less than $140,000, but it would exempt the first $140,000 of any home from PTT. Exempting the first $140,000 of all home sales would cost the state approximately $5.3 million annually.

Question: What is VHFA's market share for homes sold for $140,000 or less?
Answer: Of all the homes priced at or below $140,000, 14 percent were financed by VHFA. There is no available data to see if the other homes purchased were by low-income households, first time homebuyers, or the credit worthiness of the borrowers.

Proposals to change PTT rates

We expect HomeOwnership Centers and others to propose the following changes to the PTT system:

1. Expand VHFA PTT *exemption* on the first $140,000 of the sales price (up from $100,000) and expand to include Rural Development and HOMELAND borrowers as well.
2. Keep PTT rates the same on primary homes except for homes over $300,000 the rate would increase from 1.25 percent to 1.5 percent.
3. Raise the PTT rate on all vacation homes from 1.25 percent to 1.5 percent.
4. Raise the PTT rate on raw land transfers from 1.25 percent to 1.5 percent.

Sarah and Dave brought this proposal before the Vermont Mortgage Bankers Association (VMBA) Board for feed back. They are supportive of more resources for affordable housing, but felt that the first priority should be to get the legislature to fully fund VHCB. If the only way to raise new revenue

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**
EQUAL HOUSING OPPORTUNITY

was to raise the PTT they felt strongly that those new funds should all go to housing. (They did express their concern that the Administration and the Legislature have not stuck to the statutory intent of the PTT fund.) They wanted to be sure that any proposal for an increase is tiered, as it is now, and suggested two changes to the proposal they were reviewing:

1. Expand the discounted rate of 0.05% to the portion of primary homes under $140,000 (to match the VHFA exemption level); and
2. Increase the "high end home" threshold from $300,000 to Fannie Mae/Freddie Mac's annual limit. It is currently $417,000.

Effect of Proposals

Under the **HOC proposal** there would be no change in PTT paid for homes priced under $300,000, except for the increased exemption described earlier for VHFA, RD, and HOMELAND borrowers. Homes over $300,000 would pay a higher PTT. (Additional $25 for every $10,000 of a home's price.) This would generate almost **$4.3 million in new revenues**.

Using the **VMBA suggestions**, there would be less PTT paid for homes priced under $536,500. Even though the increased rate applies to homes priced above $417,000, extending the portion of the price charged the discounted rate to $140,000 (from $100,000) means that only homes priced above $536,500 would actually incur a tax increase. This would generate about **$1.6 million in new revenues.**

HOC Proposal
.05% on first $100,000
1.25% on $100,000-$300,000
1.5% on $300,000+

	Total Revenue	Difference from Current Policy
Primary Homes	$22,592,864	$919,165
Vacation Homes	$15,264,217	$2,544,036
Land Sales	$5,008,967	$834,828
Total	**$42,866,048**	**$4,298,029**

VMBA Suggestions
.05% on first $140,000
1.25% on $140,000-$417,000
1.5% on $417,000+

	Total Revenue	Difference from Current Policy
Primary Homes	$19,864,045	($1,809,654)
Vacation Homes	$15,264,217	$2,544,036
Land Sales	$5,008,967	$834,828
Total	**$40,137,229**	**$1,569,210**

If the **recommendations were to be merged,** the PTT rates for lower priced homes kept unchanged, and the rate for the portion of a home's sale price over $417,000 increased to 1.5%, the effect would be just under **$4 million** for the state:

Merged Recommendations
.05% on first $100,000
1.25% on $100,000-$417,000
1.5% on $417,000+

	Total Revenue	Difference from Current Policy
Primary Homes	$22,221,036	$547,337
Vacation Homes	$15,264,217	$2,544,036
Land Sales	$5,008,967	$834,828
Total	**$42,494,220**	**$3,926,201**

How an increased PTT might affect the market for higher-end homes and vacation homes

I spoke with several economic analysts and housing market experts[1] and found no data available to show how home sale volume might be affected by an increase in the PTT. Consensus among everyone I spoke to was that a study to estimate this would be extremely time consuming and expensive and impossible to complete before the end of the 2007 legislative session. No national organizations – including the REALTORS® who have a paper opposing state PTTs – had estimates of marketability.

Many primary homebuyers amortize their Property Transfer Tax into their mortgage, so they often are not paying the tax out-of-pocket at closing. Under the HOC proposal with a 30 year loan at a 6.15% interest rate, a borrower's monthly payment on a $400,000 home (with 20% down) would increase by $0.33. A $500,000 home would have an extra $500 to pay and it would increase their monthly bill by $1.22. A $750,000 home's monthly payments would increase by $5.03 due to the additional $1,750 in PTT.

One issue raised by a number of people is whether a PTT increase should be more targeted at types of development which use a lot of developable land (i.e. large lot development), rather than at high priced homes that may be part of compact development.

A number of the bankers and others recommended that the PTT be split between the buyer and seller. Currently it is the buyer's liability unless otherwise agreed to. Splitting responsibility with the seller could be a benefit to first time buyers. Also, PTT may be more easily absorbed by sellers who have appreciated values in their property.

The Federation of Tax Administrators reports that 35 states plus Washington DC have a PTT.[2] The median state revenue generated from this per capita in 2004 was $26.55. Vermont's was ranked 22nd out of 33 states with data at $33.43.

[1] I spoke with Jeff Carr, Tom Kavet, Steve Allen, Doug Hoffer, and Director of UVM's Economics Department Elaine McCrate.

[2] http://www.taxadmin.org/fta/rate/B-0306.pdf

NEW NEIGHBORHOOD INITIATIVE

§ . Creation of the new neighborhood initiative

(a) The new neighborhood initiative shall be administered by the secretary of the agency of commerce and community development. The secretary shall facilitate the construction of residential housing involving the development of new neighborhoods within or adjacent to a community core within a municipality that has permanent zoning and subdivision regulations in place.

§ . Designation of new neighborhoods

(a) Designation of a new neighborhood shall be on application by a municipality to the Vermont Downtown Development Board, established in Chapter 76A of title 24, which shall base its decision on the following requirements:

(1) Land proposed for the construction of residential housing shall be in an area designated for dense housing growth pursuant to regional and town plans and local zoning ordinances.

(2) The density of the proposed housing development is comparable to or greater than, but compatible as practicable with adjacent housing development.

(3) The proposed housing development must meet the definition of "neighborhood" as that term is defined by rule by the secretary and address key features, including affordability, location, and density.

(4) The number of housing units in a new neighborhood project shall not exceed the lesser of 100 or the number calculated based on two residential housing units per 100 residents of the municipality at the time of designation.

(5) The land proposed to be designated a new neighborhood has been recommended by the applicable regional planning commission and approved by the zoning board following a public process consistent with a change in the zoning ordinances.

§ . Incentives for new neighborhoods

(a) Designation by the Downtown Development Board under this program shall provide the following benefits:

(1) Exemption from Act 250 for new neighborhood projects in municipalities in which the municipal plan, zoning ordinances, and subdivision regulations all permit or require higher density housing growth and the proposed housing development is adjacent to established housing or other development that is within or contiguous to the core developed area of the community.

(2) Creation of a rebuttable presumption in all state and local regulatory proceedings that the housing in the new neighborhood project is the highest and best use for the area designated for dense housing development by the regional and town plans.

(3) Exemption from state land gains tax for a person who sells land to a buyer developing affordable and moderately priced housing under the new neighborhood initiative and who receives a written certification from the secretary that the sale and development of the land are consistent with the requirements of the new neighborhood initiative.

(4) The municipality in which a new neighborhood project is authorized may retain and reallocate for three years the state education tax portion of the property tax on the increased Grand List value of the home and lot for housing units constructed as part of

the new neighborhood project provided that do not exceed the maximum price considered affordable by the Vermont Housing Finance Agency. The municipality may use those reallocated tax revenues for any municipal purpose directly or indirectly related to the project.

Sec. 2. EFFECTIVE DATE

(a) This act shall take effect July 1, 2007.

Affordable Housing Coalition Geared Up for 2007 Legislative Session

by Erhard Mahnke

As the new legislative session gets under way, lawmakers' highest priorities are expected to be property taxes, education funding, health care, economic development and energy. As always, there will be severe pressures on the State budget and strong resistance to raising revenues to fund Vermont's unmet needs.

With the gap between housing costs and what most Vermonters can afford growing every year and thousands unable to afford safe and decent homes, housers will work hard to make sure their priorities rank among the highest. The Vermont Affordable Housing Coalition's top priorities for the coming session include:

Fully funding the Vermont Housing and Conservation Board. VHCB is the state's only non-federal funding source for new construction and rehabilitation of permanently affordable housing. By law it is supposed to receive 50% of property transfer tax revenues, but since 2001, more than $28 million has been diverted to pay for other state priorities. These funds could have helped build or rehabilitate more than 700 affordable homes for low- and moderate-income Vermonters -- families, seniors, people with disabilities, the homeless and young Vermonters who may have left the state to seek better opportunities elsewhere. Fully funding VHCB for the 2008 fiscal year would cost just under $18 million.

Increased funding for Homeless Shelters and Services, administered by the Vermont Office of Economic Opportunity will also be at the top of the list. This program pays for critical needs that include shelter operating costs, case management, homelessness prevention and other services designed to meet the needs of the homeless and those at risk of homelessness. While shelters and service providers have struggled to serve greater numbers of homeless people, including working families and people with mental health challenges, state funding has remained relatively stagnant for years. Funding applications have long exceeded the $542,000 available annually by at least $400,000. Advocates will ask for full program funding at $1 million.

Vermont also needs to create an effective statewide rental housing health and safety enforcement system. A recent Vermont Supreme Court ruling calls the State to task for not enforcing existing minimum housing codes, resulting in the needless displacement of low-income renters. Except for a handful of municipal inspection programs, the responsibility for ensuring that the State's 70,000 renter households live in safe and decent conditions has long rested with largely volunteer town health officers, most of whom have little or no background in housing. A comprehensive system would couple periodic inspections by qualified professionals with systematic follow-up and enforcement.

Other Coalition priorities include:

- Funding for supportive housing and housing-related assistance that helps extremely low-income people and those with special needs overcome barriers to successfully finding and maintaining housing
- Increasing the annual allocation for the Vermont Affordable Housing Tax Credit by $100,000 to promote single-family homeownership
- Mobile home legislation giving owners access to conventional financing and increasing protections for park residents
- A variety of measures designed to increase lead safety in our state's aging housing stock, including increased resources and enforcement.

Erhard Mahnke is Coordinator of the *Vermont Affordable Housing Coalition*

Interesting Housing Fact

January 2007 Board Meeting
Prepared by Leslie Black-Plumeau

We know more about where people moving into Vermont are from and where those leaving move to, thanks to a recent study by the Federal Reserve Bank of Boston of the New England region.[1] Based on IRS data for 2003-4, the study focuses on *net* migration to and from various places (i.e. the difference between the number of people moving out of a place and the number of people moving into that same place). Since moving is a fact of life for most Americans, there is an inevitable trading of households between areas as people live their lives.[2] Studying *net* migration moves beyond this, focusing on shifts in the distribution of population that occurs when more people move into Area A from Area B than visa versa. Some study findings related to Vermont are listed below:

Vermont gains 900 people annually through migration

Vermont's most populated counties lost more people than they gained from 2003 to 2004, which is similar to Southern New England counties. Overall, Vermont typically gains about 900 people each year through migration.[3]

Vermonters shift to northern part of the state

The populations of Windham and Lamoille counties declined by 500 people or more in 2003-4 due to moves within the state (i.e. 500 or more people left these counties for other parts of the state than moved in from other parts of the state). Grand Isle, Franklin, and Caledonia counties gained 200 or more people due to in-state moves.[4]

New Englanders shift to the northern part of the region

Every county in ***northern*** New England (except Grand Isle) had more people moving in from other parts of New England than moving out to other parts of New England.

More leave then move in to New England

In most New England counties (including all counties in Vermont except Orleans and Orange), more people left New England entirely than moved in from non-New England states. *This suggests that the annual growth in Vermont's population due to migration is not currently caused by movers from outside New England, but to those moving here from another New England state.*

Chittenden County Spotlight: Moves in and out of Vermont's largest county

575 more people moved out of Chittenden County than moved in during 2003-4. Nearly half of those leaving moved elsewhere in Vermont. The others moved to the South Atlantic, Southwest, and Minnesota.

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[1] Federal Reserve Bank of Boston, New England Public Policy Center, Discussion Paper 06-1, *New England migration trends,* October 2006. This study is based on IRS data for 2003-2004.

[2] Between 2000 and 2005, 42% of Vermont's population moved, according to the American Community Survey.

[3] U.S. Census Bureau, *Domestic Net Migration in the United States: 2000 to 2004*, April 2006.

[4] The other 9 Vermont counties received about as many in-state movers as they lost.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Director of Homeownership Programs PC

DATE: December 26, 2006

RE: Summary of Homeownership Activities

PRODUCTION

Attached are FY 2007 year to date and 2006 calendar year production reports. While the purchase for December 29, 2006 has not been finalized, we estimate that purchases for 2006 will be approximately 950 loans for a total $130 million. VHFA's current pipeline is approximately $25 million in loans in various stages of processing.

COLLECTIONS

Delinquency reports as of November 30, 2006 are attached. As of November 30, 2006, VHFA owned 3 properties; the sale of two of the homes was completed in December.

If you have any questions please do not hesitate to call me at 652-3442 or email me at pcrady@vhfa.org.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

CY06 Production Summary

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	Total
MOVE	5,747,307	5,115,359	6,723,853	7,002,262	8,709,255	14,414,830	12,358,137	16,354,977	14,702,565	9,391,304	11,050,470		**111,570,319**
HOUSE	257,220		565,314	440,420	379,400	608,070	170,654	640,120	267,939	264,000	387,900		**3,981,037**
RURAL DEV.	32,000					25,460			26,500	28,500			**112,460**
LIMITED REFI			31,950	55,000	164,820					113,953			**365,723**
FIXED35										422,000	220,000		**642,000**
Total	**6,036,527**	**5,115,359**	**7,321,117**	**7,497,682**	**9,253,475**	**15,048,360**	**12,528,791**	**16,995,097**	**14,997,004**	**10,219,757**	**11,658,370**		**116,671,539**

MOBILE HOME	905,200	577,811	396,190	707,480	972,825	1,809,676	1,505,907	1,043,436	392,800	1,336,196	1,151,800		**10,799,321**

CY05 Production Summary

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	Total
MOVE	4,154,669	3,521,604	3,393,791	5,768,587	5,564,630	6,461,409	9,369,277	6,572,803	9,805,306	6,903,022	5,274,920	9,356,725	**76,146,743**
HOUSE	181,475	101,750	499,785	1,292,535	964,450	281,450	424,415	265,900	180,610	923,600	115,000	158,900	**5,389,870**
RURAL DEV.			73,200	50,300	25,000	65,800		78,300	43,350		29,600		**365,550**
LIMITED REFI					30,400		47,200				34,200		**111,800**
													0
Total	**4,336,144**	**3,623,354**	**3,966,776**	**7,111,422**	**6,584,480**	**6,808,659**	**9,840,892**	**6,917,003**	**10,029,266**	**7,826,622**	**5,453,720**	**9,515,625**	**82,013,963**

MOBILE HOME	504,880	680,776	563,623	748,263	854,280	1,022,980	992,692	707,650	1,124,450	1,040,471	1,064,087	129,715	**9,433,867**

CY06 Dollar Volume by Lender

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	YTD TOTAL
NEFCU (New England Fed CU)	1,367,775	871,700	1,109,564	549,918	1,560,143	3,140,815	2,873,839	2,839,824	2,717,501	1,695,597	2,747,670		21,474,346
MTG SVC CENTER	236,840	950,593	843,903	1,030,900	958,460	3,166,594	1,835,886	2,460,407	3,107,879	557,681	1,671,306		16,820,449
UNIVERSAL	700,765	607,905	656,000	872,444	1,196,330	1,954,065	1,008,812	2,268,098	2,430,432	1,244,269	466,400		13,405,520
MTG FINANCIAL	156,500	131,120	530,800	499,020	396,700	1,181,067	337,756	1,633,156	630,897	935,621	951,004		7,383,641
COMMUNITY	474,400	224,805	419,100	236,500	687,552	948,306	478,815	871,590	364,080	351,677	1,670,045		6,726,870
SUMMIT			446,400	298,500	582,400	193,500	1,544,444	471,000	364,900	687,564	857,219		5,445,927
NORTHFIELD	100,000	393,000	269,450	453,305	225,803	368,400	269,000	987,970	553,885	663,750	384,200		4,668,763
UNION	358,100	188,375	245,149	715,325	414,750	300,625	259,000	360,500	458,113	449,450			3,749,387
LIBERTYQUEST	342,500		149,600	466,800	154,125	648,900	213,000	542,775	296,817	160,000	282,314		3,256,831
GMAC	186,140	292,450	94,090	242,500	183,500	253,377	343,900	975,350	336,300	201,000	87,000		3,195,607
HERITAGE FCU		112,200	328,600	244,150	314,700	393,790	169,702	242,417	575,600	262,900	520,000		3,164,059
N.E. HOME LOAN	434,700	129,050	71,600		430,040	300,000	605,060	477,100	172,850	401,800			3,022,200
VT STATE ECU	259,000	52,000	320,800	159,500	106,700	265,400	377,500	137,819	130,000	481,000	480,345		2,770,064
PEOPLES TRUST	286,750	82,450	518,200		248,820			174,750	596,700	354,900	150,000		2,412,570
BANKNORTH			571,900	227,750	275,102	47,000	212,150	330,310	539,800	130,000			2,334,012
VT FEDERAL CU	124,587	162,000		238,000		75,000	563,632	301,922	182,320	184,073	144,000		1,975,534
CTX		152,186		135,000	135,000	233,625	357,795	281,934	120,000	190,272	215,491		1,821,303
OPPORTUNITIES CU (VDCU)		53,325	365,867	137,000	190,800	577,436				434,653			1,759,081
NCFCU (North Country Fed CU)	111,550	208,000		187,000	192,500	199,000	138,500		260,000	120,000	285,000		1,701,550
BRATTLEBORO	257,220	148,900		344,000	290,800	130,150	252,800		34,300		126,955		1,585,125
FACTORY PT			115,000			239,750	374,500	599,750			172,200		1,501,200
MASCOMA			143,000		256,500		160,000	214,900	296,280	200,000			1,270,680
CT RIVER	391,700		122,094			217,100		258,700	70,800	96,000			1,156,394
BANK OF BENN	111,000	116,300		313,600	309,750		110,000		164,050				1,124,700
COUNTRYWIDE HOME LOANS									279,000	171,000	447,221		897,221
FIRST COMMUNITY				146,470		64,000		372,025	140,000				722,495
KEYBANK		239,000			143,000								382,000
NAT'L BNK MIDDLE						125,000			148,000				273,000
LYNDONVILLE	105,000							159,500					264,500
CCO MORTGAGE										155,000			155,000
RIVER VALLEY CU							42,700	33,300		63,050			139,050
VHFA (RD)	32,000					25,460			26,500	28,500			112,460
TOTAL	$6,004,527	$5,115,359	$7,321,117	$7,497,682	$9,253,475	$15,048,360	$12,528,791	$16,995,097	$14,997,004	$10,219,757	$11,658,370		116,639,539

CY06 Number of loans

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	YTD TOTAL
NEFCU (New England Fed CU)	8	6	8	3	10	18	16	18	15	11	16		129
MTG SVC CENTER	2	7	6	7	6	22	14	18	21	5	12		120
UNIVERSAL	5	4	4	6	8	12	7	15	14	7	3		85
COMMUNITY	4	2	3	3	6	9	4	8	3	4	13		59
MTG FINANCIAL SRV	1	1	4	3	3	8	2	10	5	6	6		49
NORTHFIELD	1	3	2	3	2	3	2	8	4	4	3		35
SUMMIT			3	2	4	1	9	3	3	4	5		34
UNION	2	2	2	5	4	3	2	3	4	4			31
N.E. HOME LOAN	4	1	1		4	3	6	4	2	3			28
GMAC	2	2	1	2	1	2	3	8	3	2	1		27
HERITAGE FCU		1	3	2	3	3	1	2	4	2	5		26
LIBERTYQUEST	2		1	3	2	4	2	3	3	1	2		23
VT STATE ECU	2	1	2	1	1	2	3	1	1	3	4		21
BANKNORTH			4	2	2	1	2	2	4	2			19
OPPORTUNITIES CU (VDCU)		1	4	2	3	5				4			19
PEOPLES TRUST	2	1	3		2			2	4	3	1		18
VT FEDERAL CU	1	1		2		1	3	2	1	2	1		14
BRATTLEBORO	2	1		2	2	1	2		1		2		13
NCFCU (North Country Fed CU)	1	2		1	1	2	1		2	1	2		13
CTX		1		1	1	2	2	2	1	1	1		12
FACTORY PT			1			2	3	4			2		12
BANK OF BENN	2	2		2	2		1		1				10
CT RIVER	3		1			2		2	1	1			10
MASCOMA			1		2		1	2	2	1			9
COUNTRYWIDE HOME LOANS									2	1	3		6
FIRST COMMUNITY				1		1		3	1				6
VHFA (RD)	1				1	1			1	1			5
KEYBANK		2			1								3
RIVER VALLEY CU							1	1		1			3
LYNDONVILLE	1							1					2
NAT'L BNK MIDDLE						1			1				2
CCO MORTGAGE										1			1
TOTAL	46	41	54	53	71	109	87	122	104	75	82		844

FY07 Production Summary

July 1, 2006 - June 30, 2007

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total
MOVE	12,358,137	16,354,977	14,702,565	9,391,304	11,050,470								**63,857,453**
HOUSE	170,654	640,120	267,939	264,000	387,900								**1,730,613**
RURAL DEV.			26,500	28,500									**55,000**
LIMITED REFI				113,953									
FIXED35				422,000	220,000								
Dollar Total	**12,528,791**	**16,995,097**	**14,997,004**	**10,219,757**	**11,658,370**								**66,399,019**
Total # of Loans	**87**	**122**	**104**	**75**	**82**								**470**
MOBILE HOME	1,505,907	1,043,436	392,800	1,336,196	1,151,800								**5,430,139**
Total # of MH*	**15**	**13**	**5**	**14**	**13**								**60**

*The Mobile Home # is included in the above line item titled "Total # of Loans"

FY06 Production Summary

July 1, 2005 - June 30, 2006

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total
MOVE	9,369,277	6,572,803	9,805,306	6,903,022	5,274,920	9,356,725	5,747,307	5,115,359	6,723,853	7,002,262	8,709,255	14,414,830	**94,994,919**
HOUSE	424,415	265,900	180,610	923,600	115,000	158,900	257,220		565,314	440,420	379,400	608,070	**4,318,849**
RURAL DEV.	30,020	78,300	43,350		29,600		32,000				27,000	25,460	**265,730**
LIMITED REFI	47,200				34,200				31,950	55,000	164,820		**333,170**
Dollar Total	**9,870,912**	**6,917,003**	**10,029,266**	**7,826,622**	**5,453,720**	**9,515,625**	**6,036,527**	**5,115,359**	**7,321,117**	**7,497,682**	**9,280,475**	**15,048,360**	**99,912,668**
Total # of Loans	**81**	**59**	**82**	**61**	**51**	**71**	**46**	**41**	**54**	**53**	**70**	**109**	**778**
MOBILE HOME	992,692	707,650	1,124,450	1,040,471	1,064,087	1,294,715	905,200	577,811	396,190	707,480	972,825	1,809,676	**11,593,247**
Total # of MH*	**14**	**9**	**12**	**11**	**14**	**13**	**9**	**6**	**5**	**6**	**10**	**19**	**128**

*The Mobile Home # is included in the above line item titled "Total # of Loans"

FY07 Dollar Volume by Lender

July 1, 2006- June 30, 2007

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD TOTAL
NEFCU(NewEnglandFedCU)	2.873.839	2.839.824	2.717.501	1.695.597	2.747.670								$12,874,431
MTG SVC CENTER	1.835.886	2.460.407	3,107,879	557.681	1.671.306								$9,633,159
UNIVERSAL	1.008.812	2,268,098	2,430,432	1,244.269	466.400								$7,418,011
MTG FINANCIAL	337,756	1.633,156	630.897	935.621	951.004								$4,488,434
SUMMIT	1,544,444	471,000	364,900	687.564	857.219								$3,925,127
COMMUNITY	478,815	871,590	364,080	351.677	1.670.045								$3,736,207
NORTHFIELD	269,000	987,970	553.885	663.750	384.200								$2,858,805
GMAC	343,900	975.350	336,300	201.000	87.000								$1,943,550
HERITAGE FCU	169,702	242.417	575,600	262.900	520.000								$1,770,619
N.E. HOME LOAN	605,060	477.100	172,850	401.800									$1,656,810
VT STATE ECU	377,500	137.819	130,000	481.000	480.345								$1,606,664
UNION	259.000	360,500	458,113	449.450									$1,527,063
LIBERTYQUEST	213.000	542.775	296,817	160,000	282,314								$1,494,906
VT FEDERAL CU	563,632	301,922	182,320	184,073	144,000								$1,375,947
PEOPLES TRUST		174.750	596.700	354.900	150.000								$1,276,350
BANKNORTH	212,150	330,310	539,800	130,000									$1,212,260
CTX	357,795	281,934	120.000	190.272	215.491								$1,165,492
FACTORY PT	374,500	599.750			172.200								$1,146,450
COUNTRYWIDE HOME LOANS			279,000	171,000	447,221								$897,221
MASCOMA	160,000	214,900	296,280	200,000									$871,180
NCFCU(NorthCountryFedCU)	138,500		$260,000	120,000	285.000								$803,500
FIRST COMMUNITY		372,025	140,000										$512,025
OPPORTUNITIES CU(VDCU)				434,653									$434,653
CT RIVER		258,700	70,800	96,000									$425,500
BRATTLEBORO	252,800		34,300		126,955								$414,055
BANK OF BENN	110,000		164,050										$274,050
LYNDONVILLE		159,500											$159,500
CCO MORTGAGE				155,000									$155,000
NAT'L BNK MIDDLE			148,000	0									$148,000
RIVER VALLE CU	42,700	33,300		63,050									$139,050
VHFA (RD)			26,500	28,500									$55,000
TOTAL	$12,528,791	$16,995,097	$14,997,004	$10,219,757	$11,658,370								$66,399,019

Removed Keybank- no longer participating lender

Removed Kittredge -no longer participating lender

Removed Wells Fargo - no longer participating lender

FY07 Loan Volume by Lender

July 1, 2006 - June 30, 2007

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD TOTAL
NEFCU (New England Fed CU)	16	18	15	11	16								76
MTG SVC CENTER	14	18	21	5	12								70
UNIVERSAL	7	15	14	7	3								46
COMMUNITY	4	8	3	4	13								32
MTG FINANCIAL SRV	2	10	5	6	6								29
SUMMIT	9	3	3	4	5								24
NORTHFIELD	2	8	4	4	3								21
GMAC	3	8	3	2	1								17
N.E. HOME LOAN	6	4	2	3									15
HERITAGE FCU	1	2	4	2	5								14
UNION	2	3	4	4									13
VT STATE ECU	3	1	1	3	4								12
LIBERTYQUEST	2	3	3	1	2								11
BANKNORTH	2	2	4	2									10
PEOPLES TRUST		2	4	3	1								10
FACTORY PT	3	4			2								9
VT FEDERAL CU	3	2	1	2	1								9
CTX	2	2	1	1	1								7
COUNTRYWIDE HOME LOANS			2	1	3								6
MASCOMA	1	2	2	1									6
NCFCU (North Country Fed CU)	1		2	1	2								6
BRATTLEBORO	2		1		2								5
CT RIVER		2	1	1									4
FIRST COMMUNITY		3	1										4
OPPORTUNITIES CU (VDCU)				4									4
RIVER VALLEY CU	1	1		1									3
BANK OF BENN	1		1										2
VHFA (RD)			1	1									2
CCO MORTGAGE				1									1
LYNDONVILLE		1											1
NAT'L BNK MIDDLE			1										1
TOTAL	87	122	104	75	82								470

VERMONT HOUSING FINANCE AGENCY
HOMEOWNERSHIP PROGRAM MONTHLY DELINQUENCY REPORT
November 30, 2006

Lenders	Total Loans	30 Days		60 Days		90+ Days		In Foreclosure		Total Delinquent		REO	
Chittenden Mortgage Services	1214	81	6.67%	19	1.57%	5	0.41%	16	1.32%	121	9.97%	0	0.00%
Graystone Mortgage Company	2055	103	5.01%	21	1.02%	10	0.49%	21	1.02%	155	7.54%	3	0.15%
Opportunities CU	141	3	2.13%	4	2.84%	1	0.71%	1	0.71%	9	6.38%	0	0.00%
Brattleboro Savings & Loan	86	4	4.65%	1	1.16%	0	0.00%	0	0.00%	5	5.81%	0	0.00%
Community National Bank	316	14	4.43%	2	0.63%	2	0.63%	0	0.00%	18	5.70%	0	0.00%
Union Bank	324	11	3.40%	5	1.54%	0	0.00%	1	0.31%	17	5.25%	0	0.00%
Peoples Trust Co.	105	3	2.86%	1	0.95%	1	0.95%	0	0.00%	5	4.76%	0	0.00%
Bank of Bennington	66	3	4.55%	0	0.00%	0	0.00%	0	0.00%	3	4.55%	0	0.00%
Mascoma Savings Bank	41	1	2.44%	0	0.00%	0	0.00%	0	0.00%	1	2.44%	0	0.00%
Heritage Family Credit Union	126	1	0.79%	2	1.59%	0	0.00%	0	0.00%	3	2.38%	0	0.00%
CitiMortgage	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Connecticut River Bank	55	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Factory Point Nat. Bank	62	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
New England Federal CU	392	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Randolph National Bank	4	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Totals	**4988**	**224**	**4.49%**	**55**	**1.10%**	**19**	**0.38%**	**39**	**0.78%**	**337**	**6.76%**	**3**	**0.06%**
Totals Previous Month	**4946**	**194**	**3.92%**	**44**	**0.89%**	**14**	**0.28%**	**35**	**0.71%**	**287**	**5.80%**	**3**	**0.06%**
Totals Same Mo. Last Yr.	**4572**	**222**	**4.86%**	**68**	**1.49%**	**27**	**0.59%**	**30**	**0.66%**	**347**	**7.59%**	**4**	**0.09%**

Note: Of the loans in foreclosure, a total of 17 are under a Chapter 13 Bankruptcy Plan

Monthly Delinquency by Servicer

Lenders	Nov 2005	Dec 2005	Jan 2006	Feb 2006	March 2006	April 2006	May 2006	June 2006	July 2006	Aug 2006	Sept 2006	Oct 2006	Nov 2006
Bank of Bennington	0.00%	5.17%	1.67%	3.23%	3.23%	3.13%	3.08%	1.54%	1.52%	4.55%	1.52%	0.00%	4.55%
Brattleboro Savings & Loan	3.85%	2.50%	2.44%	2.41%	2.44%	0.00%	1.20%	3.57%	2.35%	3.53%	3.53%	3.57%	5.81%
Chittenden Mortgage Services	11.04%	11.75%	11.27%	9.88%	8.29%	10.36%	9.09%	9.08%	9.38%	8.39%	9.04%	8.08%	9.97%
CitiMortgage	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Community National Bank	6.52%	4.33%	5.00%	3.90%	3.52%	2.83%	4.51%	3.06%	5.72%	4.29%	6.27%	5.92%	5.70%
Connecticut River Bank	4.08%	0.00%	1.89%	1.96%	1.96%	2.00%	4.00%	1.92%	3.85%	3.70%	0.00%	0.00%	0.00%
Factory Point Nat. Bank	1.75%	3.51%	3.51%	0.00%	0.00%	0.00%	3.51%	3.45%	5.00%	1.56%	3.17%	1.67%	0.00%
Graystone	8.39%	8.36%	7.80%	8.10%	6.48%	7.45%	6.58%	6.21%	6.84%	6.38%	7.34%	6.75%	7.54%
Heritage Family CU	1.85%	0.00%	1.80%	0.00%	0.00%	0.88%	0.86%	1.71%	1.72%	2.56%	3.36%	3.31%	2.38%
Mascoma Savings Bank	0.00%	0.00%	0.00%	0.00%	2.86%	2.94%	0.00%	0.00%	2.70%	0.00%	2.50%	2.44%	2.44%
New England Federal CU	1.13%	1.08%	0.35%	0.70%	0.68%	0.34%	0.33%	0.62%	0.59%	0.56%	0.27%	0.26%	0.00%
Opportunites CU	3.65%	5.76%	6.47%	5.71%	7.04%	7.75%	6.29%	6.80%	8.28%	7.64%	6.34%	5.59%	6.38%
Peoples Trust Co.	4.30%	3.13%	3.09%	3.06%	3.00%	2.02%	2.04%	4.12%	3.09%	3.06%	3.92%	4.81%	4.76%
Randolph National Bank	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Union Bank	5.40%	6.21%	5.86%	5.26%	4.95%	4.63%	5.21%	4.89%	3.07%	4.32%	4.01%	3.06%	5.25%

HOMEOWNERSHIP DELINQUENCY REPORT
FISCAL YEAR 2007

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
Total Portfolio #	4799	4876	4932	4946	4988								4908
Total Portfolio $	388.6	401.9	412.7	417.9	426.3								409.5

NUMBER OF DELINQUENT LOANS

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	199	187	223	194	224								205
60 Days	50	41	42	44	55								46
90 Days	13	16	15	14	19								15
Foreclosure	41	41	37	35	39								39
Total Delq FY 07	303	285	317	287	337	0	0	0	0	0	0	0	306
Total Delq FY 06	331	315	323	288	347	353	338	319	271	310	286	280	313

PERCENT BY NUMBER OF DELINQUENT LOANS

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	4.15%	3.84%	4.52%	3.92%	4.49%								4.18%
60 Days	1.04%	0.84%	0.85%	0.89%	1.00%								0.92%
90 Days	0.27%	0.33%	0.30%	0.28%	0.38%								0.31%
Foreclosure	0.85%	0.84%	0.75%	0.71%	0.78%								0.79%
Total Delq FY 07	6.31%	5.85%	6.42%	5.80%	6.65%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	6.21%
Total Delq FY 06	7.21%	6.89%	7.05%	6.30%	7.60%	7.68%	7.31%	6.88%	5.81%	6.65%	6.09%	5.87%	6.78%

DOLLAR AMOUNT OF DELINQUENT LOANS

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	$11.2	$11.2	$13.2	$12.9	$13.7								$12.4
60 Days	$2.9	$2.3	$2.5	$2.7	$3.2								$2.7
90+ Days	$3.1	$3.2	$3.1	$2.9	$3.7								$3.2
Total Delq FY 07	$17.2	$16.7	$18.8	$18.5	$20.6	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$18.4
Total Delq FY 06	$19.4	$17.6	$18.9	$16.8	$20.2	$20.3	$20.2	$18.9	$15.8	$17.6	$16.5	$16.2	$18.2

REO INVENTORY REPORT
As of November 30, 2006

Mortgagor	REO Date	City/Town	Princ. Bal.	Interest	Expenses	Receipts (1)	Total Cost Basis	Valuation Allowance as of 04/30/2006	List Amount (2)	Current Appraisal	Date Last Appraised	Original Appraisal	Loan Date	Type	Comments
Charbonneau	**1/21/2006**	**Alburgh**	**$ 114,738**	**$ 3,398**	**$ 10,106**	**$ 42,906**	**$ 85,336**	**$ -**	**$ 85,000**	**$ 111,000**	**11/18/05**	**$ 115,000**	**04/27/05**	**MH**	**Property Sold on 12/19/2006**
Hogan	8/1/2006	East Barre	$ 85,803	$ 3,189	$ 8,900	$ 26,450	$ 71,442	$ -	$ 89,000	$ 81,000	5/18/06	$ 91,000	10/24/03	SF	Back on market - sale fell through
Wimett	**10/9/2006**	**Bradford**	**$ 71,439**	**$ 3,400**	**$ 9,839**	**$ 26,075**	**$ 58,603**	**$ -**	**$ 60,000**	**$ 55,000**	**11/9/06**	**$ 76,000**	**06/28/02**	**SF**	**Property Sold on 12/14/2006**
3			**$ 271,980**	**$ 9,987**	**$ 28,845**	**$ 95,431**	**$ 215,381**	**$ -**	**$ 234,000**	**$ 247,000**		**$ 282,000**			

REOS that are under deposit

(1) Receipts column represents actual and projected/estimated mortgage insurance claim payments

(2) If Property is under deposit the List Price is the actual sale price.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Tim Gutchell, Controller

DATE: December 20, 2006

RE: Interim General Fund Budget Report – Fiscal year 2007 through 09/30/06

Attached is the initial interim budget report for fiscal year 2007 through September 30, 2006, the end of the first quarter. The presentation of the report was significantly delayed as a direct result of the numerous problems associated with the Trustee conversion from TD Banknorth to Bank of New York.

In regards to the Trustee conversion, it appears that the worst is behind us now. The bugs have been worked out of the EDI (electronic data interface) file, and trust transactions are now being reported in the proper EDI format, with a much higher degree of accuracy in account coding. While we have not scrubbed the October and November EDI files, we have reviewed them, and they appear to be in good shape. I am optimistic that we will be bringing our ledgers totally up to date in the very near future, and will be able to report to you in a more timely fashion going forward.

The year to date General Fund activity reflected in the budget report is very much on target. A quarter of the way through the fiscal year, operating expenses are at 23% of budget, and total expenses, slightly skewed by the front ending of organizational subsidies, are at 26% of budget.

The income results look equally as positive with total income in the first quarter at 25% of budget.

I have reviewed each of the individual line items of expense and income, and find none that should raise any concerns at this early stage of the fiscal year. Although Single Family Loan Origination fees paid are at 49.22% of budget, with a $270k variance, this actually is a positive development in that single family loan originations are now on track to total approximately $150 million for the fiscal year, rather than the $90 million we estimated when we prepared the budget last May.

One highlight of the attached report, shown in Other Costs (bond), is the gain through September 30th of $4,116 on the disposition of owned properties. This continues a positive trend in single

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EQUAL HOUSING OPPORTUNITY

family loan loss recoveries which began in fiscal year 2003 (gains of $223k in fiscal year 2003, $352k in fiscal year 2004, $308k in fiscal year 2005 and $102k in fiscal year 2006), and is a testament to the excellent work of Polly Thibault, the Agency's Loss Management Specialist, and those working with her.

Finally a word about the lack of fund transfers in the first quarter. Typically these transfers are made contemporaneously with scheduled bond debt service, the bulk of which relate to the Single Family Housing Bonds which pay on November 1st and April 1st. In addition, because of the aforementioned Trustee issues, we did not do any fund transfers with the August 15th debt service related to the Multi-Family Mortgage Bond and Multi-Family Housing Bonds resolutions. There were no cash flows issues as a result, and in fact, our loan interest costs for the quarter were 4% below budget. As I have noted in the past, the actual timing of the funds transfers is discretionary, and we fully expect that total funds transfers will be exactly on budget at year end.

As always, after reviewing the budget report, please feel free to contact me with any questions or concerns you may have.

Respectfully submitted,

Tim Gutchell, Controller

Vermont Housing Finance Agency
FINAL BUDGET REPORT
EXPENSES AND OTHER COSTS
FY 2007 Through 09/30/2006

Portion of year expired = 25.00%

Portion of year remaining = 75.00%

	BUDGET:		EXPENDED:				REMAINING:	
	Approved Annual Budget	Prorata YTD Budget Thru 09/30/2006	Amount Expended YTD Thru 09/30/2006	Percentage of Annual Budget Expended Thru 09/30/2006	Amount (Over) Under Prorata YTD Budget As of 09/30/2006	Percent Over(-) Under Prorata YTD Budget Thru 09/30/2006	Amount Unexpended As of 09/30/2006	Percent Unexpended As of 09/30/2006
OPERATING EXPENSES:								
Salaries and Wages	$2,081,490	$520,373	$478,967	23.01%	$41,405	7.96%	$1,602,523	76.99%
Consulting	58,000	14,500	1,315	2.27%	13,185	90.93%	56,685	97.73%
Trustee Fees	191,900	47,975	40,888	21.31%	7,087	14.77%	151,012	78.69%
Employee Benefits	425,684	106,421	101,382	23.82%	5,039	4.74%	324,302	76.18%
Depreciation	139,857	34,964	32,142	22.98%	2,822	8.07%	107,715	77.02%
Pension	210,831	52,708	55,795	26.46%	(3,088)	-5.86%	155,036	73.54%
Payroll Taxes	158,071	39,518	39,967	25.28%	(449)	-1.14%	118,104	74.72%
Legal	82,500	20,625	3,490	4.23%	17,135	83.08%	79,010	95.77%
Outreach & Marketing	171,200	42,800	49,310	28.80%	(6,510)	-15.21%	121,890	71.20%
Travel & Training	112,750	28,188	22,747	20.17%	5,441	19.30%	90,003	79.83%
Occupancy	87,471	21,868	20,538	23.48%	1,329	6.08%	66,933	76.52%
Telephone	24,330	6,083	3,910	16.07%	2,172	35.71%	20,420	83.93%
Maintenance Agreements	72,006	18,002	16,738	23.24%	1,264	7.02%	55,268	76.76%
Audit	55,000	13,750	48,000	87.27%	(34,250)	-249.09%	7,000	12.73%
Interest	44,392	11,098	10,082	22.71%	1,016	9.16%	34,310	77.29%
Dues & Subscriptions	40,787	10,197	9,321	22.85%	875	8.58%	31,466	77.15%
Office Supplies	30,796	7,699	5,931	19.26%	1,768	22.96%	24,865	80.74%
Contract Services	91,125	22,781	9,770	10.72%	13,012	57.12%	81,355	89.28%
Postage	25,095	6,274	5,712	22.76%	562	8.96%	19,383	77.24%
Printing	23,900	5,975	1,076	4.50%	4,899	82.00%	22,824	95.50%
Liability Insurance	20,672	5,168	5,096	24.65%	72	1.40%	15,576	75.35%
Miscellaneous	8,900	2,225	1,699	19.09%	526	23.63%	7,201	80.91%
Commisioners Fees	13,250	3,313	5,085	38.38%	(1,773)	-53.52%	8,165	61.62%
Temp Services	3,000	750	0	0.00%	750	100.00%	3,000	100.00%
Total Operating Expenses	$4,173,007	$1,043,252	$968,960	23.22%	74,292	7.12%	$3,204,047	76.78%
OTHER COSTS (general fund):								
Loan Interest Cost	$753,000	188,250	158,292	21.02%	$29,958	15.91%	$594,708	78.98%
Organizational Subsidies	295,000	$73,750	225,250	76.36%	(151,500)	-205.42%	69,750	23.64%
Total Other Costs	$1,048,000	$262,000	$383,542	36.60%	($121,542)	-46.39%	664,458	63.40%
Total Expenses	$5,221,007	$1,305,252	$1,352,502	25.90%	($47,250)	-3.62%	$3,868,505.22	74.10%
OTHER COSTS (bond):								
SF Loan Losses (gains)	$250,000	$62,500	($4,116)	-1.65%	$66,616	106.59%	$254,116	101.65%
MF Loan Losses (gains)	$300,000	$75,000	$0	0.00%	$75,000	100.00%	$300,000	100.00%
Advertising - New Bond COI	$120,000	$30,000	$0	0.00%	$30,000	100.00%	$120,000	100.00%
SF Loan Origination Fees	$1,116,000	$279,000	$549,285	49.22%	($270,285)	-96.88%	$566,715	50.78%

Vermont Housing Finance Agency
FINAL BUDGET REPORT
INCOME AND FUND TRANSFERS
FY 2007 Thru 09/30/2006

Portion of year expired = 25.00%

Portion of year remaining = 75.00%

	BUDGET:		RECEIVED:				REMAINING:	
	Approved Annual Budget	Prorata YTD Budget Thru 09/30/2006	Amount Received YTD Thru 09/30/2006	Percentage of Annual Budget Received Thru 09/30/2006	Favorable (Unfavorable) Prorata YTD Budget As of 09/30/2006	Favorable Unfavorable (-) Prorata YTD Budget Thru 09/30/2006	Amount Outstanding As of 09/30/2006	Percent Outstanding As of 09/30/2006
INCOME:								
Interest Income - Loans	$777,979	$194,495	$209,005	26.87%	$14,510	7.46%	$568,974	73.13%
Multi-family Fees	549,229	$137,307	$116,293	21.17%	($21,014)	-15.30%	$432,936	78.83%
Miscellaneous Income	61,152	$15,288	$14,612	23.89%	($676)	-4.42%	$46,540	76.11%
Interest Income - Investments	78,750	$19,688	$35,688	45.32%	$16,000	81.27%	$43,062	54.68%
Single family Fees	30,500	$7,625	$5,023	16.47%	($2,602)	-34.13%	$25,477	83.53%
Total Income	$1,497,610	$374,403	$380,620	25.42%	$6,218	1.66%	$1,116,990	74.58%
NET FUND TRANSFERS:								
SF Housing Bonds	$2,250,000	$562,500	$0	0.00%	($562,500)	0.00%	$2,250,000	100.00%
SF Insured Mortgage Program	400,000	$100,000	$0	0.00%	($100,000)	-100.00%	$400,000	100.00%
SF Home Mtge Purch Program	350,000	$87,500	$0	0.00%	($87,500)	0.00%	$350,000	100.00%
MF Mortgage Bonds (HWMF)	440,000	$110,000	$0	0.00%	($110,000)	-100.00%	$440,000	100.00%
MF Housing Bonds	240,000	$60,000	$0	0.00%	($60,000)	-100.00%	$240,000	100.00%
MF Direct Placement Bonds	130,000	$32,500	$0	0.00%	($32,500)	-100.00%	$130,000	100.00%
Total Fund Transfers	$3,810,000	$952,500	$0	0.00%	($952,500)	-100.00%	$3,810,000	100.00%
Total Income & Transfers	$5,307,610	$1,326,903	$380,620	7.17%	($946,282)	-71.32%	$4,926,990	92.83%
Total Expenses (see sch)	5,221,007	$1,305,252	1,352,502	25.91%	($47,250)	-3.62%	$3,868,505	74.09%
FY 2006 Budget surplus YTD	$86,603	$21,651	($971,882)	-1122.23%	(993,533)	-4588.91%	$1,058,485	1222.23%

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director

DATE: December 27, 2006

RE: **EXECUTIVE DIRECTOR'S REPORT**

Administration

Staff has wrapped up the Agency United Way Campaign for 2006 and it was yet another very successful campaign! Staff contributions totaled $6,685.00, with 95% participation. Special events such as flower sales, a miniature golf event, note card sales, jeans week, a silent auction (items donated by Andy Gurley) and Halloween for VHFA kids raised an additional $2,957.48. Each year the committee gets more and more creative with ways to support the United Way! Special thanks go to Ann Marie Plank, Kathy Cawley, Scott Baker, Becky Greenough and Erin Navin for their time and effort in making the campaign so successful!

Staff once again donated mittens to the King Street Youth Center. Eighty-nine pairs of mittens were stuffed with candy and delivered to the Center in early December. This has been a tradition of the Agency for at least 10 years, and the Center's staff is always appreciative of the Agency's thoughtfulness!!!

Staff has spent a lot of time on the demonstrations for the software evaluation project, but they are now are complete. We are in the process of checking references and drafting the recommendation for the Board. This will be a discussion item at the February Board meeting.

Development

Staff has maintained a busy schedule of loan closing activity in the last three weeks: Hardwick Family Housing and Bemis Block (also in Hardwick) both closed, and a pre-closing was held for Esteyville (Brattleboro). The setup of many legal and management files, as well as computer system loan set-ups, are also being done for the loans that have been closing steadily since August. The department is halfway through the fiscal year and has already committed and closed more loans than the entire fiscal year's projection! In addition, staff has recently met or talked with developers on numerous projects around the State, including Shelburne, St Albans, Montpelier, Manchester and Windsor. The pipeline of upcoming projects looks strong.

Since the last Board meeting I attended a celebration for the newest assisted housing in Richford which is part of the redevelopment of the Sweat Cummings plant. The building will also include

the Northern Tier Health Center, a pharmacy, and a new grocery store, Mac's Market. This project involved using New Markets Tax Credits and is the first in the State to do so.

The Qualified Allocation Plan change process has begun. A general solicitation of comments was sent to interested parties, and staff has had the first of several internal meetings to discuss a new proposal to target those in need of housing plus services (such as the disabled, homeless, or very low income). Maura is participating in these meetings, and Cindy and Maura participated in a conference call with North Carolina, which has a similar requirement in their Plan.

Multifamily

Management Officer Kim Roy has been promoted to Assistant Director, and Multifamily Programs and Tax Credit Specialist Kathy Curley's role has been expanded with a promotion to Management Officer I. Kim will fill the lead role for business process review in conjunction with information technology services and related initiatives for multifamily property development and the Agency's Asset Management and Compliance Monitoring group. Kathy's promotion from Tax Credit Compliance Specialist to Tax Credit Specialist/Management Officer I now includes new asset management responsibilities for several multifamily portfolio loans. Kathy has also taken the Agency's lead role in the implementation of the State's Act 68. We have posted internally for a Management Officer I position that will be needed to take on most of Kim's existing portfolio of more than forty projects.

Staff continues to work with owners and managers in an attempt to identify existing projects that can benefit from participation in our upcoming 2007 bond issue. Primary motivations for these properties are the opportunity to stretch out the terms of existing debt and add additional amounts to finance improvements that are recommended in the most recent round of CNAs.

2007 budget reviews and approvals continue with an eye toward improving debt coverage ratios and restructuring of debt as mentioned above.

Fourteen projects have been selected, out of 233 that submitted survey data, and the next phase of our joint VHCB/VHFA energy program will include detailed energy audits of these projects, to be completed by Efficiency Vermont and the Burlington Electric Department. Properties were selected based on their relative utility consumption numbers and the fact that they were eligible to participate in the upcoming bond issue or are in the process of an acquisition, debt restructuring or year-15 transaction.

Homeownership

Homeownership continues to be busy with loan volume and is preparing for the next bond issue.

On December 29th Mary Sweeney, Administrative Assistant in Homeownership servicing, will retire at the age of 78. Mary has been with us for 14½ years and, prior to VHFA, she was at the U.S. Probation office for 15 years. She has been a wonderful addition and will truly be missed.

Public Affairs

We are gearing up for the new Legislative session that begins this month. I have been asked to come speak to the Senate Finance Committee on January 11th. We are also scheduling meetings with Speaker Symington, with Sen. Peter Shumlin, the prospective President Pro Tem, and with Governor Douglas to discuss a housing agenda for this session. I anticipate we will again be very active in the Statehouse this year.

John, last month, worked with the Vermont Affordable Housing Coalition on the release of the 2006 "Out of Reach" report, published by the National Low Income Housing Coalition in Washington, D.C. This report, released annually, sets the "housing wage," the income needed to afford a typical apartment. The national release takes place in Washington, and organizations in several states organize their own press events to coincide with the national one. Vermont's press showed significant interest in the new report—the Associated Press ran out a state-wide story, and several individual outlets, including Vermont Public Radio, North Country Public Radio, WPTZ, the *Burlington Free Press*, the Vermont Press Bureau, WDEV-Waterbury, and the *Brattleboro Reformer*, carried original stories.

The next in a series of reports from VHFA about individual housing issues is scheduled for release January 8th. This report will look at housing's impact on school populations. There will not be a formal press event; however, we will release the report with notice to journalists and other interested parties.

Also in the pipeline for 2007 are the next edition of the "Between A Rock and A Hard Place" report, which is scheduled to be released March 12th, and reports on homeless children and families and on senior housing.

Craig this past month attended the three-day Web Design World conference in Boston, where he learned about the latest thinking in design. We are also planning to have him attend another conference on design in March.

Finance

The Finance Team has continued to work hard to get the first quarter closed, financials published and launch into the second quarter close. We're sure everyone is aware of this but the transition of trustee services from TD Banknorth to Bank of New York (BoNY) has put us a couple of months behind. We are confident we have worked out most of the kinks and we expect the close of the second quarter to go a lot more smoothly. Our goal is to get back to a 30-day close by the third quarter. We have also discussed meeting with the CFO and Controller of other HFAs to understand how our closing process matches up with theirs and to identify any "best practices" we could adopt at VHFA. The goal is to accomplish this by the end of June 2007.

Scott Baker and Tom Connors have been working with Elizabeth Mullikin Drake and Dave Adams on multiple financing facilities to meet the short-term needs for both single family and multifamily mortgage programs.

The KeyBank line of credit has been expanded from $15 million to $35 million to meet the growing need for financing multifamily construction loans. We are also working on a $15

million revolving facility for permanent multifamily loans. We are currently packaging up $4 million of existing permanent loans under this facility. Key Bank is selling variable rate bonds using their rating and selling as KeyBank paper.

In addition we are working on a Series 27 Single Family bond issue under the existing resolution, which we expect to close in early March. At the same time we have begun planning a new multi-purpose resolution to meet future needs for both single family and multifamily bonds. We expect this to close in the late spring. Although things have settled down with the BoNY trustee services, we are planning to go out with an RFP in conjunction with the new multi-purpose bond resolution to solicit a new trustee for that resolution. We plan to remove the domicile requirement that exists in older resolutions to give us more options for working with trustees outside the State of Vermont.

Other

I look forward to speaking with you on the 3rd.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Tom Connors , Chief Financial Officer

DATE: December 28, 2006

RE: Interim Financial Statements – September 30, 2006

Attached are the VHFA Consolidated Financial Statements for the quarter ended 09/30/2006. The statements are consolidated into three columns representing Single Family programs, Multi-Family programs, and the General Operating Fund of the Agency. A fourth column provides a consolidated total. The statements include a Balance Sheet for each aforementioned column which presents the respective financial position at 09/30/2006, and a Statement of Revenues and Expenses which presents the results of operations for the first quarter.

The Agency had operating income of $827,467 for the first quarter, which compares to an average quarterly operating income of $827,443 in the prior year. When combined with appreciation of $408,200 in the market value of investments, the overall increase in net assets for the quarter was $1,235,667.

Total assets increased by $76mm, or 10% during the quarter, and total liabilities increased similarly by $75mm, or 11%, both increasing primarily as a result of the $72 mm in Series 25 bonds and notes issued in July. The quarter saw a strong level of both single and multi-family loan originations, and the Series 26 bond issue closed shortly after quarter's end with the issuance of an additional $54mm in bonds. The Agency appears headed toward a record breaking year in loan production which is discussed further in the Summary of Homeownership Activities included in the board package.

Mortgage loans receivable, net of related reserves, increase by $31mm, or 6%, from $529mm at 06/30/06, to $560mm at 09/30/06.

The day to day operating expenses of the Agency and related revenues and transfers are accounted for in the General Fund column of the statements and were essentially on target as compared to budget at 09/30/06. A separate budget report is included in the Board packet, with a discussion of the quarter's highlights by the Controller.

Finally, it is worth mentioning that the positive loan loss trend experienced the past few years continued into fiscal 2007 with a net gain in the first quarter of $1,451 on property dispositions.

If after reviewing the financial statements you feel the need for additional information, or have any questions or comments, please feel free to contact me.

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phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

Consolidated Financial Statements

Date: 09/30/2006

	GENERAL FUND	SINGLE FAMILY	MULTI FAMILY				TOTAL
ASSETS							
Cash and cash equivalents	6,771,765.50	120,227,221.78	27,593,833.90				154,592,821.18
Investments	100,000.00	62,237,305.42	7,801,769.03				70,139,074.45
Mortgage and construction loan	14,943,299.99	418,186,293.71	131,167,869.78				564,297,463.48
Less: reserve for loan loss	2,669,755.60-	96,882.00-	1,500,000.00-				4,266,637.60-
Accrued interest receivable							
-Mortgage and notes	1,210,512.43	1,725,724.42	181,242.82				3,117,479.67
-Investments	15,047.22	3,355,278.06	210,831.93				3,581,157.21
Deferred cost of bond issuance		2,757,632.02	1,107,004.10				3,864,636.12
Deferred mortgage origination fees, net	158,181.65-	2,105,911.97					1,947,730.32
Office furniture and fixtures	1,425,425.72						1,425,425.72
Less: accumulated depreciation	1,516,376.54						1,516,376.54
Land	775,000.00						775,000.00
Building	1,000,833.95						1,000,833.95
Other receivables:prepaids	410,815.24	4,573,535.38	297,334.16				5,281,684.78
Interfund receivables	291,711.35-	3,601,745.90	3,310,034.55-				
Other assets		173,263.04					173,263.04
TOTAL ASSETS	22,016,674.91	618,847,029.70	163,549,851.17				804,413,555.78
LIABILITIES & FUND BALANCE							
Deferred income	330,887.42						330,887.42
Accounts payable	449,680.56	1,273,861.61	49,085.47				1,772,627.64
Escrowed cash deposits	2,703,154.93	4,720.47-					2,698,434.46
Notes payable	9,917,306.49	65,000,000.00	9,998,038.51				84,915,345.00
Accrued interest	70,483.40	10,405,423.28	837,320.80				11,313,227.48
Accreted interest							
Bonds payable	571,401.98	498,985,000.00	125,956,353.61				625,512,755.59
Unamort premium on bonds/notes		410,055.38-	1,537,923.54-				1,947,978.92-
Fund balance	7,973,760.13	43,597,520.66	28,246,976.32				79,818,257.11
TOTAL LIABILITIES & FUND BAL	22,016,674.91	618,847,029.70	163,549,851.17				804,413,555.78

VERMONT HOUSING FINANCE AGENCY **Consolidated Financial Statements** **Date: 09/30/2006**

	GENERAL FUND	SINGLE FAMILY	MULTI FAMILY				TOTAL
REVENUES:							
Interest Income:							
Mortgage & construction loans	209,005.06	6,129,587.81	1,948,659.86				8,287,252.73
Investments	35,877.59	2,370,495.03	491,193.40				2,897,566.02
Gain/loss on investment sale							
Fee income:							
Multi-family programs	120,081.06		19,381.98				139,463.04
Single family programs	3,513.69	1,519.16					5,032.85
Grant income							
VHMGB income							
Miscellaneous income	31,169.99						31,169.99
TOTAL REVENUES	399,647.39	8,501,602.00	2,459,235.24				11,360,484.63
EXPENSES:							
Financing costs: including interest and amortization of premium, discount & costs of issuance	174,584.67	6,925,364.85	1,977,221.92				9,077,171.44
Mortgage service, contract administration fees, & property disposition expense		270,289.56					270,289.56
Salaries and benefits	691,806.01						691,806.01
Operating expenses	404,332.20						404,332.20
Professional fees	49,981.23						49,981.23
Trustee and assignee fees	40,888.06						40,888.06
Loss on bond redemptions							
Foreclosed property loss		1,451.29-					1,451.29-
TOTAL EXPENSES	1,361,592.17	7,194,203.12	1,977,221.92				10,533,017.21
Surplus before change in investment market value	961,944.78-	1,307,398.88	482,013.32				827,467.42
Change in investment value		388,093.97	20,105.59				408,199.56
Excess (deficiency) of revenues over expenses	961,944.78-	1,695,492.85	502,118.91				1,235,666.98
Fund balance, beginning	8,935,704.91	41,902,027.81	27,744,857.41				78,582,590.13
Transfer to General Fund (net)							
Fund balance, end of period	7,973,760.13	43,597,520.66	28,246,976.32				79,818,257.11

2007 VHFA Board of Commissioners Meeting Schedule

Last Revised 12/26/06
Schedule Proposed 7/3/06

Date	Day of Week	Start/End Times	City/Town	Site
January 3	Wednesday	9:30 am – 11:00 am	- -	By Conference Call
February 5	Monday	9:30 am – 2:00 pm	Montpelier	ACCD
March 12	Monday	9:30 am – 2:00 pm	Burlington	Location TBD
April 2	Monday	9:30 am – 2:00 pm	Montpelier	ACCD
May 7	Monday	9:30 am – 2:00 pm	Montpelier	ACCD
June 4	Monday	9:30 am – 2:00 pm	Burlington	VHFA offices
No July meeting				
August 6	Monday	9:30 am – 2:00 pm	TBD	Site Visit TBD
September 5	Wednesday	9:30 am – 2:00 pm	Burlington	VHFA offices
October 1	Monday	9:30 am – 2:00 pm	Burlington	VHFA offices
November 5	Monday	9:30 am – 2:00 pm	Burlington	VHFA offices
December 3	Monday	9:30 am – 2:00 pm	Burlington	VHFA offices

Note: Meetings are scheduled for the first Monday of the month with the following exceptions:

1. January (New Year's Holiday)
2. March (School Vacations)
3. September (Labor Day)

12/26/06 Revision – Changed March meeting location from Montpelier to Burlington
9/28/06 Revision – Changed March meeting date from the 7th to the 12th

School Vacation Weeks Vary by Region: December Recess is 12/21 – 1/1, 12/22 – 1/1 or 12/25 – 1/1
Winter Recess is 2/19 – 2/23, 2/26 – 3/5 or 2/26 – 3/6
Spring Recess is 4/16 – 4/20 or 4/23 – 4/27

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Vermont Housing Finance Agency

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director

DATE: January 30, 2007

RE: CONFIRMATION OF UPCOMING
AUDIT/RISK MANAGEMENT BOARD COMMITTEE MEETING
and
VHFA BOARD MEETING

This is to notify you that the following two meetings have been confirmed:

1. A meeting of the Audit/Risk Management Board Committee members: Mr. Beaulieu, Mr. Candon, Mr. Dorn, Mr. Frisbie, Ms. Pearce and Mr. Seelig. All Commissioners are welcome; and
2. The Vermont Housing Finance Agency Board of Commissioners Meeting.

The meetings will be held:

Monday, February 5, 2006
Agency of Commerce and Community Development
Calvin Coolidge Conference Room
National Life Building, 6th Floor
Montpelier
9:30 a.m. – 11:30 a.m. (Audit/Risk Management)
11:30 a.m. – 2:00 p.m. (Board)

Attached are Agendas and packets for both meetings. Please feel free to contact me should you have any questions prior to the meeting. Please contact Renee Couture at rcouture@vhfa.org if you wish to request that items be removed from the Board meeting consent agenda; the deadline is 12:00 p.m. Friday, February 2nd.

Directions: From either North or South on I-89, take Exit 8 (Montpelier). At your very first traffic light, take a right up the hill. National Life is at the top of the winding hill on your left. As you enter the parking lot and look at the structure, it looks like two buildings with a parking garage on one end. Park in visitors' parking or any place you find that is not marked for another agency/department. Enter the North Lobby Building (building closest to parking garage). There is a kiosk out front that announces the name of the building and lists the agencies/departments located there. Sign in with the security officer and take the elevator to the 6th floor. You will be in the Calvin Coolidge Conference Room.

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EQUAL HOUSING OPPORTUNITY

VHFA BOARD MEETING AGENDA

Agency of Commerce and Community Development
Calvin Coolidge Conference Room
National Life Building, 6th Floor, Montpelier
Monday, February 5, 2007
11:30 a.m. – 2:00 p.m.

Review and Approval of January 3, 2007 Board Minutes — Enclosure

Consent Agenda: ***Action Requested****

- VHCB Lead Based Paint Hazard Reduction Program — Plantilla/Enclosure

Development

- Compass Group Final Report **[62 pp: Board, Exec Mgmt, Joe & Sam]** — Erdelyi/Enclosure

Administration

- Software Analysis Recommendation — Loller/Enclosure

Briefing on the following, discussed at the Audit/Risk Management Committee Meeting — Beaulieu
[Enclosures included in Audit/Risk Management Board Committee packet]

- Swap Policy
- VHCB Participation Loans
- Watch List
- Developer's Fee

Legislative Updates — Carpenter/Discussion

Other

Adjournment

Reports: ***FYI Only***

- Interesting Housing Fact – see Carsey Institute Report — /Enclosure
- Vermont Housing Budget and Investment Report **[45pp: Board and Exec Mgmt only]** — /Enclosure
- Vermont Affordable Housing Data Report **[21pp: Board and Exec Mgmt only]** — /Enclosure
- *Housing and Vermont's School Enrollment* – VHFA's second issue paper — Black-Plumeau/Enclosure
- Strategic Planning — Collins/Enclosure
- Summary of Homeownership Activities / Reports — Crady/Enclosure
- Executive Director's Report — Carpenter/Enclosure

* *Call Renée at 652-3417 or e-mail rcouture@vhfa.org by noon on Friday, February 2nd to request items be removed from the Consent Agenda*

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Vermont Housing Finance Agency

VHFA Board of Commissioners Meeting Minutes
by Telephone Conference
initiated at
Vermont Housing Finance Agency
164 St. Paul Street, Burlington, Vermont
Wednesday, January 3, 2007 at 9:30 a.m.

VHFA Board Members Present:
Lisa Mitiguy Randall – Chair, Gus Seelig – Vice Chair, Robert Alberts, Paul Beaulieu, Thomas Candon (designee for Crowley), Kevin Dorn, Bart Frisbie, Beth Pearce (designee for Spaulding)

VHFA Board Member Absent:
Dagyne Canney

Staff: Dave Adams, Sarah Carpenter, Maura Collins, Tom Connors, Renee Couture, Pat Crady, Elizabeth Mullikin Drake, Joe Erdelyi, John Fairbanks, Sam Falzone, Pat Loller, Cindy Reid

Guest: Amy Wright (Cathedral Square Corporation)

Vice Chair Seelig called the meeting to order at 9:35 a.m. A quorum of the Board was present.

BOARD MINUTES
Mr. Candon made a motion to approve the December 4, 2006 Board of Commissioners meeting minutes. Mr. Alberts seconded the motion which was approved by all except Mr. Beaulieu who abstained.

CONSENT AGENDA
Mr. Beaulieu made a motion to approve the item on the Consent Agenda (restated here):
- Resolution Re: Permanent Financing for Lake Champlain Apartments, Burlington

Ms. Randall seconded the motion which was unanimously approved. Mr. Candon stated that it was worth noting that this is the first zero percent loan to be repaid.

DEVELOPMENT
Whitney Hill Homestead, Williston
Ms. Reid reviewed her memo regarding the refinancing of Whitney Hill Homestead in Williston.

Discussion followed regarding the VHFA/VHCB participation loan on this project. Mr. Seelig explained that the Participation Agreement calls for VHCB to make recommendations on issues such as this, and it has recommended a reduction in the participation loan rate to 0% in order not to jeopardize the affordability of this project. He also reminded staff that the Board had requested a proposal for a uniform policy to ensure consistent treatment of the participation loans when borrowers submit applications. Ms. Carpenter explained that, with respect to this project, a decision was needed from the Board today because the refinancing needed to close this month (January 2007); the bonds expire in February. She further explained that the rate on the participation loan could be renegotiated (downward) at any time. Ms. Mullikin Drake cautioned that reducing the rate to 0% may mean a lost opportunity to use this debt to generate tax benefits if/when the project re-syndicates. Ms. Carpenter added that staff will prepare a review of all participation loans including an analysis of different approaches for treatment and the impact on the Agency's balance sheet. Ms. Randall asked that some discussion occur at the next Audit/Risk Management Board Committee meeting, after which Mr. Beaulieu would report to the Board. Mr. Beaulieu asked that, at this next Committee meeting, an explanation of how the interest rate affects the tax benefits that the equity partner receives, and the implications of reducing the participation loan rates to 0% (both for the Agency's balance sheet and for the tax credit partnerships) be provided.

Mr. Candon made a motion to approve the "Resolution Re: Permanent Financing for Whitney Hill Homestead, Williston," including staff's recommendation for treatment of the participation loan, with the understanding that the Audit/Risk Management Board Committee will look at the interest rate question (as described above). Mr. Beaulieu seconded the motion which was unanimously approved.

FINANCE

Series 27 Single Family Supplemental Resolution

Mr. Connors reviewed his memo regarding the need to adopt one more Single Family Supplemental Resolution before the Agency transitions to a multi-purpose resolution.

Mr. Candon made a motion to approve the "Thirty-First Supplemental Single Family Housing Bond Resolution." Ms. Randall seconded the motion which was unanimously approved.

Swaps

Mr. Candon asked for an updated analysis showing the status of the Agency's previously negotiated swaps.

Mr. Connors reminded the Board that the "[Resolution] Regarding KeyBank Direct Pay Letter of Credit and Related Interest Rate Swap Borrowing," approved by the Board in November, 2006, is setup to potentially be 100% swap. This was on the term sheet but staff wanted to make the distinction between this and the swap component of the Single Family Supplemental Resolution, which may be up to 25%.

In answer to Mr. Frisbie's questions, Ms. Mullikin Drake offered to provide materials regarding swaps and how they work.

LEGISLATIVE UPDATE

2007 Legislative Session

Ms. Carpenter reviewed her memo regarding legislative updates. Ms. Collins also reviewed her memo regarding the research on the potential effects of a property transfer tax (PTT) increase. After some discussion, Ms. Carpenter explained that, rather than engaging in a discussion of specifics and what ifs, the Agency's political posture ought to be that it would like to see more resources for housing, however the legislature decides to fund it, as long as the result does not harm the Agency's constituents.

Referring to the fifth bullet in the memo, Mr. Frisbie explained that splitting the PTT between buyer and seller is pointless as the buyer will indirectly pay. He also is concerned that it could be misleading. Ms. Carpenter explained that Realtors and mortgage brokers suggested splitting the PTT, which is done in a number of other states.

Mr. Frisbie believes that VHCB should be fully funded with the PTT revenue it was meant to receive. Mr. Seelig suggested making the second bullet in the memo more explicit by rephrasing it to read "VHFA supports full allocation of transfer tax revenue to VHCB as written in the current statute." He asked if there were objections and there were none.

Mr. Seelig explained that he is supportive of the bullets as outlined, with the above mentioned change. He also suggested that staff consider having a discussion with the Governor about increasing revenue, conceding it is too late for this session, in addition to working with the legislators.

Mr. Candon made a motion to support staff's recommendations (with the goal of increasing resources for housing) as outlined in Ms. Carpenter's memo. Mr. Beaulieu seconded the motion which was unanimously approved.

New Neighborhood Initiatives (NNI)

Mr. Seelig suggested that, in an attempt to move NNI legislation, Ms. Carpenter have a conversation with Vermont Forum on Sprawl to learn its views on this initiative and whether additional Smart Growth criteria would make it more acceptable.

Vermont Affordable Housing Coalition

Mr. Seelig asked Ms. Mullikin Drake whether she had looked at the Supreme Court decision from a few weeks ago regarding the State enforcing its codes. Ms. Carpenter explained that we have the decision. She added that it will be discussed at the January 22nd Housing Council meeting and that staff will bring an update to the Board next month.

SPINNER PLACE, WINOOSKI REDEVELOPMENT PROJECT

Ms. Carpenter explained that she, Mr. Adams and Ms. Mullikin Drake met with UVM's financial officer and outside counsel and representatives from HallKeen, Collegiate Housing Foundation and Sovereign Bank on December 19, 2006 about Spinner Place. UVM, the beneficiary of Spinner Place, has agreed to make a more concerted effort to market the student housing; however, Ms. Carpenter remains concerned about UVM's lack of ownership. (The property is in jeopardy and, if not addressed by summer, will be in default. The credit risk belongs to Sovereign Bank.) Ms. Mullikin Drake explained that UVM agreed to draw up a Memorandum of Understanding as a result of the December 19th meeting, but, to date, none has been circulated.

OTHER

Acknowledgements

Mr. Candon was pleased to read, in Mr. Gutchell's memo regarding the Interim General Fund Budget Report, that "single family loan originations are now on track to total approximately $150 million for the fiscal year, rather than the $90 million we estimated when we prepared the budget last May."

Ms. Carpenter thanked Mr. Connors and the staff of the Finance Department for their diligence, hard work and time spent dealing with the issues of the trustee conversion in order to produce the financial statements contained in the Board packet, the first since the conversion of TD Banknorth's trustee services to Bank of New York.

ADJOURNMENT

Mr. Alberts made a motion to adjourn the meeting. Mr. Beaulieu seconded the motion and the Board unanimously approved to adjourn the meeting at 10:35 a.m.

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA BOARD OF DIRECTORS
FROM: LIZA VEDDER PLANTILLA LVP
SUBJECT: VHCB LEAD BASED PAINT HAZARD REDUCTION PROGRAM
DATE: JANUARY 29, 2007

Recommendation: Staff recommends that the Board approve a zero percent loan of $150,000 to the VHCB Lead Based Paint Hazard Reduction Program to be disbursed this year.

Background: The Vermont Housing & Conservation Board (VHCB) has requested a commitment from VHFA to provide up to $150,000 in zero-percent deferred funds to continue support of the VHCB Lead Paint Program. The funds would be made available in one disbursement of $150,000 in late winter of this year. VHFA has over the past twelve years provided the fund with $550,000 which has been used to leverage approximately $13,573,600 of HUD Lead Hazard Control funds. The current request will leverage an additional $3,000,000.

Since 1994 the Vermont Housing & Conservation Board (VHCB) has received a series of HUD Lead Hazard Control Grants to assist low-income Vermonters in controlling lead paint hazards in their homes. To date, nearly 1450 homes and apartments have been made lead safe. This funding is awarded competitively, and Vermont has managed to secure grants that have allowed continuous operation of the Program. Because Vermont has some of the oldest housing stock in the country, lead paint and associated hazards are still widespread. Hundreds of Vermont children are still identified each year with elevated blood lead levels, the most common source of which is deteriorated lead paint.

In May of 2005 the Agency issued a letter of support to VHCB in order to assist them with their 2005 grant application to HUD's Lead Hazard Control Program. Traditionally our funds have been a match that is awarded to VHCB upon receipt of HUD funds. These funds have been secured and largely spent, and so VHCB is requesting that we honor our commitment to complement that award. At the time of our letter of support in 2005, our intent was to fund this using Multifamily Excess Yield proceeds which were still available. Multifamily Excess Yield funds are now no longer available. However, staff is recommending that we honor our Letter of Support and that the Board approve this request. Funding will be from interest earnings on multifamily loans; however these earnings will no longer be considered "Excess Yield". The Agency continues to have some interest income from loans with higher than normal rate spreads, but that stream of income is dwindling as projects are restructured. Any excess interest income remaining from this piece of the Multifamily portfolio will no longer be considered "excess yield" once we refund the bonds in the 95A Resolution. We plan to do this in May or June with the first issue under the Multipurpose Bond Resolution which is still being drafted.

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EQUAL HOUSING OPPORTUNITY

While staff is recommending approval of this request, any future funding of the VHCB Lead Pain Program will be dependent on identifying another source of funds.

Attached please find a "Lead Paint Program Update" memo from Ron Rupp of VHCB.

To: Vermont Housing & Conservation Board
From: Ron Rupp, Director
VHCB Lead-Based Paint Hazard Reduction Program
Date: January 9, 2007
Re: Lead Paint Program Update

The Lead-Based Paint Hazard Reduction Program has provided technical and financial assistance to control lead paint hazards in privately-owned housing since 1994. VHCB is currently administering a $3 million HUD grant we received in 2005. Although the grant period runs through October 2008, the program expects to substantially complete all work under the grant, and expend most or all grant funds, by the end of 2007. As of 12/31/06 we have completed work in 109 of the 220 residential units to be made safe under this grant. Our most recent performance assessment from HUD gave us a rating of 100 out of 100, and stated: "The Vermont Housing & Conservation Board has received a **Green** designation, meaning the program is meeting and/or exceeding the benchmarks for all of its risk factors. The Board's overall performance is excellent."

With your permission, the Lead Program is planning to apply for another grant this year. If successful, the new grant will likely begin in late-2007 or early-2008 just as we are wrapping up the current grant. Demand for assistance from the program remains high and we have already enrolled more units (282) then we will be able to assist under the current grant. Our ongoing public education efforts include a web site (www.LeadSafeVermont.org) and the provision of free lead safety training required for Vermont landlords. In 2006 staff completed a major revision to the training materials, including a new manual and multi-media presentation.

As you may know, HUD Lead Hazard Control Grants are awarded competitively. In recent years many more applicants have been seeking these funds. HUD now puts more weight on the actual numbers of poisoned children and old housing when evaluating applications. This works to the disadvantage of places like Vermont because we do not have the sheer numbers of people or housing units of big or even moderate-sized metropolitan areas. Evidence of this can be seen in the City of Burlington's unsuccessful grant application in 2006. Despite having a successful and productive program, Burlington could not compete against other jurisdictions with much bigger populations. Because we operate statewide, VHCB's Lead Program has stronger numbers and hopefully should fair better. Our last six grant applications have been successful. We will have a better sense of our prospects for further funding once HUD's Notice of Funding Availablity (NOFA) is released, probably in February or March.

Lead Poisoning Prevention Task Force

In response to the fact that hundreds of Vermont children are still being poisoned every year by lead, the Vermont Attorney General and the Vermont Department of Health (VDH) formed a Task Force in January 2006 to review the State's lead poisoning prevention efforts and make recommendations for improvements. Compliance with the State's lead paint laws, particularly with respect to rental housing, is very poor. Fewer than 20% of landlords are completing their Essential Maintenance Practices (EMPs) and submitting the required paperwork to VDH. VHCB staff participated in the Task Force, whose final report is scheduled to be released at a January 18, 2007 Statehouse press conference.

Task Force participants included VDH staff, Assistant AG's, advocates for children's health, affordable housing providers, property owners, insurance companies, and advocates for low-income families. There was a strong consensus among participants that the State needs to enforce the existing laws and do a better job educating Vermonters about how to keep their children safe. Money is needed for these efforts as well. Currently all lead poisoning prevention efforts in Vermont are funded with federal money from HUD, EPA, and the CDC. These resources are being cut and their availability in the future is uncertain. The costs to society of childhood lead poisoning are significant, and its clearly more cost effective, as well as morally right, to prevent children from being poisoned at all. It is my understanding the Legislature will be examining this issue as well and that there may be legislation proposed based on the Task Force report.

Contractor Issues

As has been the case for years, the Program is constrained by the limited number of certified lead abatement companies in Vermont. Despite our efforts to increase the pool of contractors, most of our projects are still completed by two companies. Because HUD requires the use of certified abatement contractors on our projects, we are forced to use the contractors we have or shut down the program. Our efforts to increase the number of available contractors have included the provision of free training and technical assistance to general contractors or others who express interest in obtaining certification. In every case, however, the parties ultimately decided that it was not in their best interest to become certified lead abatement contractors.

One important recommendation of the AG/VDH Task Force is to require any contractor working in pre-1978 housing to be trained in lead safe work practices. Should this rule be implemented, it would significantly raise awareness about lead among general contractors and might entice a few to become certified in lead abatement. We have also considered asking HUD for a waiver that would allow us to use general contractors, following OSHA regulations, to complete our work. Such a request, however, is likely to be viewed unfavorably by HUD and might jeopardize continued funding for the program. HUD is pretty ideologically committed to the certified contractor model.

Healthy Homes Project

In 2004-2005 the Lead Program participated in a HUD-funded Healthy Homes Demonstration Project where we conducted interventions to identify and mitigate asthma-triggers in the homes of children with asthma. We have now collected the follow-up data and are performing analysis, which seems to show positive benefits. Twenty-seven (27) families received in-home education, specialized equipment, and assessments to identify potential asthma triggers in the home. Each family received a full written report of the findings. Many homes received low-level physical interventions such as replacing carpet in the child's bedroom with laminate; installation of bathroom ventilation to reduce moisture; and minor mold remediation. The principal investigator for the study, Hendrika Maltby, PhD, RN of the UVM School of Nursing, will be preparing a paper on our findings. Other partners included the Asthma Regional Council of New England, the City of Boston, and the Vermont Department of Health.

Please feel free to contact me with any questions you have about the Lead Program.

rrupp@vhcb.org or 828-2912

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Director of Development

DATE: January 25, 2007

RE: Compass Group Final Report

Recommendation:
No action is requested at this time.

Background
The attached report was commissioned by VHCB and paid for by VHCB, VHFA, Housing Vermont, and HUD. It originated as a result of a review of the non-profit delivery system in Vermont. The Compass Group are consultants that provide services related to multifamily housing property management, asset management, finance and public policy, and they do extensive work for HUD, among other clients. The report analyzed a sample of 70 projects in VHCB's portfolio (of 240 total projects), some of which also have VHFA funding. (Although the sample was selected, not random, the consultants believe that the results are nevertheless typical and that inferences can be drawn from it that accurately represent the whole portfolio, and the conclusions and recommendations are therefore broadly applicable.) Of those 70 projects, 15 have an ownership structure with nonprofits holding an option to purchase the development within the next five years. Those 15 projects are referred to in the report as "Expiring Use" projects, an old HUD term. The idea behind looking at this sub-group is that they are likely to change ownership and at that time the owners will re-examine the operating history and financial viability, and (if needed) restructure the finances to position the project to go forward and be largely self-sustaining. Another sub-group of 45 projects in the sample provided Capital Needs Assessment (CNA) data, and the remaining 25 had capital needs estimated, such that an analysis of the average capital needs of all 70 projects might be made, and then compared to their actual "replacement reserve" deposits. The three main tasks of this report were: to examine the underwriting of all 70 projects and come up with recommendations; to look at the Expiring Use projects and ascertain their strengths and needs for going forward; and to look at the capital needs of all 70 projects and come up with recommendations.

VHFA's profile of developments differs from that of the VHCB portfolio somewhat in that we finance all of our projects (other than the tax credit developments) with at least some amortizing debt – VHCB can serve some harder markets and lower income groups by doing some projects that carry no amortizing hard debt. Also, the VHFA portfolio has a large number of older Section 8 developments. The fact that those are older and also that they have project-based Section 8 (usually nearing the end of the contract term) has many impacts on both their upcoming capital needs, and on their ability to fund reserves.

Discussion
The executive summary of the report is on pages one through three, and a good summary of the key recommendations is on pages 10 through 12. If nothing else, the Board ought to read these and form some opinion as to the direction that they indicate. The one overall recommendation that guides everything else is on page ten: "Make a Sustainability Decision." In short, the more well-capitalized a project is when it first gets off the ground, the more likely it will not need to come back for restructuring or recapitalization in

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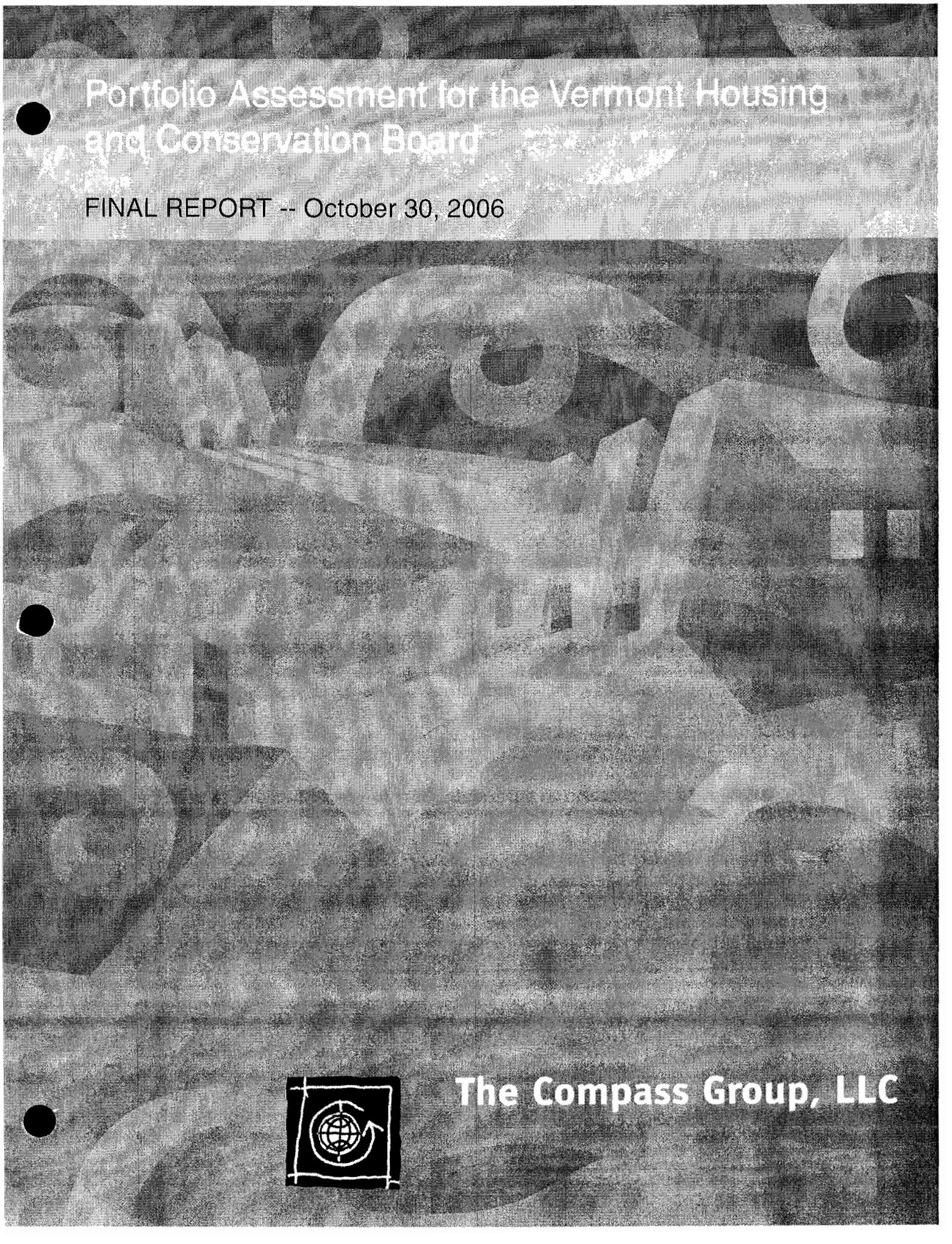
the future. However, the more well-capitalized a project is, the fewer projects will get produced in Vermont every year. This is because projects have limited Net Operating Income, and therefore a limited debt service capacity. The more cash goes to replacement reserves, the less cash there is for debt service. The less that debt can be used to fund the capital budget, the more other scarce sources (e.g. VHCB, HOME, VCDP) are needed. Staff underwrite developments now at $420 per unit per year in replacement reserve deposits. This report suggests that the number ought to be closer to $760 in order to create self-sustaining projects. A national benchmark that most other states use is around $250 - $350 per unit per year.

Conclusion

The Board ought to give careful thought to this issue of sustainability, and possibly meet with the boards of the other funding agencies to discuss it. Projects can be underwritten at either end of the sustainability spectrum or anywhere in between. Currently staff and the Executive Directors of VHFA, VHCB, and DHCA are having ongoing meetings to come up with common underwriting standards, and one of the things discussed at those meetings are the Compass study findings. When that process results in recommendations (anticipated for a month or two from now), staff will present them to the Board.

Portfolio Assessment for the Vermont Housing and Conservation Board

FINAL REPORT -- October 30, 2006



The Compass Group, LLC

Executive Summary

Public Investment is Necessary
Affordable housing is—at its most basic—about funding the gap between what it costs to develop and operate housing of acceptable quality and the revenue that can be generated by serving low-income residents. Today in America, low-income renters simply cannot afford rents necessary to build and sustain housing. Public finance in myriad forms bridges the divide.

Reasons for this Study
Bridging the cost divide in housing is becoming harder and more essential. Development and operating costs of housing have increased at a rapid pace nationwide, increasing the demand, cost and importance of affordable housing. VHCB has invested in more than 5,000 housing units and has requested this study to inform policy decisions regarding future investments. This study assesses three interrelated aspects of Vermont's housing portfolio. First, it estimates the costs of preserving 'expiring use' properties—those that are nearing the end of their initial 15-year affordability requirement. Second, it determines the adequacy of resources to meet the capital needs requirements of existing (and aging) assets, including escrows, refinancing potential and operating cash flow. And third, it compares the underwriting of properties to their actual performance, determining the accuracy of the State's income and expense projections and providing insights which will enable the state to further improve its ability to predictably develop successful projects.

Choosing to Pay Now, or Pay Later
It is widely understood that all real estate requires repairs over time. Consequently, real estate is either maintained through continuous investment or renewed through periodic reinvestment or both, or is otherwise lost to deterioration. Long-term costs can be incorporated at initial development—at the expense of production volume (more dollars per unit results in fewer units produced). Alternately, these costs can be deferred to later years—lowering the initial development cost but requiring later reinvestment to preserve the property. Put simply: all public funders face a 'pay now or pay later' decision.

The need for eventual reinvestment provides opportunities for reevaluating the contributions of the housing to the policy goals and economic interests of its funders. Markets change, actual operating and capital costs never precisely match projections, and the policy goals of funders evolve and shift naturally over time. As the need for reinvestment arises, properties which are desirable (which have a low-cost/high-benefit ratio) can be pursued, while properties which are expensive to preserve relative to their contribution to affordable housing can be pruned from the portfolio.

As with initial development (when public funding is necessary), when it's time to extend affordability and viability after 15-20 years, usually some additional public investment will be needed. That is, generally properties cannot support their own preservation costs. Few properties have value above outstanding debt; in part, rent restrictions and the very low incomes of the residents which are at the heart of the mission—also constrain income

potential and (resulting) value. Consequently, the costs of preservation must be borne elsewhere. Against this backdrop, and softening the blow, is the knowledge that a reinvestment for continued viability and affordability is almost universally less expensive than new development.[1]

Key to the cost of preservation is the cost of capital repairs. Those items that were not paid for up-front must be paid for eventually. And reserves are not adequate to meet likely future capital needs at every property. Roughly half of the properties in the portfolio have the reserves and cash flow to self-finance the costs of future capital needs; the other half will require additional public investment. A third will require additional investment in excess of $5,000 per unit (though this is economically preferable to new development, which approaches $200,000 per unit). Compass recommends a higher reserve level if Vermont's goal is to avoid future capitalization of existing properties.

The ability to make a decision about 'paying now or paying later' is dependent on the quality of underwriting. Both revenues and expenses tend to exceed projections; however, on balance the portfolio is performing adequately on a bottom-line basis, relative to the original underwriting projections.

Recommendations and Findings

This report makes a series of recommendations and findings, which can best be understood in the fullness of the report; this summary is necessarily brief.

- Real estate has inherent risks. Funders can address these through either (1) generous initial financing/subsidy sufficient to withstand risk, or (2) operational, legal and financial flexibility to identify emerging problems and make subsequent corrective investments if the property fails to perform to its underwriting. Vermont must have a conscious strategy in this regard, and the appropriate tools, resources and capabilities.
- Compass advocates—and finds that the Vermont Funders generally adhere to principles of—'sustainable underwriting.' 'Sustainable Underwriting' generally allows less (or no) debt, requires greater initial subsidy, and results in less need for subsequent reinvestment, among other benefits. This approach generally requires:
    - context-specific, individualized underwriting, to accommodate the varied nature of transactions, including those in low growth communities, or those facing unique challenges. Vermont uses this principle, for instance underwriting properties in small towns to higher vacancy rates;
    - underwriting informed by the actual performance history of prior assets, and current tax, insurance and utility forecasts obtained through third parties (rather than rules of thumb or formulae). VHFA and Housing Vermont are applying these approaches, and VHCB is relying on these inputs. This is a relatively new practice for the Vermont Funders, but one which should improve the accuracy of underwriting projections;

[1] Vermont's 2006 Consolidated Plan prioritizes preservation and establishes a committee to support and strengthen these efforts statewide.

- reliance on expense cushions, or other means of insuring properties have underwritten cash flow which is sized appropriately for the risks inherent in the underwriting;
- a 'soft note' structure which balances the state's fiduciary responsibility and policy interest in recapturing excess cash flow on transactions which outperform their underwriting, while incentivizing the owner to operate the property efficiently (and profitably);
- use of available legal structures to preserve affordability and manage the portfolio. We recommend VHCB make all future covenants binding in the event of foreclosure. Continued affordability should be the default assumption. This approach should place VHCB in a strong position to protect its original investment, and Vermont's housing interests. This approach must be weighed against the 'back-end' economics: a binding affordability covenant may restrict exit value, and may force investors to demand greater yields elsewhere in a transaction. In practice, the Vermont Funders coordinate their positions, in their mutual interest to preserve affordability; and,
- real estate has long-term costs which are not always paid for at initial development. VHCB should consciously determine how long new properties should be initially sustainable, and should ensure that initial financing and public investment is consistent with this goal. Specifically, the report recommends that VHCB should work with other Vermont Funders to establish the term of intended viability for initial investments in projects, and should ensure that capital reserves are funded adequately over this term, and that renewed viability can be accomplished easily on projects which the State later determines are cost-effective and worthy of preservation.

Section 1. Overview of Tasks and Findings

1.1 Client and Consultants.

- **1.1.1. Client.** VHCB is an instrumentality of the State of Vermont. One of its roles is to facilitate the production and preservation of affordable rental housing for low-income Vermonters. VHCB allocates the State's HOME funds and allocates a variety of other funding sources as well. VHCB's portfolio of affordable rental housing (excluding mobile home parks, and excluding properties smaller than 3 units) comprises 240 properties with close to 5000 rental units. VHCB works closely with the Vermont Housing Finance Agency (which, among other roles, allocates Low Income Housing Tax Credits ("LIHTCs")) and Housing Vermont (a nonprofit LIHTC syndicator and developer). Many of the properties we studied had the involvement of all three agencies. The costs of our study were funded partially by the U.S. Department of Housing and Urban Development and partially by VHCB, VHFA and Housing Vermont.
- **1.1.2 Consultants.** The Compass Group is the author of this report, and ICF Consulting provided the contract under which the work was performed. The Compass Group (www.compassgroup.net) is a small business consulting firm with specialized expertise in affordable rental housing finance, operations, and policy. Compass' current clients include HUD's Mark-to-Market program, HUD's HOME program, USDA's Rural Housing Service, The Louisiana Recovery Authority, and the Department of Justice's Civil Litigation Division. Compass was the primary advisor to the Congressionally-created Millennial Housing Commission regarding affordable rental housing. Compass is also a member of HUD's 'College of Experts'. ICF Consulting (www.icfconsulting.com) is a major provider of technical assistance, training, and consulting to a wide variety of federal and State agencies. ICF holds a series of Community Development Technical Assistance contracts with the U.S. Department of Housing and Urban Development, under which some of the funding for this study was provided.

1.2 The Three Tasks. Our scope of work is divided into three large tasks. The tasks and our primary findings are discussed below. Our primary recommendations are discussed in Section 2.

- **1.2.1 The Underwriting Task** – compare the actual performance of a sample of 70 VHCB-funded properties to their underwritten performance. Determine whether the existing financing is consistent with long-term physical and financial viability ("sustainability") of the properties. Suggest potentially useful modifications to VHCB's underwriting standards and practices. Our key findings in this task are discussed below under *1.5 Underwriting: Strategies for Creating Sustainable Portfolios*.
- **1.2.2. The Expiring Use Task** – study the 15 VHCB-funded properties whose nonprofit general partners will have an option to purchase the properties in the next five years. Estimate the likely level of cash that the general partners will need in order to purchase the properties and position them for sustainability and

affordability. Our key findings in this task are discussed below under *1.6 Expiring Use Properties and Sustainability.*

- **1.2.3 The Capital Needs Task** – we were provided data from long-term capital needs assessments for 45 of the 70 properties in the underwriting sample. For the remaining properties in the underwriting sample, we estimated long-term capital needs by using the average from the long-term capital needs assessments. Our capital needs task was, for the full 70 properties, to determine whether the properties' existing reserve funding and existing financing are likely to allow the property to meet its long-term capital needs without requiring additional subsidy. Our key findings in this task are discussed below under *1.4 The State of the Art in Capital Planning.*

These tasks are not distinct; in fact they are quite inter-related. As noted below, we use the results of our analysis in the Underwriting Task to inform our findings and recommendations in the Expiring Use and Capital Needs tasks. Similarly, our recommendations regarding Capital Needs are fundamental to our recommendations in the other two tasks; accordingly, our Capital Needs recommendations are discussed below before we discuss our Underwriting and Expiring Use recommendations.

Our report begins by discussing an over-arching issue.

1.3 Affordable Rental Housing Is Difficult -- But Vital. Market-rate rental housing is fraught with risk – for example, construction can cost more and/or take longer than planned, units may lease up slower than planned and/or at lower rents than planned, operating costs (such as taxes, insurance and utilities) may be higher than planned, mortgage interest rates may increase before the property can be financed, and building systems can wear out sooner than planned and cost more to replace than planned. Affordable rental housing involves all of those risks, plus the additional complexities of the various subsidy programs, and the difficulties of working with the various target populations, many of whom have complicating factors (for example, need for supportive services) in addition to having low incomes and limited ability to afford rent and utilities. In addition, the formulas for the regulated rents may impose unexpected limitations. For example, between federal fiscal years 2004 and 2005, HUD Fair Market Rents declined in many parts of Vermont.

Yet affordable rental housing is essential – the largest group of Americans with serious housing affordability and/or quality problems is renters with incomes below 30% of area median income.[2] VHCB, VHFA, Housing Vermont, and the various nonprofit sponsors with whom they work, are to be commended for meeting this challenge head-on and for aggressively targeting affordable rental housing to Vermonters who are most in need.

[2] For the Vermont perspective, see Between A Rock and a Hard Place: Housing and Wages in Vermont, http://www.vhcb.org/housingandwages.html. See also the Harvard Joint Center for Housing Studies, State of the Nation's Housing 2005, http://www.jchs.harvard.edu/publications/markets/son2005/, pages 24 through 28 ("Housing Challenges"). Also see HUD's recently issued report on Worst Case Housing Needs in 2003 at http://www.huduser.org/publications/affhsg/affhsgneed.html.

A corollary is that many affordable rental housing properties will encounter serious stresses. National data for the Low Income Housing Tax Credit program suggest that, in any given year, one-third of properties will have negative cash flow.[3] Similarly, as discussed in Section 1.4, there is ample evidence that many affordable rental housing properties will need additional government funding as they age, in order to meet long-term major repair and replacement needs ("capital needs"). Accordingly, agencies such as VHCB carefully monitor properties they have funded, to detect signs of impending or actual stress, and to determine how best to address stresses that exceed what individual properties and owners can overcome.

1.4 The State of the Art in Capital Planning. VHCB and VHFA currently require sponsors to obtain long-term capital needs assessments (CNAs) as part of underwriting for moderate rehabilitation projects, and within six months after completion of construction for new construction and substantial rehabilitation projects. A CNA is an estimate of the funds that likely will be necessary, year by year, to repair and replace major building systems. As such, a CNA is an invaluable planning tool that gives sponsors an early warning system for anticipating major repairs and replacements ("capital needs"). CNAs are discussed in more detail in Sections 5.4 and 5.9.

Funding Capital Needs. A property can rely on a range of financial resources for meeting its long-term capital needs. These resources include any initial balance in the replacement reserve account, ongoing deposits to the reserve, investment earnings on reserve balances, future excess cash flow, future refinancing proceeds, and future public subsidies. Studies of large numbers of CNAs for older affordable rental housing[4] consistently show that industry rules of thumb (developed for market-rate rental housing) lead to levels of reserve funding that are adequate, at best, to meet one-third to one-half of long-term capital needs. Given that typical affordable rental housing properties cannot be expected to have significant future excess cash flow or significant future refinancing proceeds, there is widespread and growing acknowledgment that affordable rental housing requires its own capital needs funding approach, instead of the traditional approach that was imported from market rate rental housing.

The State of the Art. The state of the art in capital planning is to use CNAs during the underwriting process to determine the appropriate level of reserve funding, to update the CNA periodically (generally every five to ten years), and to re-size the reserve deposit level according to the updated CNA. For typical affordable rental housing that will have relatively little expectation of future excess cash flow / refinancing proceeds, this means a greatly increased level of reserve deposits, and, consequently, greatly reduced level of supportable private debt (and greatly increased level of needed public subsidies at the time of development).[5]

[3] Ernst & Young, "Understanding The Dynamics" series of reports.
[4] See, for example, the study reported at www.on-site-insight.com.
[5] At the margin, an additional dollar of reserve deposit means one less dollar of mortgage payment, which in turn means a $10 (or more) reduction in supportable debt, and a $10 (or more) increase in the public subsidies needed to make development feasible.

M2M Capital Needs Approach. For example, in HUD's Mark-to-Market program ("M2M"), which sizes a new reserve deposit to cover 100% of projected 20-year capital needs for 20-30 year old affordable rental housing properties, typically the existing reserve deposit needs to be at least doubled, and frequently tripled.[6] This experience has established conclusively that industry rules of thumb are consistently too low to fund capital needs fully.

Our Capital Needs Data and Key Findings. We had CNA data for 45 of the 70 properties in our sample. These data indicate that capital needs for the VHCB portfolio are consistent with amounts we have seen in other portfolios of affordable rental housing – with annual capital needs averaging $756 per unit (but with the very wide range above and below the average that we have found typical of other portfolios). Because existing reserve deposits average $527 per unit per year, existing reserves will not be adequate to fund foreseeable long-term capital needs, unless supplemented by excess cash flow, refinancing proceeds, or new public subsidies. Although deposits alone will not be adequate to meet needs, it must be noted that Vermont's average annual deposit of $527 per unit, is double the national average of $258 per unit.[7] This suggests that although the challenge of funding these needs exists in this portfolio, the situation is worse elsewhere in the U.S.

1.5 Underwriting: Strategies for Creating Sustainable Portfolios. Traditional underwriting for affordable rental housing has two serious flaws from the standpoint of sustainability.

- The margin ("debt service coverage") between operating profits ("net operating income") and mortgage payments ("debt service") is too small in relation to typical variances in rents, vacancies, and operating costs.
- The traditional level of reserve deposits is inadequate for affordable rental housing.

Developers and funders are therefore making two adjustments to improve sustainability – greater debt service coverage (or, alternatively, establishing an operating reserve) and larger monthly reserve deposits (or, alternatively, establishing a large initial replacement reserve balance). Both adjustments reduce the amount of private debt that a property can support, thereby increasing the amount of public subsidy that the property needs.

It should be mentioned that "sustainability" does not necessarily mean permanent viability, although some funders could choose to make certain properties sustainable on a permanent basis. Sustainability does, however, imply viability at least through the envisioned affordability period[8]. For example, in new construction properties funded

[6] The Compass Group, LLC is part of the financial advisory team for HUD's Mark-to-Market program. Because Mark-to-Market (M2M) has been the leading laboratory for sustainability principles in affordable rental housing, this report will frequently refer to M2M standards and experience.
[7] Ernst & Young, "Understanding The Dynamics" series of reports.
[8] Typically, VHCB and VHFA intend permanent affordability. However, that does not necessarily require initial funding based on (say) 100 year sustainability. Rather, VHCB and VHFA could choose to fund such

under the HOME program, a minimum 20-year affordability period is required. In that context, sustainable underwriting and funding practices would position the property so that it would be unlikely that the property would require additional government funding for at least 20 years.

The State of the Art. Sustainability therefore involves a trade-off: fewer ribbon-cuttings today, in order to have fewer properties in stress (and fewer resources devoted to shoring up those properties) several years from now. There is general consensus that almost all funders of affordable rental housing need to shift their underwriting standards in the direction of sustainability, but different organizations will choose to draw the line in different places.

Sustainability in M2M. For example, one of the sustainability initiatives in HUD's Mark-to-Market program is to size debt service coverage as the greater of:

- Any DSCR required by the lender;
- 3% of gross potential rents; and
- 7%-10% of operating expenses.

This is based on considerable evidence that revenue variances of 3%, and expense variances of 7%-10%, are frequent and thus foreseeable.

Our Underwriting vs. Actuals Data and Key Findings. In our review of actual versus underwritten results for the sample portfolio, we found that while properties typically meet their revenue projections, they typically over-spend their operating expense projections. On balance, the portfolio generally is performing adequately on a bottom-line basis, relative to the original underwriting projections.

1.6 Expiring Use Properties and Sustainability. When an existing affordable rental housing property is completing its initial affordability period and is being considered for longer-term preservation, there is general consensus that the preservation transaction should be structured so that there is a relatively low risk that the property will need additional subsidy during its extended affordability period. This, in turn, implies careful underwriting, including a CNA, structuring the financing so that the property will be able to withstand normal income and expense shocks, and structuring a replacement reserve that will be adequate to meet the expected capital needs during the extended affordability period.

Our Expiring Use Data and Key Findings. In our review of 15 expiring-use properties in the VHCB portfolio, we found that each general partner had an option to purchase the project at a reasonably favorable price (the most typical option being at the greater of outstanding debt, or appraised value assuming that affordable use is continued). We also found that these general partner purchase options were on more favorable terms than the statutory "qualified contract" option price.

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a property initially to be sustainable for (say) 20 years, intending to make a further preservation decision 15-20 years later.

1.7 Interviews. As part of our scope of work, we interviewed 5 Vermont-based experts and 6 national experts. There was a high level of consensus among interviewees, and in general we concurred with the views expressed by interviewees.

1.8 Economic Assumptions, Methodology and Terminology. See Appendix 2 for the economic assumptions we used, our analytical approaches, and definitions for real estate finance terminology used in this report.

1.9 Limiting Conditions. See Appendix 3 for a discussion of factors that should be taken into account in interpreting our findings and recommendations.

1.10 Contents of This Report. The remaining portions of this report are as follows:

- **Section 2 Primary Recommendations.**
- **Section 3 Underwriting Task.**
- **Section 4 Capital Needs Task.**
- **Section 5 Expiring-Use Task.**
- **Section 6 Other Recommendations.**
- **Appendices.**
  - **Appendix 1 List of Interviewees.**
  - **Appendix 2 Methodology, Economic Assumptions and Terminology.**
  - **Appendix 3 Limiting Conditions.**
  - **Appendix 4 Summary Results of Economic Analysis.**
  - **Appendix 5 Summary Results for Expiring-Use Task.**
- **Property-Specific Addendum.** In addition, we are providing property-specific output from our economic model as a separate document. This separate document contains, for each property having both underwritten cash flow and actual cash flow data, the following exhibits:
  - Underwritten vs. Actual cash flow (1 page)
  - Sustainability Analysis (1 page)
  - Amortization of Hard Debt (3 pages)
  - Cash Flow Projection (2 pages)
  - Expiring Use Analysis (1 page)

In addition to this report, we also delivered to VHCB the electronic data and analytical model that we developed for this assignment.

Section 2. Overview of Primary Recommendations

Following is a list of our primary recommendations, organized by task.

2.1 The Underwriting Task: Primary Recommendations. See Section 3 for our detailed findings and for our additional (secondary) recommendations regarding the underwriting task.

- **2.1.1 Make a Sustainability Decision.** In this report, we do not recommend any specific underwriting standard; rather, we encourage VHCB / VHFA / Housing Vermont to make a conscious choice of underwriting standards, to understand the level of sustainability risk inherent in those standards, and to formally incorporate the appropriate level of financial-restructuring activity in their long-range portfolio management strategy. If possible, VHCB, VHFA and Housing Vermont should adopt the same set of underwriting standards. *We understand that VHCB and VHFA already use substantially the same underwriting standards.*
- **2.1.2 Make Corresponding Modifications to Asset Management Practices.** To the extent that VHCB and VHFA choose to incur sustainability risk, they will need early warning systems and workout / restructuring capacity commensurate with the level of risk undertaken.
- **2.1.3 Make Corresponding Modifications to Lending Practices.** Similarly, to the extent they choose to minimize sustainability risk by funding properties more generously at the start, VHCB and VHFA should negotiate for a reasonable share of excess cash flow so as to recapture funding that – in reality – exceeds the amount necessary to produce a viable property.
- **2.1.4 Revise Operating Expense Underwriting Standards to Reflect Actual Results for Comparable Properties.** We recommend developing a high quality database of actual operating results, organized by property type (e.g., elevator buildings for seniors, walkup buildings for families), and using that database when underwriting future developments. *We understand that VHCB and VHFA have taken steps in this direction already.*

2.2 The Expiring Use Task: Primary Recommendations. See Section 4 for our detailed findings and for our secondary recommendations regarding the expiring use task.

- **2.2.1 Consider Requiring that the Housing Subsidy Covenant be "Foreclosure-Proof".** When the Subsidy Covenant was created in the 1980s, commercial lenders were not willing to accept a foreclosure-proof subsidy covenant (that is, a subsidy covenant that would survive a foreclosure and that would thus be binding on a lender who foreclosed). Today, however, lenders have much more experience with foreclosure-proof affordability requirements. For example, HUD's Mark-to-Market program has restructured over 1300 properties utilizing a foreclosure-proof affordability agreement, and we understand that some states use foreclosure-proof LIHTC LURAs. VHCB should consider shifting to a requirement that the Housing Subsidy Covenant be structured so that it would continue in effect after a foreclosure.

- **2.2.2 Prune the Portfolio via GP Purchase Option.** VHCB and VHFA should use the purchase-option and right-of-refusal processes to weed out properties, owners, and managing agents that are not making positive contributions (defined broadly) to the overall portfolio. For this purpose, options that can be exercised by VHCB or its designee are to be preferred over options that can be exercised only by the existing sponsor.

2.3 The Capital Needs Task: Primary Recommendations. See Section 5 for our detailed findings and for our secondary recommendations regarding the capital needs task.

- **2.3.1 Funding for Capital Needs.** VHCB and VHFA should make a conscious decision on a funding strategy for long-term capital needs. If VHCB and VHFA expect to make multiple funding commitments to a property over the property's useful life, it is not necessarily appropriate or desirable to provide up-front all of the resources likely to be needed to sustain the property long-term. *We believe that funding properties at initial development so that they are sustainable to (or modestly past) the point of the nonprofit GP's option exercise date, and providing additional funding at that time for long-term sustainability, might be an excellent option.*
- **2.3.2 Capital Planning in the Underwriting Stage.** VHCB / VHFA / Housing Vermont should enhance the role of capital planning in their underwriting practices. VHCB / VHFA / Housing Vermont should determine, on a property by property basis, the percentage of long-term capital needs that should be funded via the reserve. We expect that, frequently, this percentage will be 100%.
- **2.3.3 Update CNAs Periodically.** CNAs should be updated periodically (VHCB and VHFA recently began requiring periodic updates). The results of updated CNAs should be reflected in changes to the ongoing reserve deposit levels. Between periodic updates, the reserve deposit should be increased annually to adjust for inflation.
- **2.3.4 CNAs to Support Transactions.** A CNA should be obtained whenever an existing property is to be purchased or refinanced.
- **2.3.5 Capital Planning Horizon.** VHCB / VHFA / Housing Vermont should standardize on a 20-year capital needs analysis period.

2.4 Other Primary Recommendations. See Section 6 for additional discussion. Because VHCB / VHFA / Housing Vermont have such a high overlap of properties, they should collaborate on these recommendations.

- **2.4.1 Asset Management Database.** Develop a database on the portfolio that contains information sufficient to support a variety of asset management purposes.
- **2.4.2 Asset Management Risk Assessment.** Identify properties that are at-risk, identified by type and severity of risk. Risks would include excessive "hard" debt, weak markets, latent construction defects, environmental problems, inadequate ownership, inadequate management, and impending expiration of the affordable use period.

- **2.4.3 Asset Management Action Strategies.** For each at-risk property, develop a strategic approach designed to mitigate the risk. Action strategies would include resyndication, refinancing, transfer of ownership, change of management, workout / recapitalization, renovation, redevelopment, removal of the property from the portfolio, coordinated action with other at-risk parties, and reliance on action by other at-risk parties.
- **2.4.4 Workout / Restructuring Capacity.** Develop capacity (internal and/or external) to analyze, structure, negotiate, and implement financial restructuring of properties to achieve sustainability.

Section 3. The Underwriting Task

3.1 Task Definition. The following is an excerpt from our scope of work: *"VHCB requests an analysis which compares the underwritten pro forma of properties, with the actual operating results of the same properties. This analysis will inform VHCB whether their projections for property performance are generally accurate, or whether their approach to underwriting of properties should be modified."*

3.2 Our Sample. Our sample portfolio for this task consists of the 15 expiring-use properties identified by VHCB, plus an additional 55 properties selected at random from VHCB's portfolio (excluding properties of less than 3 units and excluding mobile home parks)[9]. The total universe of VHCB's 3+ unit non-mobile-home properties is 240 properties. Accordingly, we believe our sample of 70 properties is large enough to provide reasonable confidence that the results of our study accurately reflect conditions across the portfolio[10].

3.3 Our Data. We obtained underwriting data from VHCB's files during a visit to Vermont in early August 2005. Typically, underwriting data are in the form of a detailed financial pro forma, completed either by VHCB or Housing Vermont at the time that the funding decisions were made. We also obtained actual operating results for 2004 from VHCB and from Housing Vermont.

3.4 Summary of Our Analytical Approach.[11] We adjusted the underwriting data for inflation (we "trended" the data) from the time of underwriting to the project's 2004 fiscal year.[12] We then compared the trended underwriting data to the actual results for 2004. The key measurements we made were:

- Gross Potential Rental Income[13] ("GPR") actual vs. underwritten (i.e., did the property achieve its underwritten rents)

[9] Originally, VHCB identified 17 expiring-use properties, and we selected an additional 62 properties randomly (limiting the sample only on the basis that properties should have had a full year of post-lease-up operations in 2004). Of these 79 properties, 1 was eliminated due to lack of original underwriting data and 8 were eliminated due to lack of 2004 actual revenue and expenses. Two of the properties that were eliminated were expiring-use properties.

[10] For a universe of 240 properties, proportions derived from a random sample of 69 properties (smaller than our sample of 70 properties) should be accurate, plus or minus 10 percentage points, at a 95% statistical level of confidence (http://calculators.stat.ucla.edu/sampsize.php). Accordingly, although our sample is not entirely random, we believe that the results reported here are very likely to accurately reflect the entire VHCB portfolio.

[11] See Appendix 2 for a more complete discussion of our analytical methods.

[12] If, for example, the underwritten cash flow is dated November 1, 1988, then it reflects the year from November 1, 1998 through October 31, 1999. In order to accurately compare the underwritten cash flow to actual results during the project's fiscal year from January 1 to December 31, 2004, the underwritten results must be trended forward 5 years and 2 months. Whether this is conceptualized as '11/1/98 to 1/1/2004' or as '10/31/99 through 12/31/2004' is immaterial, because both approaches yield the same result.

[13] GPR is the rents the property would have collected if all units were occupied, the full scheduled rent were charged, and all tenants paid the rent in full.

- Rent Loss[14] as a percentage of GPR, actual vs. underwritten (i.e., did the property achieve its underwritten occupancy level)
- Total Operating Expenses[15], actual vs. underwritten (i.e., did the property's actual expense fall below or above the expected level)
- Net Operating Income[16] ("NOI"), actual vs. underwritten
- Operating Cash Flow[17], actual vs. underwritten
- Sustainability Gap, that is, the amount of funding the property owner would require today, to restructure the property financially so that it would be very unlikely to require further external financial support. See the "Highly Sustainable" standard in Table 3.7, and Appendix 2, for more information on the underwriting standards that we used to make this determination.

We also interviewed Vermont-based experts, and national experts, to obtain their views on underwriting standards and practices for affordable rental housing.

3.5 Results From Economic Analysis. We compared actual results for Net Operating Income to underwritten results. We also estimated ("sustainability gap") whether properties will be able to meet their needs through internal resources for the next 20 years.

On average, on a Net Operating Income basis, most properties are performing at least as well as originally projected. On average, properties are achieving greater revenue than projected, incurring higher expenses than projected, and funding reserves at a lower level than projected.[18] On balance, the original underwriting was neither too aggressive nor too conservative, at the Net Operating Income (NOI) level. We make a series of recommendations for improving underwriting at the NOI level, but we stress that these recommendations are a package designed to maintain NOI underwriting at its current balance point.

However, reserves for replacement are not adequate to meet likely future capital needs. Almost all properties will need to supplement their reserves (from excess cash flow, refinancing, or both) in order to remain viable. Our analysis suggests that 53% of properties will have adequate resources (cash flow, reserves, and refinancing potential) to meet their financial needs for the next 20 years. On the other hand, 47% of properties appear to need outside financial assistance in order to maintain viability over the next 20

[14] Rent loss is comprised of vacancy loss (for vacant units), bad debt loss (for residents who do not pay), and concession loss (where the full scheduled rent was not charged).
[15] Administrative expenses, owner-paid utilities, maintenance and operations expense, real estate taxes and property insurance. Operating expenses do not include depreciation and do not include debt service.
[16] Net operating income = collected revenue, minus operating expenses, minus reserve deposits.
[17] Operating cash flow = NOI minus debt service on "hard" debt (i.e., loans that require specific monthly payments that must be paid irrespective of the amount of revenue collected that month).
[18] The lower level of reserve funding is problematic. If, for example, an owner is not making a reserve deposit, that would show up in Table 3.5.A as a positive variance, though obviously it is not favorable in terms of the property's viability. Similarly, if an owner has not increased the original reserve deposit, that too would produce a favorable variance in the Table and an unfavorable result for the property.

years (that is, these properties cannot meet their 20-year needs even taking refinancing into account).

The following Table 3.5.A presents the average results for the sample portfolio, in dollars per unit per month. This table shows that the favorable variance in revenue is (on average) more than sufficient to overcome unfavorable variances elsewhere:

Table 3.5.A Illustration of Bottom-Line Impact of Typical Variances

Actual vs. Underwritten ($ per unit per month)	Underwriting (Trended)	2004 Actual	Favorable (Unfavorable) Variance	
Gross Potential Rental Income	$545	$589	$44	8.0%
Rent Loss	($29)	($19)	$9	33.3%
Other Income	$40	$35	($5)	-13.3%
Commercial Income	$47	$30	($16)	-35.1%
Effective Gross Income	$604	$635	$32	5.2%
Operating Expenses	$380	$419	($38)	-10.1%
Reserve Deposits	$37	$35	$2	6.2%
Net Operating Income	$186	$182	($5)	-2.4%
Hard Debt Service	$109	$109	($0)	-0.4%
Operating Cash Flow	$78	$73	($5)	-6.4%

Effective Gross Income, Net Operating Income and Operating Cash Flow are calculated. The remaining amounts represent average results for the sample portfolio. The table illustrates the impact that these average results would have on the bottom line of a hypothetical property.

It should be noted that, because properties are separate economic entities, a negative variance at one property cannot be offset by a positive variance at a second property.

The following are highlights of results from our economic analysis. See Appendix 4 for additional results from our economic analysis.

Highlights from Analysis of NOI vs. Underwriting

- Gross Potential Rent – 63% of properties achieved higher, and 37% of properties achieved lower, rents than projected.
- Rent Loss Percentage – on average, properties lost less rent than projected.
    - The average rent loss underwritten was 5.3%, and the average actual rent loss in 2004 was 3.5%.

- 50% of all properties had rent loss below 3%, and only 11% of properties had rent loss of 10% or more. See also Table 3.5.B below.
- However, 29% of properties had higher rent loss than underwritten, and 10% of properties had rent loss at least five percentage points higher than underwritten.

- Commercial and Other Income – although 67% of properties achieved higher commercial / other income than underwritten, 20% of properties had large unfavorable variances of $50 per unit per month or greater. These high-negative-variance properties caused the average variance to be negative across the sample portfolio.
- Effective Gross Income – on average, properties achieved better (higher) collected revenue than projected.
- Operating Expenses – on average, properties experienced operating expenses that were worse (higher) than projected. Only 13% of properties achieved better (lower) operating expenses than projected.
  - On average, administrative expenses (administrative salaries, non-housing service costs, management fees, legal and accounting, office costs, marketing, training, …) were 31% higher than underwritten.
  - On average, utilities expenses (including trash removal) were 33% higher than underwritten.
  - On average, operations and maintenance expenses were 22% higher than underwritten.
  - On average, insurance expenses were 46% higher than underwritten.
  - On average, real estate taxes were 32% higher than underwritten.
- Net Operating Income –
  - 54% of properties had actual NOI that was better (higher) than underwritten, and 46% of properties had actual NOI below the level underwritten.
  - 9% of properties had actual NOI that was $2000 per unit, or more, better (higher) than underwritten, and 7% of properties had actual NOI that was $2000 per unit, or more, worse (lower) than underwritten.
  - 4% of properties had negative NOI (that is, had negative cash flow before mortgage payments).
- Operating Cash Flow (NOI minus "hard" debt service) --
  - 51% of properties had actual operating cash flow that was better (higher) than underwritten, and 49% of properties had actual cash flow below the level underwritten.
  - 9% of properties had actual cash flow that was $2000 per unit, or more, better (higher) than underwritten, and 7% of properties had actual cash flow that was $2000 per unit, or more, worse (lower) than underwritten.
  - 26% of properties had negative cash flow in 2004[19].

[19] Negative operating cash flow is relatively common (though painful and unfortunate) in affordable rental housing (and, for that matter, in market-rate rental housing). A property can cover an operating cash flow deficit through additional cash investment by its owner, by deferring payments to vendors, by making withdrawals from reserves built up in prior successful years, or through financially restructuring its

- 3% of properties had negative cash flow of $100 per unit per month or higher.

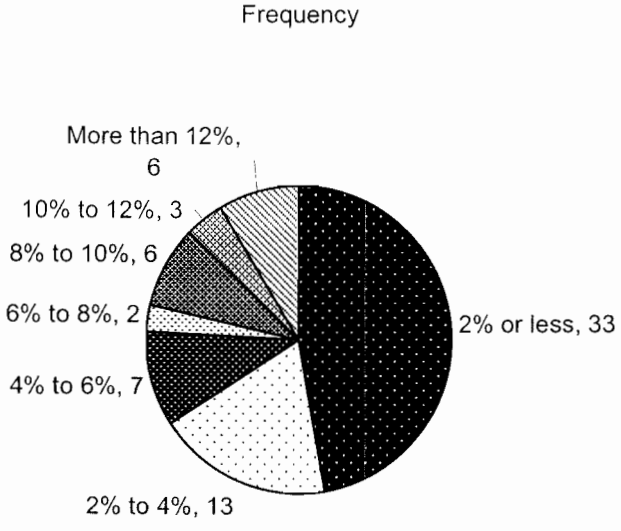
Highlights of Analysis of the Sustainability Gap. A sustainability gap means that the property cannot meet its capital needs, and weather modest fluctuations in vacancy losses and operating expenses, unless additional government subsidies are provided. The sustainability gap is our estimate of the amount of government subsidy that the property needs, today, in order to be viable for the next 20 years. If a property has no sustainability gap, it means that through a combination of cash flow, reserves, and refinancing, the property appears capable of meeting its financial needs for the next 20 years. If a property has a sustainability gap, it means that even when all of those internal resources are utilized fully, the property will be unable to meet its needs.

- 53% of properties had no sustainability gap. Of this 53%, 47% appear to be viable without needing to refinance. The remaining 6% will need to refinance their hard debt, and defer any soft debt, in order to be viable.
- 33% of properties had a sustainability gap exceeding $5,000 per unit. A sustainability gap of $5,000 per unit means that the property needs $5,000 per unit in additional public or private subsidy today, in order to be well positioned for financial viability for 20 years.

Also see Appendix 4 which presents key results from our economic analysis.

mortgage debt. It should also be noted that cash flow is volatile; a property that has negative cash flow in one year may have positive cash flow the next year.

Table 3.5.B Actual Rent Loss as a Percentage of Gross Potential Rental Income



Most properties in the VHCB portfolio have rent loss at or below 4% of GPR. Only a few have rent loss higher than 10% of GPR.

We also conducted limited research into data that may be useful in estimating future growth in revenues and expenses. That research suggests a 2.5% trending rate for revenues, and a 3.0% trending rate for expenses. However, as noted elsewhere, implementing this change without at the same time underwriting higher operating expenses and larger reserves would be inappropriate.

- Trending Rate for Revenues (Typical Properties with Rents Regulated Under LIHTC and/or HOME) – we tabulated the two-bedroom HUD Fair Market Rents for Vermont, for 1987 through 2005. This suggested an underlying rent-growth rate of roughly 2.5%. We also tabulated median incomes for Vermont, for 2000 through 2005. This suggested recent income-growth rates in the 6% to 7% per year range.
- Trending Rate for Revenues (Properties With HUD-regulated or USDA-regulated Rents) – HUD Section 202, HUD Section 811, HUD Section 236, and USDA Section 515 properties have little or no hard debt service and rents based on costs to operate. For these properties, revenues can be expected to rise at (or perhaps very slightly slower than) general inflation. A few HUD Section 8 properties with long-term Section 8 contracts and above-market rents have had their rents "frozen" in recent years; however, this cohort of properties is small and generally not relevant to future underwriting decisions.
- Trending Rate for Expenses – we tabulated the national Consumer Price Index for 1980 through 2005. This suggested an underlying expense-growth rate of roughly 3.0%.

3.6 Observations. The following are observations on underwriting issues in general, from ourselves and from interviewees. Text in *italics* represents our observations about areas in which there is a difference of opinion between ourselves and interviewees. The discussion that follows presents our views about the components of good underwriting policy generally. To the extent that we believe VHCB and VHFA need to make adjustments in these areas, we include recommendations in Sections 3.8 and 3.9 below.

- **3.6.1 Vermont is Diverse.** Inflexible underwriting standards driven by one-size-fits-all rules of thumb will be inadequate to meet the needs of the wide variety of property types and the wide variety of market conditions that VHCB has encountered. One implication of this principle is that underwriting standards are a much easier task for sponsors that work in only one locality, as opposed to VHCB / VHFA / Housing Vermont who work state-wide.
- **3.6.2 Recognize Market and Real Estate Risks.** Nationally and in Vermont, affordable rental housing is very much subject to macro-economic factors such as population growth and job growth, to market pressures from current and future competing properties, and to normal real estate risks such as utility rates, insurance rates, real estate tax rates, environmental issues, long-term capital needs, and latent construction defects. Underwriting standards must take these market risks and real estate risks into consideration. For example, in HUD's Mark-to-Market program, because spikes in vacancy of 3% and spikes in operating expenses of 7%-10% are common, HUD created underwriting standards to ensure that properties had at least enough debt service coverage in order to be able to absorb income and expense shocks of that magnitude.
- **3.6.3 Competition from Sub-Standard Housing.** Interviewees report that is very difficult to "make the numbers work" in those Vermont communities where there is a large supply of sub-standard housing at low rents. There are special risks involved in developing in such communities. One risk is that customers may tolerate what we might regard as unacceptable housing quality, in exchange for lower rent. Another is that market rents may actually fall, as a result of injecting additional supply into an already unbalanced market.
- **3.6.4 Slow-Growth, No-Growth, and Negative-Growth Areas.** For those communities in Vermont that are not growing, underwriting standards should make more conservative assumptions regarding occupancy rates and regarding growth in rents. Similar to the preceding discussion, these communities present additional risks. One risk is that the housing may not reliably achieve sufficient occupancy to be viable. Another is that expenses will grow faster than rents.
- **3.6.5 Assume That Rents Grow Slower Than Expenses.** Nationally and in Vermont, for affordable rental housing, underwriters should assume that expenses will grow roughly at the rate of general inflation, and that revenues will grow slower than the rate of general inflation. There are two reasons for slower revenue growth. The first is that, unlike owners of market-rate apartments, mission-driven owners of affordable rental housing do not expect to increase rents at every opportunity. The second is that the incomes of target households may not increase as fast as general inflation (in part because residents may choose to move to market-rate housing as their incomes increase).

- **3.6.6 National Trend Toward Sound Underwriting.** Interviewees who are active developers reported that they cannot support their staffing costs unless their portfolios are generating significant amounts of positive cash flow. Accordingly, there is an increased focus on assuring that newly developed properties will generate reliable cash flow after debt service and capital needs. This is in contrast to earlier attitudes that were focused on achieving developer fees and ribbon-cuttings, planning on working out cash flow problems later.
- **3.6.7 National Trend Toward Performance-Based Soft Debt.** Similarly, funders are shifting away from grants, and away from soft debt with no immediate repayment, toward soft debt with payments based on the property's performance.
  - The most prominent example is the Mark-to-Market program's subordinate debt, which generally bears interest at 1% and captures (by statute) 75% or more of Surplus Cash.[20] However, we believe that capturing that large a share of excess cash is likely to result in disincentives to owners to operate properties effectively; we recommend capturing 25% to 50% of excess cash.
  - Sponsors sometimes worry about performance-based debt, but because payments are made only from cash that is not needed for property operations, performance-based debt has no downside risk for the sponsor. *To the contrary; if funders' utilization of performance-based debt is coupled with a commitment to sustainable underwriting, the result is properties that will have an excellent likelihood of generating positive cash flow and adequate reserves, as opposed to the status quo in which affordable rental housing rarely is financially viable over the long term.*
  - A powerful advantage of performance-based soft debt is that, if a property receives more government subsidy than is actually needed, the property will generate positive cash flow, and government will receive a share of that cash flow as a recovery of its investment. This acts as a bulwark against the concern about whether sustainability practices will over-allocate subsidies to some properties.
- **3.6.8 Underwrite the Sponsor.** Because development is difficult and risky, even the best developers will have some incidence of troubled properties. A sponsor that is financially capable of supporting a few struggling properties, and that can be expected to do so, is superior to a sponsor that does not have the capacity and/or inclination to do so. Similarly, a sponsor whose existing portfolio is healthy and sustainable is a better risk than a sponsor whose existing portfolio is less healthy. Higher-risk properties should be reserved for stronger sponsors. When working with weaker sponsors, structure each additional property so that it can be self-supporting.
- **3.6.9 Underwrite Transition Periods Carefully.** For example, in many acquisition / rehab transactions, rents will increase after rehab while still remaining affordable. Experience has shown that these higher rents are often more difficult to achieve than underwriters typically assume.

[20] Surplus Cash is a HUD term of art and refers to cash in excess of short term obligations. See Appendix 2.

- **3.6.10 Use Peer Properties to Benchmark Operating Expenses.** Rather than using rules of thumb, use recent actual results from comparable properties.
- **3.6.11 Funders' Standards Drive Sponsors' Actions.** Nationally and in Vermont, sponsors seek to propose projects that are responsive to funders' perceived standards. By adopting and publicizing revised underwriting standards, VHCB / VHFA / Housing Vermont can have a powerful effect on the way sponsors pursue, prioritize, and structure development opportunities. Conversely, because sponsors know that reserve deposits will be limited to inadequate levels, sponsors are incentivized to build cushions into other parts of their proposals.
- **3.6.12 Expense Cushion.** Traditional underwriting measures debt service coverage as a percentage of debt service. Nationally, though not yet in Vermont, in affordable rental housing, leading professionals are also measuring debt service coverage as a percentage of total operating expenses. This "expense cushion" measures the ability of the property to absorb expense shocks.
- **3.6.13 Properties with High Operating Cost Ratios.**[21] If, for example, a property has rents of $650 per unit per month and operating expenses of $500 per unit per month, there is very little margin for vacancy loss, debt service, and a margin of safety. In general, properties with high operating cost ratios should be structured with 100% equity and "soft" debt and no "hard" debt.[22] Also see Table 3.6 below, which illustrates an extreme example of high operating cost ratio.
- **3.6.14 Benefits of Sustainability.** When properties are sustainable, a number of positive outcomes occur. The owner has an economically valuable asset, rather than an economic liability. This strengthens the financial viability of Vermont's affordable housing sponsors. Similarly, VHCB and VHFA would not need to devote as much of their future funding to shoring up existing properties. A sustainable property is a better asset to its neighborhood and surrounding community, because it has sufficient resources to fund proper upkeep. Vacancy losses may be reduced, because there are sufficient funds to make vacant units rent-ready promptly. Operating expenses may be reduced, as a result of vendors being paid timely rather than late, and because the property can afford to shift maintenance to a more preventive / proactive approach. A sustainable property can afford to make investments for efficiency, such as installation of water-saving devices, and installation of sophisticated boiler controls.
- **3.6.15 Primary Findings.** We offer the following primary findings regarding VHCB's underwriting standards and practices:
  - **On Average, Properties Are Achieving Their Underwritten NOI.** This is a favorable finding that suggests that VHCB's underwriting of revenues and operating expenses has overall been accurate rather than too conservative or too aggressive. However, underlying these overall results

[21] An operating cost ratio compares operating expenses to revenues (either gross potential income or collected "effective gross" income). Operating cost ratios of 40% to 50% are common for market-rate apartments, but affordable rental housing often has operating cost ratios that are much higher, largely as the result of lower rents.

[22] "Hard" debt has "must pay" payments, and "soft" debt has payments that are either deferred or, more commonly, contingent on property performance (for example, payments might be a percentage of positive cash flow).

is the fact that properties, on average, achieve higher revenues than projected but also higher expenses than projected.

- **Underwriting of Operating Expenses.** The largest single issue in VHCB's underwriting standards and practices is the fact that original estimates of operating expenses are consistently too low in relation to actual operating expense incurred (on average, actual operating expenses are 16.2% higher than underwritten), Our data did not allow us to determine why this is the case. Because we believe that it is important to underwrite operating expenses accurately (as opposed to deliberately under-stating expenses and making more conservative assumptions elsewhere in the underwriting), we believe that VHCB should change its underwriting standards and practices so as to make more generous estimates of operating expenses for future developments. See our recommendation in 3.8.4 below.

Regarding VHCB's underwriting of reserve deposits, see our findings in Section 5 of this report.

Table 3.6 Illustration of Minimum Rents Consistent With Sustainability.

The following table illustrates the lowest (most affordable) rents that can be achieved, consistent with sustainability, if there is no hard debt service (i.e., if all funding is in the form of grants or soft loans). The table assumes no commercial / other income (the median result for the VHCB portfolio), the average actual operating expenses for the VHCB portfolio, a reserve deposit sufficient to fund the average annual capital needs for the VHCB portfolio, and an operating cash flow cushion equal to 10% of operating expenses.

Zero-Debt-Service Rents	**$ Per Unit Per Month**
Gross Potential Rental Income	$567
7% Rent Loss	($40)
Commercial / Other Income	$0
Effective Gross Income	$527
Operating Expenses	$420
Sustainable Reserve Deposit	$65
Net Operating Income	$42
Hard Debt Service	$0
Cushion = 10% of Expenses	$42

Rents lower than shown would generate an inadequate cushion against operating expense fluctuations. Similarly, if hard debt service were added, the sustainable rent would have to rise proportionately. One implication of this sort of analysis is that, to achieve affordability for those hardest to house, not only does government have to fund the entire development cost, but also some form of operating subsidy (such as Section 8) will be needed.

3.7 Illustrative Examples of Underwriting Standards in the Context of Sustainability. As discussed earlier, different organizations will choose to incur different levels of sustainability risk. This is partially a "pay me now or pay me later" issue: an organization that funds properties more generously at the outset is much less likely to have to restructure those properties later (and conversely).

It is, however, also an issue of incentives and accountability: an owner that is very likely to need additional subsidy later is not really the owner of the property in any substantive sense and should not be expected to be as entrepreneurial or as accountable as an owner whose property is likely to be a long-term asset as opposed to a long-term liability.

The underwriting standards illustrated below in Table 3.7 span the range between underwriting that was typical for market-rate rental housing in the 1980s (and that has since proved to be inadequate for affordable rental housing), and highly sustainable underwriting.

Table 3.7 – Alternative Sets of Underwriting Standards

Category	1980s Market-Rate Standards	1990s Affordable Standards	Moderately Sustainable Standards	Highly Sustainable Standards
Rents	Market study + inflation to construction completion	Market study	5% below market study	10% below market study
Rent Loss	5%	5%	Higher of 5% or market level	Higher of 7% or market level
Operating Expenses (trended to end of construction)	Best-case scenario	Best-case scenario	Taxes / utilities / insurance verified	Based on similar properties in typical years
Reserve Deposit	$150 per unit per year (PUPA)	$250 PUPA	$400 PUPA	Based on CNA prepared during underwriting
Debt Service Coverage Ratio	At least 1.15:1	At least 1.10:1	At least 1.20:1	Higher of 1.20:1 or 8% of operating expenses
Income and	Income rate	Equal rates	Income rate	Income rate

Expense Trending Rates	higher than expense rate		0.5% below expense rate	1.0% below expense rate
Incidence of Troubled Properties	**Highest**	**High**	**Moderate**	**Lowest**

Relatively aggressive underwriting results in lower subsidy at the outset but a higher risk of future problems. Relatively conservative underwriting requires more up-front subsidy but minimizes the risk of future problems.

Aggressive vs. Conservative Underwriting Standards. More aggressive underwriting would seem, on the surface, to support greater current production, but that is only true if one ignores the higher incidence of troubled properties, and the higher level of follow-on (workout) funding that such an approach involves. A more accurate statement would be that *more aggressive initial underwriting can support greater current production but, in the process, creates significant downstream liabilities for the funding agency, and significant downstream risks for the portfolio, its residents, and the communities in which the properties are located.*

Compensating for Aggressive Underwriting. However, it could be reasonable for a funding agency to adopt moderately aggressive initial underwriting, combined with setting aside sufficient funding for future workouts, and with a sophisticated asset management approach that identifies stressed properties early and makes robust interventions to resolve problems before they become serious.

Sustainable Underwriting. Conversely, if an agency adopted and followed sustainable underwriting principles, it would need to earmark smaller amounts of funds for future workouts, and would need to devote far fewer resources to asset management and interventions.

Underwriting Standards and Asset Management. It is clear from the preceding discussion that an agency's underwriting standards (and existing portfolio) have a profound impact on the agency's asset management needs and workload.

3.8 Primary Recommendations for VHCB and VHFA Underwriting Standards and Practices. Based on the preceding, we recommend that VHCB and VHFA consider the following adjustments to underwriting standards and practices:

- **3.8.1 Make a Sustainability Decision.** In this report, we do not recommend any specific underwriting standard; rather, we encourage VHCB and VHFA to make a conscious choice of underwriting standards, to understand the level of sustainability risk inherent in those standards, and to formally incorporate the appropriate level of financial restructuring activity in their long-range portfolio management strategy. If possible, VHCB, VHFA and Housing Vermont should adopt the same set of underwriting standards (we understand that VHCB and VHFA already use substantially the same underwriting standards). *We believe that underwriting standards in the Moderately Sustainable to Highly Sustainable*

range (see Table 3.7 above) would be appropriate. Standards closer to Highly Sustainable would involve relatively low levels of additional future investment in properties; standards closer to Moderately Sustainable would involve relatively higher levels of additional future investment. Both would involve lower levels of future investment – for properties funded in the future -- than this report indicates for properties funded in the past.

- **3.8.2 Make Corresponding Modifications to Asset Management Practices.** To the extent that VHCB and VHFA choose to incur sustainability risk, they will need early warning systems and workout / restructuring capacity commensurate with the level of risk undertaken.
- **3.8.3 Make Greater Use of Performance-Based Soft Debt.** Similarly, to the extent they choose to minimize sustainability risk by funding properties more generously at the start, VHCB and VHFA should negotiate for a reasonable share of excess cash so as to recapture funding that – in reality – exceeds the amount necessary to produce a viable property. *We believe that 25% to 50% of excess cash (measured on a balance-sheet basis) would be reasonable.*
- **3.8.4 Revise Operating Expense Underwriting Standards to Reflect Actual Results for Comparable Properties.** We recommend developing a high quality database of actual operating results, organized by property type (e.g., elevator buildings for seniors, walkup buildings for families), and using that database when underwriting future developments. *We understand that Housing Vermont and VHFA have taken steps in this direction already.*

3.9 Secondary Recommendations for VHCB / VHFA / Housing Vermont Underwriting Standards and Practices. In general, we favor underwriting standards and practices that seek to estimate all relevant factors accurately. The existing standards and practices include a number of significant inaccuracies: actual revenue tends to be higher than underwritten, actual expenses tend to be higher than underwritten, and revenue tends to grow faster than underwritten. Fortunately, these inaccuracies tend to offset each other, and properties generally achieve their underwritten results for Net Operating Income. Recommendations 3.9.1 through 3.9.6 below, if adopted as a package, should result in underwriting that continues to be accurate at the NOI level but also is accurate for each of the components. In particular, recommendation 3.9.6 should not be adopted unless recommendations 3.9.1 through 3.9.5 are adopted at the same time.

- **3.9.1 Commercial and Other Income.** A relatively small number of properties had actual commercial / other income that was dramatically lower than underwritten. Determine why these properties failed to achieve underwritten results, and utilize that information in underwriting future properties.
- **3.9.2 Property Insurance (average actual expense was 46% higher than underwritten).** When underwriting, focus on the level of expected future insurance premiums rather than on the level of recent premiums. Develop contacts in the insurance industry who can provide advice on expected insurance cost trends. *VHCB notes that insurance rates increased after 2001, and that insurance rates are volatile. In the past, underwriters typically assumed that current insurance rates would persist in the future. VHCB and VHFA should consider whether some different assumption might be appropriate for future underwriting.*

- **3.9.3 Real Estate Taxes (average actual expense was 32% higher than underwritten).** Develop the capability to estimate real estate taxes based on actual taxes charged for comparable properties in the same taxing jurisdiction. *VHCB now requires sponsors to meet with local taxing authorities and obtain an estimate of taxes. VHCB should review results for projects underwritten under the current policy to determine whether the current policy produces acceptable results.*
- **3.9.4 Utilities (Including Trash Removal; average actual expense was 33% higher than underwritten).** Develop a database of actual consumption data (kwh of electricity, BTUH of natural gas, gallons of heating oil, …) for use in the underwriting of future properties. *VHCB notes that utility rates have increased recently and are volatile. In the past, underwriters typically have assumed that the then current utility rates would persist in the future. VHCB and VHFA should consider whether some different assumption might be appropriate for future underwriting.*
- **3.9.5 Administrative Expenses[23] (average actual expense was 31% higher than underwritten).** Determine why actual administrative expenses are higher than underwritten, and feed that knowledge back into the underwriting process. *VHCB reports that property management fees were under-estimated in early transactions, and that early underwriting did not include certain compliance fees. VHCB should review results for projects underwritten under the current policy to determine whether the current policy produces acceptable results.*
- **3.9.6 Trending.** VHCB uses trending assumptions only for purposes of a stress-test (to satisfy VHCB that the proposed project is likely to be viable even if revenues grow more slowly, and expenses more rapidly, than general inflation). For this stress-test, VHCB often assumes 1.5% for annual revenue growth and 3.0% for annual expense growth. This is a reasonable approach, and we recommend that VHCB continue this approach in the future. The stress-test also assumes that positive cash flow is reserved for use in covering future cash flow deficits. *Key project-level legal documents require that positive cash flow be escrowed against possible out-year deficits, and prohibit distributions until VHCB has been satisfied that reserves and operating deficit escrows have been adequately funded. The legal documents are not clear on the standards and requirements VHCB applies in this regard, however. VHCB should also consider providing modest economic incentives to encourage additional efficiency, in particular allowing nonprofit sponsors to retain a portion of positive cash flow.*
- **3.9.7 Difficult Markets.** Develop a second, more conservative, set of underwriting standards, for use in areas of low growth and/or prevalence of sub-standard housing. Such standards should assume slower growth in revenues and higher levels of rent loss, should require greater debt service coverage / expense cushion, and perhaps should require additional market research (to verify that the

[23] Administrative expenses include the property management fee, administrative staffing, legal and accounting fees, office supplies, telephone, training, and advertising / marketing costs. For some properties, administrative expenses may also include the cost of providing non-housing services such as a computer learning center or before/after school programs.

units will be supported by local demand, and that the planned rents will be readily achievable).

- **3.9.8 Develop an "Expense Cushion" Standard.** Evaluate debt service coverage not only in the traditional way (compared to debt service) but also compared to total operating expenses. The resulting "expense cushion" percentage reflects the property's ability to absorb expense shocks such as spikes in utility costs. Underwriters may rely on the expense cushion (rather than the debt service coverage) because it directly reflects the relationship between operating costs and the excess cash flow available to meet those costs. For example, a property with $100 in expenses and $10 in net cash flow has a 10% expense cushion. Larger cushions (>10%) are generally considered appropriate for smaller properties or those with owner-paid utilities, whereas smaller cushions (7% - 10%) are relied upon for larger properties or those with tenant-paid utilities.
- **3.9.9 Publicize New Standards.** This will better insure that sponsors' future proposals will be more in line with funders' evolving standards.

3.10 Reference Materials on Sustainability. The following reference materials may be helpful in introducing sustainability principles into underwriting standards:

- **Millennial Housing Commission.** The Commission took a strong stand in favor of sustainability (for example, MHC final report, page 11, "All affordable housing needs to be designed, financed, and managed to be sustainable over the long term.") In addition, the MHC deliberations produced the following background papers relevant to this topic.
  - **Long Term Sustainability and Affordability.** A concept paper that introduces the topic. Available at http://compassgroup.net/articles/sustain.pdf.
  - **Sustainable Underwriting.** Illustrates sustainable underwriting vs. traditional underwriting. Available at http://compassgroup.net/articles/sup.pdf.
- **"Advanced HOME" Course.** This course has been recently revised to include a final chapter on Sustainability.

Section 4. The Expiring Use Task

4.1 Task Definition. We understand that early transactions generally included an option by the nonprofit general partner to purchase the property at a favorable price through roughly year 15 ("option properties"). We understand that subsequent transactions use a different structure – a "right of refusal" under which VHCB has strong rights to control all sales of the property ("ROR properties"), and under which the nonprofit general partner has the ability to purchase the property at the price offered by a third party. In addition, we understand that all transactions include a Subsidy Covenant providing for perpetual affordability. Consistent with its mission, VHCB intends to facilitate purchases of properties by the current nonprofit general partners, or by acceptable nonprofit purchasers, and anticipates that general partners and purchasers will ask VHCB for some portion of the funding needed to complete these purchases. The following is an excerpt from our scope of work: *"As properties reach expiration of their original 15-year LIHTC compliance periods, VHCB wants to understand the likely costs associated with transferring the properties out of their existing limited partnerships and into the control of their existing general partners. Costs may include partners' exit taxes, unfunded capital needs and/or unsupportable debt."*

4.2 Our Sample Portfolio. We studied 15 expiring-use properties selected by VHCB. We understand that these are 15 of the 17 VHCB properties whose 15-year LIHTC initial compliance periods will mature between 2005 and 2010. We obtained underwriting data during our visit to Vermont in early August 2005. For 14 of these properties, VHCB provided us with CNAs (for the remaining property, we used average capital needs). VHCB provided us with relevant excerpts from limited partnership agreements. The 15 properties have GP purchase options maturing in the following years:

- 2005 or earlier – 3
- 2006 – 1
- 2007 – 4
- 2008 – 3
- 2009 – 3
- 2011 – 1

By definition, the expiring-use portfolio is older than average. The 15 expiring-use properties are also slightly larger than average (26 vs. 22 units).

4.3 Typical Terms of Expiring-Use Protections. All properties have a Subsidy Covenant, plus either a Right of Refusal or an Option.

- **4.3.1 ROR Properties: VHCB's Rights to Approve Sales, General Partner's Right of First Refusal.** 3 of the 15 expiring-use properties we studied structured the restrictions on sale in terms of a requirement that VHCB approve any sale of the property. VHCB has broad authority to refuse approval,[24] and the effect of

[24] "VHCB shall approve the Offer unless the terms or conditions of the Offer are materially inconsistent with VHCB policy, including but not limited to such terms or conditions as the identity of the Offeror, the offered purchase price, the terms of any financing or security for any financing, the preservation of the Development as perpetually affordable housing for low- and moderate-income households, and any other

VHCB's rights is that properties will remain in nonprofit control, properties will remain subject to the Subsidy Covenant, and excessive sales prices will be avoided. For these 3 properties, the general partner also has a right to purchase the property if a third party offer is received:

- Two options were defined as the greater of the bona fide offer, the exit taxes (see Section 4.8.4), or the amount necessary (over and above amounts received in prior years) to provide the limited partner's defined Target Return.
- The remaining option was defined as the sum of outstanding debt, exit taxes, and (if the limited partner had not received its defined Target Return) the amount necessary to provide the Target Return.

The first two options basically describe a right to match the third party offer. The third basically describes a right to purchase at a favorable formula price that is triggered by the third party offer.

- **4.3.2 Option Properties: General Partner's Option to Purchase.** For the remaining properties, the general partner has an option to purchase the property based on a formula stated as the greater of two to three of the following (partnership agreements differ):
  - The then (i.e., at the option date) outstanding debt.
  - The then appraised value of the property (taking into account the affordable rents that typically will be below fair market levels).
  - The then outstanding debt, plus an additional amount necessary to provide at least a stated level of return to the investors.
  - The statutory LIHTC "minimum purchase price" (outstanding debt, plus an amount that will cover the investors' income tax liability).[25]

  These options describe favorable prices that we estimate will always be lower than the LIHTC statutory "qualified contract" price.
- **4.3.3 All Properties: Subsidy Covenant.** All properties have a perpetual affordability restriction that is junior to a commercial first mortgage but senior to all soft debt, including VHCB's investments. The Subsidy Covenant allows VHCB to ensure that any sale of the property is to a nonprofit §501c3 based in Vermont, or to another purchaser acceptable to VHCB. The Subsidy Covenant is not "foreclosure proof"; that is, if a commercial lender completed a foreclosure (and VHCB, in its role as secondary secured lender, did not redeem the property by paying off the amount due the foreclosing lender), the Housing Subsidy Covenant would no longer be applicable. If, for example, a property had a fair market value of $2 million, and the 1st mortgage balance were $3 million, if the 1st mortgagee initiated foreclosure, VHCB would face a difficult choice between paying $3 million ($1 million above fair value) to protect its Housing Subsidy Covenant, or allowing its Housing Subsidy Covenant to be canceled (which, if HOME funds had been invested and the foreclosure occurred during the HOME

matters relating to housing policy that VHCB has established either explicitly or by its course of conduct." (Rutland West ROR, December 3, 2003)

[25] Internal Revenue Code section 42(i)(7)(B). This is a lower amount than the "qualified contract" price described in sections 42(h)(6)(F) and (G).

affordability period, would subject VHCB to the requirement to repay the funds to HUD). See the related discussion in 4.8.5 below.

4.4 Other Costs for the General Partner to Purchase and Preserve the Property. In addition to the purchase price, the general partner would need funds for the following:

- To pay off (or otherwise satisfy) outstanding debt that exceeds what the property can afford to carry.
- To cover immediate repairs (for example, to replace a leaking roof).
- To make any needed improvements or upgrades to the property (if needed to give good assurance that the property will remain viable for the extended affordability period).
- To supplement an inadequate replacement reserve balance.
- To cover transaction costs (legal, accounting, recordation costs, transfer taxes, deed stamps…).

We assumed that no government funding would need to be made available for compensation to the general partner (developer fee or similar fee). Of course, if a general partner could exercise its option without needing government funding, the general partner might well earn and collect a developer fee or similar compensation.

4.5 Our Analytical Approach. Using the data gathered in the Underwriting and Capital Needs tasks, we made a 20-year projection of cash flow, value, and ability to refinance. We then used that information to estimate the "other costs" described above. We also reviewed relevant provisions of each property's limited partnership agreement, and relevant portions of each property's financial projections, to estimate the likely option price to the general partner. We also interviewed Vermont-based organizations, and nationally-based organizations, regarding their plans for their own expiring-use portfolios.

4.6 Findings from Financial Estimates.

- **Few Properties Have Value Above Debt.** Our analysis of 2004 actual cash flows suggests that 43% of properties in the VHCB portfolio have likely value as much as $5000 per unit above hard debt. Even fewer have likely value above the combination of hard and soft debt. None of the expiring use properties has likely value as much as $25,000 per unit above hard debt. *Thus, the general partner's purchase option typically will be at, or modestly above, existing debt (hard and soft). The GP option price is a bargain because it is typically defined in terms of value assuming continued affordable housing use.*
- **We Generally Expect Zero "Exit Tax" At Year 15.** When corporate investors (i.e., LIHTC investors) hold investment real estate over an extended period of time, the potential exists that they would have to pay income tax if the property were sold for $1 above the debt or were foreclosed. This tax is termed "exit tax". In Appendix 2, we estimated whether there would be an exit tax liability at year 15 for a typically structured VHCB property, and we determined that (using assumptions we believe are reasonable) no exit tax would be incurred. *Properties with unusual financial structures, or properties held for longer than 15 years, might, however, face exit tax liability. See also Section 4.8.4.*

- **The Option Price Accounts for Most of the Preservation Cost.** The primary financial barrier to the general partner exercising its option to purchase is the option price itself.
- **Cost to Preserve.** We estimate that the nonprofit general partners would need to assemble a total of roughly $4.3 million in order to exercise their options and provide for long-term sustainability. Of that amount, $1.9 million is to cover the option price, $1.9 million is to cover the sustainability gap, and $0.5 million is to cover transaction costs. VHCB and VHFA might be asked to provide some or all of this funding (see Section 4.7.8 "Who Pays The Sustainability Gap"). Funding would be needed at the time the general partner actually exercised the purchase option for each individual property. Also see the discussions of sustainability gap in Appendix 2 and Section 3.5.

Also see Appendix 4 which presents key results from our economic analysis, and Appendix 5 which summarizes the results of our economic analysis for the expiring-use portfolio.

4.7 Other Findings. The following are issues that should be addressed in a good expiring-use policy. If we believe that VHCB and VHFA should make adjustments in these areas, we make recommendations in Sections 4.10 and 4.11 below.

- **4.7.1 Preservation is Cost-Effective Compared to New Development.** All else equal, VHCB should seek to preserve existing affordable housing that is at-risk, rather than develop new affordable housing. Appendix 5 suggests that the average cost to preserve an existing VHCB unit through exercise of the nonprofit general partner's purchase option will be under $11,000 per unit. By comparison, VHCB reports that its last 12 developments averaged $196,000 per unit in total development cost.
- **4.7.2 Candidate Properties Should be Evaluated for Preservation-Worthiness.** However, not all existing affordable housing will be worthy of preservation. Considerations include, in no particular order:
  A. The degree to which rents can be held below the level prevailing in the market for similar, but unregulated, rental housing.
  B. The cost to make the property sustainable.
  C. The length of time for which the property can be made sustainable.
  D. Level of demand. One interviewee mentioned 3rd floor walk-up apartments for which there is little demand, suggesting that these units not be preserved long-term.
  E. Quality of ownership and management. Relevant factors include compliance performance and operating performance in comparison to peer properties.
  F. The degree to which the property is (or, as improved, can become) regarded by the community as a positive resource.

  This evaluation should take place as the property is approaching the GP option exercise date.
- **4.7.3 Need for Coordination Among VHCB / VHFA / Housing Vermont.** The mix of types of public funds that is optimum for any given preservation transaction will vary. Similarly, the amount of public funding per unit that is

needed will vary also. Accordingly, VHCB / VHFA / Housing Vermont need to coordinate so that each transaction is funded in the most appropriate and efficient way possible.

- **4.7.4 National Trend Toward Set-Asides for Preservation.** An increasing number of LIHTC allocating agencies are including a formal set-aside for preservation transactions in their QAPs.[26] The Vermont HFA includes a preference for expiring-use preservation transactions, and the Vermont Housing and Conservation Board has a statutory priority for preservation of federally-subsidized at-risk housing.
- **4.7.5 Nationally, Some Properties Are "Over-Missioned".** National expert interviewees who have been acquiring portfolios of existing affordable rental housing report that some properties have taken on a level of mission commitment that goes beyond what the property can afford. That is, as a result of keeping rents low and agreeing to bear increased expenses (for example, for a before- and after-school program or a computer learning center), such a property does not have enough revenue to cover its costs. Mission-intensive properties are necessary, especially to serve the "hardest to house" populations. Additional funding from VHCB and others can allow any given property to be viable at lower rents and/or to be viable while providing a range of non-housing services. However, there is a limit to the level of affordability (and non-housing services) that a given property can provide while remaining viable (unless additional government subsidy is provided). Yet, there is a tendency of nonprofit sponsors generally to serve the mission now at the expense of longer-term sustainability. In order to make such properties sustainable, generally either additional government funding needs to be obtained, the excess mission costs need to be funded with non-housing funds, or the level of mission commitment needs to be reduced. *Our data do not allow us to evaluate whether this is a problem in the VHCB portfolio, but we expect that this national pattern affects Vermont as well. When underwriting a proposed development, or when deciding whether to preserve an existing development, VHCB and VHFA should ensure that the level of government funding and the level of mission commitment are in balance.*
- **4.7.6 Leadership Role of VHCB and VHFA.** Local interviewees look to VHCB and VHFA to create general partner purchase options that minimize the amount of scarce funds that will have to be paid to limited partners. VHCB and VHFA have more leverage with LIHTC investors than individual sponsors have. Conversely, to the extent that potential investors believe that Vermont transactions have less "back end" profit potential, that will adversely affect the LIHTC syndication proceeds[27]. In an ideal world, the VHCB and VHFA will select a level of "back end" compensation to LIHTC investors that strikes an appropriate balance

[26] The National Housing Trust surveys allocating agencies and reports trends. See NHT's working paper at http://www.nhtinc.org/documents/State_Pres.pdf

[27] The earlier ICF study concluded that LIHTC syndication prices for Vermont properties were higher than for similar properties outside Vermont. Evidently, any discount because Vermont properties involve less "back end" profit potential is more than overcome by other premiums associated with the Vermont LIHTC delivery system.

between maximizing LIHTC syndication proceeds up front, and minimizing preservation costs 15 years later.[28]

- **4.7.7 Opportunities for Coordination.** Because Housing Vermont already does expiring-use analysis, to estimate the general partner's option price plus ancillary costs of preservation (for example, to perform needed repairs, supplement inadequate reserves, and to discharge unsupportable "hard" debt[29]), VHCB may be able to rely on Housing Vermont for this analysis rather than building this capacity in-house.
- **4.7.8 Who Pays the Sustainability Gap?** It is useful to regard the sustainability gap as *the minimum funding necessary to make the property worth owning from an economic standpoint.* For example, if the sustainability gap is $5,000 per unit, the property (as an economic asset) is worth negative $5,000 per unit "as is," because an owner who received the property by donation would have to invest $5,000 per unit up front in order to have a reasonable expectation of not having to make further investments over the next 20 years. Accordingly, an economically rational purchaser (in particular, the nonprofit GP considering exercising its option) would want to assemble that amount of financial concessions (from government, from the existing owner, and from existing lenders) in order to have a viable purchase. From the standpoint of each of those potential contributors:
  - Government might provide financial support (e.g., HOME funds, or a LIHTC allocation) if an existing affordability commitment were at risk, if there were a strong public-purpose reason to extend existing affordability commitments, or possibly if there were a strong public-purpose reason to support a change of ownership.
  - It should be mentioned that, currently, 4% LIHTCs (via tax-exempt bond financing) are an under-subscribed resource today in Vermont and involve no incremental cost to the State.
  - For certain properties, some of the sustainability gap could be closed by increasing rents, while holding those rents below regulatory maximums (e.g., if rents are $100 below the maximums, rents could be increased up to $100 without violating regulatory requirements). It should be noted, however, that doing so compromises affordability and, in effect, makes low-income tenants pay for closing the sustainability gap.
  - The existing owner might provide funds (by asking only a nominal purchase price, or by contributing cash or services) if selling the property (with concessions) was superior to continued ownership.

[28] Economic principles suggest that corporate investors, having relatively high costs of capital, will pay relatively little up front for the opportunity to earn uncertain "back end" profits 15+ years later. Conversely, government, having a relatively low cost of capital, should be willing to make up the small shortfall in LIHTC syndication proceeds, so as to minimize the level of public subsidy that will be required later to support preservation transactions. Accordingly, we believe it is generally good policy to restrict investors' "back end" profit potential in the interest of facilitating long-term preservation.

[29] In real estate parlance, "hard" debt is debt whose debt service payments (principal, interest, and "credit enhancement" such as guarantee fees) are not contingent on property operations. Sometimes, this "must pay" debt service is more than an affordable rental property can reliably pay while providing required affordability and providing required housing quality.

- An existing lender might provide funds (by renegotiating the terms of the existing loan, or by accepting payoff at less than 100 cents on the dollar) if by doing so the lender would avoid a larger loss (e.g., via foreclosure).

Because, in general, a property with a sustainability gap typically poses risks of financial loss to its existing owner and lenders, it may often be the case that the nonprofit GP can assemble some of the required funding from parties other than government.

4.8 National Issues. We identified the following over-arching expiring-use issues. The following are issues that should be addressed in a good expiring-use policy. If we believe that VHCB and VHFA should make adjustments in these areas, we include recommendations in Sections 4.10 and 4.11 below.

- **4.8.1 Risk of Excessive Sales Prices.** It should be mentioned that, nationally, many expiring-use properties are not protected by an option to purchase the property at a reasonable price. For these properties, often the owner calculates a sales price based not on the property's value as real estate, but as the value a purchaser might be able to afford if LIHTCs were awarded. If the purchaser and State LIHTC allocators do not resist, this strategy by sellers leads to purchases that are not sustainable – not only do purchasers pay too much, but resources that were needed to supplement reserves and otherwise pay for sustainability are diverted unfairly and wastefully to sellers' pockets.
- **4.8.2 HOME Program Issues.**
  - **Affordability Period.** The HOME program affordability period for rental housing typically differs from the affordability period imposed by the LIHTC program. The minimum HOME affordability periods[30] are 20 years for new construction and 5-15 years for rehabilitation (depending on the amount of HOME funding for each HOME-assisted rehabbed unit).
  - **Additional Investment.** The HOME program regulations prohibit additional investment of HOME funds in a rental project during the affordability period (except during the first year). Accordingly, unless HUD grants a waiver, the HOME program is not a resource for the workout / restructuring of troubled properties during the HOME affordability period. HUD expects to issue guidance outlining when HUD would consider waiving this prohibition.
- **4.8.3 LIHTC Qualified Contract Process.** Beginning in year 14, investor limited partners have the ability to request a "qualified contract" from the state LIHTC allocating agency. *The VHCB Subsidy Covenant / Right of Refusal / Option structures appear to effectively guard against qualified-contract problems. Nationally, however, the QC process is likely to lead to problems.* Because the QC formula will virtually always lead to a higher price than the nonprofit GP purchase option, triggering the QC process would be almost always be a poor

[30] HOME Participating Jurisdictions have the discretion to negotiate longer affordability periods.

outcome from a preservation standpoint. A highly simplified outline of the QC process follows:[31]

- Background -- when the tax credit affordability period was extended to 30 years by Congress, Congress provided a "qualified contract" process that allows the owner to be bought out at a formula price, after year 15.
- If the owner requests a QC, and the State allocating agency (within one year) does not come up with a preservation buyer willing to pay that price and continue affordability, the owner gains the right to transition out of the affordability restrictions over a three year period. *The VHCB Right of Refusal structure appears to trump the QC process. The VHCB Option structure appears not to trump the QC process; however, the Subsidy Covenant appears to provide a backstop so that affordability will be preserved, and the property will remain in nonprofit control.*
- The owner can request a QC at any point starting in year 14. The owner's qualified contract option does not expire. *In VHCB "option" properties, the general partner's purchase option generally expires around year 15; that is, the general partner's option has a much shorter life than the QC option process. We agree that the current ROR structure is a better structure than the earlier option structure.*
- The QC price equals the sum of existing debt, original equity, other capital contributions, and equity adjustments (for example, reductions for cash distributions made). Basically, the original total development cost, which is likely to be a high price in relation to underlying value. *Our data suggest that the LIHTC QC price will exceed the nonprofit GP's option price by more than $30,000 per unit, on average.*
- It is tempting to conclude that because the QC option price is relatively high, properties are safe, but that would be incorrect. If the QC option price is too high, the owner could trigger the process, wait one year, and if no buyer appears, transition out of affordability. Said differently, a high option price is probably the worst outcome from a preservation standpoint. *This is the reality outside Vermont; for Vermont transactions, the combination of the Subsidy Covenant plus either the ROR or option structure appears to effectively guard against QC-related problems.*

- **4.8.4 Investor "Exit Taxes".** Because corporate LIHTC investors are allowed to recognize losses in excess of their cash investments, frequently at year 15, investors will have "negative basis". For example, if an investor made an original capital contribution of $1 million, received $100K in cash distributions over 15 years and recognized $1.3 million in losses over 15 years, that investor's tax basis

[31] For more information on the QC process, see http://www.recapadvisors.com/pdf/wu50.pdf. We would amend the author's conclusion that "a fair QC process preserves affordable housing" to point out that, although the QC process can lead to preservation, that outcome typically will require large expenditures of public funds, often to pay a price that exceeds the reasonable value of the property. In summary, we believe that the QC process elevates the interests of LIHTC investors over the interests of low-income renters and, for that matter, over the interests of taxpayers. We happen to believe that was a poor policy choice by the Congress. We also believe it is in the institutional interests of VHCB and VHFA to ensure that the QC process is not applicable to Vermont LIHTC transactions.

would be negative $400K at year 15.[32] If such an investor donated its limited partner position to a charity, or sold its investment for a penny, or lost its investment to foreclosure, the investor would have $400K of taxable income and, in a 35% tax bracket, would owe $140K of income taxes. This "exit tax" ($140K in the example) creates a barrier to preservation, because it makes the investor reluctant to relinquish its partnership interest, even though selling may otherwise be the optimum strategy. *Whatever one's views on the wisdom of this approach from the standpoint of tax policy, undeniably "exit tax" is a factor to be reckoned with in expiring-use properties generally. Because VHCB transactions include a general partner purchase option (limiting the investor's ability to reap "back end" profits), the impact of investor exit taxes likely is felt in reduced initial LIHTC syndication proceeds, which no doubt are modestly lower than if the general partner purchase option were not included.[33] We believe these modest reductions in LIHTC syndication proceeds are far outweighed by reductions in future costs to preserve these same properties long-term (future preservation costs would be much higher without the nonprofit GP purchase option).*

- **4.8.5 Is the Affordability Commitment Foreclosure-Proof?** If the owner's commitment to affordability would survive a foreclosure, government's troubled-property risk is relatively limited. If, conversely, a foreclosure would wipe out the affordability commitment, government's troubled-property exposure could be quite high. For example, if HOME funds were invested, and affordability is not provided for the full affordability period, the participating jurisdiction (PJ) would have to repay the HOME funds to HUD. *Nationally, relatively few HOME PJs have negotiated for foreclosure-proof affordability commitments. The VHCB Housing Subsidy Covenant is not foreclosure-proof.*

4.9 Recent Expiring Use Preservation Transactions

- **4.9.1 Northgate (336 units)** was one of VHCB's earliest affordable rental housing developments. The property will soon need recapitalization for extended affordability and viability. The City of Burlington provided $301,250 ($900/unit) in additional HOME funds during 2005. VHCB and the nonprofit sponsor expect that a refinancing of the mortgage debt, when the underlying HUD Section 236 loan will have been paid off in 2011, is likely to be sufficient to fund any repairs and/or additional replacement reserve deposits necessary to extend affordability and viability for another 15-20 years. Accordingly, VHCB expects that long-term preservation of this large property will be accomplished with relatively little additional funding from the State.
- **4.9.2 Heineberg Senior Housing (81 units)** underwent a transfer and recapitalization in early 2005 to extend affordability and viability for another 15-20 years. The nonprofit purchaser negotiated an acquisition price only modestly higher ($100,000 or $1,235/unit) than the outstanding debt balance. VHCB's

[32] $1.0 million initial basis, minus $0.1 million in cash distributions treated as return of capital, minus $1.3 million in losses, equals negative $0.4 million basis at year 15.

[33] The existence of the GP option puts a tight cap on the LIHTC investor's residual profit opportunity. All else equal, investors would pay more if the residual profit opportunity were greater.

deferred loan (original amount $625,000, plus accrued interest of $1.4 million) was assumed by the purchaser, as was the VHFA loan. The City of Burlington provided $150,000 in HOME funds for accessibility modifications. This transfer and recapitalization required no additional funding from the State.

4.10 Primary Recommendations on Expiring Use.

- **4.10.1 Consider Requiring that the Housing Subsidy Covenant be "Foreclosure-Proof".** When the Subsidy Covenant was created in the 1980s, commercial lenders were not willing to accept a foreclosure-proof subsidy covenant (that is, a subsidy covenant that would survive a foreclosure and that would thus be binding on a lender who foreclosed). Today, however, lenders have much more experience with foreclosure-proof affordability requirements. For example, HUD's Mark-to-Market program has restructured over 1300 properties utilizing a foreclosure-proof affordability agreement, and we understand that some states use foreclosure-proof LIHTC LURAs. VHCB should consider shifting to a requirement that the Housing Subsidy Covenant be structured so that it would continue in effect after a foreclosure.
- **4.10.2 Prune the Portfolio via GP Purchase Option.** VHCB and VHFA should use the purchase-option process to weed out properties, owners, and managing agents that are not making positive contributions (defined broadly) to the overall portfolio. For this purpose, options that can be exercised by VHCB or its designee are to be preferred over options that can be exercised only by the existing sponsor.

4.11 Secondary Recommendations on Expiring Use.

- **4.11.1 Preparations for First Exercise Date for Nonprofit GP Purchase Option.**
  - **Assess Preservation-Worthiness.** Determine the extent to which it would be good public policy to preserve the property for long-term affordable housing use.
  - **Assess Ownership and Management.** Determine whether the existing owner and/or manager should be replaced, in the context of an expiring-use preservation transaction.
  - **Estimate Nonprofit GP's Purchase Option.** VHCB and Housing Vermont should coordinate well prior to the first exercise date. Housing Vermont already makes these estimates.
  - **Estimate Sustainability Gap.** As the first exercise date approaches, begin developing estimates of the sustainability gap, using methods similar to those we used for this report.
- **4.11.2 Option Properties: If Nonprofit GP Purchase Option Is Not Exercised.** Determine whether the QC process is applicable to these properties. If so, make contingency plans on how to respond if the LIHTC Qualified Contract process is triggered. These plans will vary depending on the specifics of the nonprofit GP's purchase option, and on the relationship between the likely QC option price for the property and the property's likely appraised value. (For ROR properties, the QC process appears to be moot)

- **4.11.3 "Over-Missioned" Properties.** When evaluating properties that have sustainability gaps or otherwise are facing financial stress, determine whether the sponsor has taken on a mission that goes beyond what the property and sponsor can reasonably support.

Section 5. The Capital Needs Task

5.1 Task Definition. VHCB is well aware that existing reserve deposit levels are inadequate to fully fund long-term capital needs. VHCB asked us to form an estimate of the portion of long-term capital needs that cannot be funded from the reserve, and to estimate what portion of that gap might be covered from other internal resources (i.e., future excess cash flow / refinancing proceeds). The remaining portion, of course, would likely have to be funded from new subsidies. The following is an excerpt from our scope of work: *"VHCB requests an analysis which estimates the portfolio-wide capital needs and compares this with an estimate of the financial resources available to address these needs. Financial resources can include replacement reserve accounts and excess cash flow (which can either be used to pay for needs directly, or which can be capitalized through a refinancing)".*

5.2 Our Sample Portfolio. Our Capital Needs analysis uses the 70 properties in the Underwriting task.

5.3 Our Analytical Approach.

- **5.3.1 Capital Needs Data.** VHCB provided us with CNAs for 45 sample properties. For the remaining 25 properties, we estimated that long-term capital needs (per unit per year) would be equal to the average capital needs for the CNAs that were provided to us.
- **5.3.2 Capital Needs Surplus or Deficit.** We then made 20-year cash flow projections for all properties, but instead of assuming that capital needs would equal the current actual reserve deposit, we assumed that capital needs would be equal to the average annual capital needs (that is, we assumed that the owner would simply pay – from annual cash flow – a relatively level amount of capital needs).
- **5.3.3 Meaning of Capital Needs Surplus or Deficit.** If, on this basis, a property's 20-year cash flow projection is net positive (say, by $50K), that indicates that, over that 20-year period, the property is likely to be able to fund its capital needs internally, without even drawing on its current reserve balance.[34] Conversely, if a property's 20-year cash flow projection is net negative $50K, that indicates that the property needs at least $50K in its reserve account today (or needs to receive $50K in future additional funding, or needs to increase rents so

[34] Whether such a property could be expected to add $50K to its current reserve balance depends on the extent to which the owner is permitted to distribute excess cash flow vs. retain it inside the ownership entity. We caution that both extremes are to be avoided. If an owner can distribute excess cash without regard to the property's long-term prospects, owners will be motivated toward short-term profits to the detriment of the property's long-term viability (and to the detriment of VHCB's long-term financial and policy interests). Conversely, if the owner has no stake in excess cash flow, the owner will not have any substantial economic motivation to operate the property efficiently, which also is counter to VHCB's interests). Public bodies similar to VHCB typically resolve this dilemma by negotiating for a share of excess cash flow that is meaningful but that also gives the owner a substantial economic motivation for efficiency. In general, we believe that a governmental share between 25% and 50% of excess cash flow is likely to provide adequate but not excessive incentive.

as to generate $50K in additional cash flow, or needs to generate $50K in net refinancing proceeds), in order to have a reasonable likelihood of self-funding its 20-year needs. This approach allows us to estimate which properties, from our sample portfolio, are likely to need additional subsidies (from VHCB, VHFA or elsewhere) in order to meet their 20-year capital needs. That, in turn, when expanded to the level of the entire VHCB portfolio, also allows us to estimate the magnitude of the sustainability risk that VHCB has incurred in developing its current portfolio.

- **5.3.4 Interviews.** We also interviewed Vermont-based organizations, and nationally-based organizations, regarding their capital planning approaches.

5.4 What Is A Capital Needs Assessment?

- **5.4.1 CNA Defined.** Conceptually, a CNA is a spreadsheet. The rows are building systems (e.g., refrigerators, roofs, parking lots…). The columns are years. The cells contain the dollar amount the owner likely will have to spend in that year, to maintain that building system. For example, if the owner likely will have to replace three refrigerators in year 3, and refrigerators cost $500 each, the year 3 cell in the refrigerator row would contain $1500.
- **5.4.2 CNA Analysis Process.** In order to produce an accurate CNA, the analyst visits a sample of units and assesses the age and condition of each major building system. The analyst estimates the remaining useful life of existing components, which then indicates the number of each type of component that will need replacement or major repair in each year. The analyst develops estimated replacement costs from experience, research, and from interviewing the owner and manager.
- **5.4.3 CNA Analysis Period.** Typically CNAs use a long analysis period such as 20 years, so as to encompass at least one replacement of each major system. Of course, it is not possible to accurately predict in exactly which year a component will need replacement, but as long as the estimate is reasonable, the results will be reliable for the purpose of setting a new reserve deposit funding level.
- **5.4.4 Using CNAs to Determine Reserve Adequacy.** Once one knows the total the owner will have to spend each year, and the current balance of the reserve account, one can calculate the amount the owner will need to deposit monthly into the reserve account going forward, so that the reserve will be adequate to fund the anticipated capital needs.
- **5.4.5 Periodic Updates.** After five to ten years, a new CNA is obtained, and the reserve deposit is re-sized accordingly.

5.5 Results from Economic Analysis.

- **Capital Needs from CNAs.**
  - Annual capital needs averaged $756 per unit but with a wide range as shown below in Table 5.5. *This is consistent with the capital needs of other portfolios we have studied. As noted below, we believe that this amount may actually understate capital needs.*
  - 27% of CNAs indicated capital needs in excess of $1000 per unit per year.

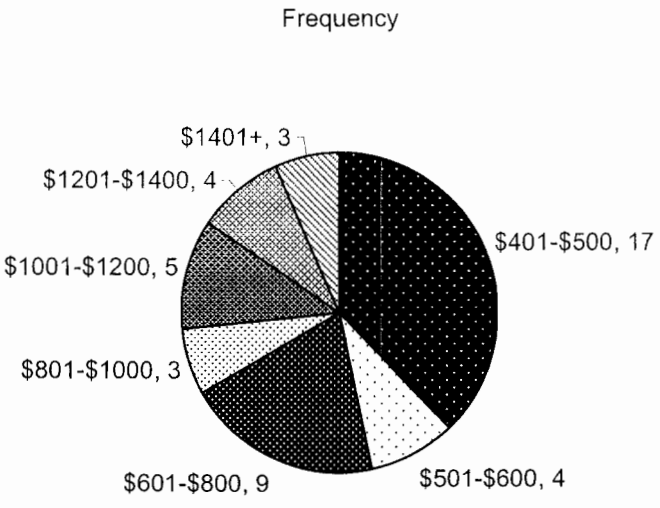
- 38% of CNAs indicated capital needs below $500 per unit per year; as noted below Table 5.5, we are surprised by this finding and believe that actual needs likely are somewhat higher for these properties.
- It should be noted that some capital needs are funded through the operating budget rather than through the reserve for replacements. The information we reviewed does not allow us to estimate the extent to which this may be occurring.
- Some CNAs were performed several years ago, and most CNAs covered less than the 20-year period we recommend. It should also be noted that capital needs tend to rise as properties age.
- Taking all factors into account, we believe that the capital needs (to be funded from the reserve) for the VHCB portfolio in the next 20 years should be at least as high as we have assumed for purposes of this study.

- **CNA Analysis Period.** 4% of CNAs were for periods of 10 years or less, 62% were for 11-15 years, 30% were for 16-20 years, and 4% were for 21+ years.
- **Existing Reserve Deposits.** On average, properties are depositing $527 per unit per year to the replacement reserve. Although higher than the $258 national average from Ernst & Young's recent study[35], this is still well below the $756 per unit average capital needs being accrued at Vermont properties.
- **Ability to Meet Capital Needs Via Reserves and Cash Flow.** At VHCB's request, we estimated whether properties might be able to meet their capital needs for the next 20 years, utilizing a combination of reserves and cash flow, and assuming that future capital needs will match those in past CNAs. *It should be noted that this is an optimistic assumption, because capital needs tend to increase as properties age.* We found that 47% of properties could fund that level of capital needs from operations, without relying on refinancing or new subsidies.
- **Ability to Meet Capital Needs Via Reserves and Cash Flow and Refinancing.** We found that 53% of properties appear to be able to fund the level of capital needs discussed above, if in addition to reserves and cash flow, the potential to refinance existing hard debt is also considered. *For this analysis, we assumed that providers of soft debt would agree to defer repayment indefinitely as necessary.*

Also see Appendix 4 which presents key results from our economic analysis.

Table 5.5 Capital Needs Per Unit Per Year Indicated by CNAs

[35] "Understanding the Dynamics III", Ernst & Young, December 2005. Data are for 2004 operations.



Our experience with CNAs suggests that a material fraction of the CNAs that reported needs under $500 per unit per year were flawed, and that actual needs are higher than reported. We recommend that VHCB verify that these low-needs CNAs included all appropriate building systems and that appropriate unit costs were used. To the extent these low-needs CNAs used analysis periods shorter than 20 years, we recommend that VHCB ask the sponsors to extend the analysis periods to 20 years.

5.6 Other Findings. The following represent our opinion of the components of a good capital planning policy. If we believe that VHCB and VHFA should make adjustments in these areas, we include recommendations in Sections 5.7 and 5.8 below.

- **5.6.1 When to Obtain a CNA.** There was agreement among interviewees that a CNA should be obtained in all preservation transactions, widespread agreement that a CNA should be obtained in all rehab transactions, and some agreement with our position that a CNA should be obtained in new construction transactions.
- **5.6.2 CNAs As Part of Original Underwriting.** However, we firmly recommend CNAs as part of original underwriting.
    - Without a CNA, there is no good method for determining whether the property is likely to be able to meet its capital needs over the desired period of affordability.
    - We believe that, typically, sponsors and their builders, with guidance from VHCB and VHFA, could prepare CNAs for new construction / substantial rehabilitation properties, without the need to engage a third party CNA specialist.
    - The total annual capital needs from this pre-development CNA would then be incorporated into VHCB's and VHFA's existing underwriting pro forma. In this way, the optimum reserve deposit could be determined for each to-be-developed property, taking into account that property's likely

capital needs, likely future cash flow, likely future refinancing potential, and taking into account the time frame during which VHCB and VHFA want the property to be able to meet its capital needs.

- For example, suppose that analysis indicated that a property would have average annual capital needs of $800 per unit. If that property had no ability to pay for capital needs through cash flow or refinancing, the reserve deposit should be set at a level that will fund 100% of those capital needs (likely near $800 per unit per year, or perhaps less if a generous initial deposit to the reserve could be funded). However, if that property had good potential to cover some capital needs from cash flow or refinancing, the reserve deposit needed could be well below the average annual capital needs.

- One reason for placing more emphasis on right-sizing the reserve deposit as part of original underwriting is that, typically, it will not be possible to increase the reserve deposit later without increasing the rent burden on low-income tenants. In other words, the reserve deposit has to be set correctly at the beginning.

- **5.6.3 Immediate vs. Longer Term Repairs.** In the past, funders tended to require a large scope of immediate repairs and to require only a minimal ongoing reserve deposit. The national expert interviewees are coming to question this approach, which has at least these disadvantages: (a) it creates perverse incentives to throw away functioning components that have not approached the end of their useful lives; and (b) it tends to result in financial stress as properties age. The national expert interviewees recognize that budgets may not be able to support both a large up-front rehab scope and an appropriately large reserve deposit but are beginning to think that a mix of less up-front rehab and more reserve funding over time may be superior.
- **5.6.4 Critical Mass for Ownership and Management.** The national expert interviewees suggested that, all else equal, VHCB should prefer to have fewer sponsors / management companies with larger portfolios. Accordingly, VHCB could use its participation in expiring-use transactions as a way of weeding out small or inefficient sponsors and management companies. This is not a suggestion that consolidation is always and everywhere a good thing; small sponsors may bring benefits not available through larger sponsors. It is, however, a suggestion that when making preservation decisions, VHCB and VHFA should carefully consider whether a change of sponsor would enhance the property's ability to deliver the desired public-purpose outcomes.
- **5.6.5 Third Party CNAs versus In-House.** Opinions were mixed. Some organizations rely exclusively on third party CNA providers (valuing the greater objectivity and, generally, greater expertise this method offers). Other organizations have developed internal specialists (offering the benefits of lower costs and capacity-building). *We address this question in our secondary recommendations below.*

- **5.6.6 Unplanned Expenditures.** Generally, it is a bad idea to use reserve funds for items that were not included in the most recent CNA, unless there is a very good reason to believe that the funds can be repaid quickly.
- **5.6.7 Perverse Incentives.** An alternative to building in adequate reserve deposits as part of underwriting is to provide additional funding for capital needs at, say, year 15. One downside risk to this alternative approach is that it may have the perverse result of making sponsors less attentive to developing adequate reserves and to doing good capital planning, and more likely to divert funds from the reserve to other uses such as service programs and staffing costs.
- **5.6.8 Past Approaches Lead To Unfortunate Results.** Nationally, the funding approaches of the past have led to high levels of financial stress, and large numbers of properties needing significant additional funding for long-term viability. *The Vermont portfolio appears better positioned to meet its long-term capital needs, though a significant minority of properties appear unable to meet their long-term capital needs.*
- **5.6.9 "One Bite At The Apple"?** VHCB and VHFA have a policy of seeking permanent affordability. A threshold question is whether VHCB and VHFA want a high degree of certainty that no further government subsidy will be needed in order to achieve permanent affordability. If so, a "highly sustainable" underwriting and funding approach would be called for. If, alternatively, it is acceptable to make additional funding commitments after, say, 15 years, a lower level of up-front funding would be needed to provide sustainability for that shorter time horizon, and a further funding decision could be made based on affordable housing needs when the property is, say, 13 to 14 years old.
- **5.6.10 Alternative Future Funding Approaches.** Potential alternative funding approaches, that would result in higher rates of property success, would include at least the following:
  - **5.6.9.1 Maximum Sustainability.** Fund properties initially so that they can afford a reserve deposit that, with no reliance on excess cash flow, future refinancing, or future public subsidies, will fund 100% of foreseeable capital needs for a long period such as 50 years. *The advantages are obvious. The disadvantages include cost, potentially over-funding properties, and potentially perverse incentives by having large sums of cash sitting in reserve accounts for years until needed.*
  - **5.6.9.2 Supplemental Reserve, Property-Specific.** VHCB and VHFA would fund properties initially so that they can meet their capital needs for a period such as 20 years, from a combination of reserves, foreseeable excess cash flow and foreseeable refinancing. VHCB and VHFA would also fund – on a one-time basis, at the time each property was developed -- a supplemental reserve that will be available at, say, year 20, to augment the replacement reserve. For example, this supplemental reserve could contain zero-coupon bonds with a 20-year term.[36] *This approach*

[36] If there is a possibility that some funds might be needed earlier, the portfolio should be structured with an appropriate mix of maturities.

recognizes that long-term capital needs do not really "hit" until after year 20. The advantages, again, are obvious.

- **5.6.9.3 Supplemental Reserve, At a Portfolio Level.** This is the same strategy as the preceding approach, except that the supplemental (one-time, up-front, State-funded) reserve is not held in the name of the property but, instead, is controlled by VHCB and VHFA for the benefit of the entire Vermont portfolio. *This approach provides for sustainability equally as well as the two preceding approaches but preserves greater flexibility for VHCB and VHFA. For example, under this approach, it would be much easier for VHCB and VHFA to engineer a change of ownership or change of management, and there is less risk of over-funding particular properties.*

There is an analogy in the ways that parents provide for their children's college educations. Some parents plan to borrow at the time their children enter college (similar to 1990s-style underwriting of affordable rental housing). Some parents set up a Uniform Gifts to Minors trust in the name of the child (this approach, not dissimilar to the first and second approaches above, is often disparagingly described by investment professionals as the "new car fund", because of the temptation to the child to spend the money for short-term pleasure instead of for education). Other parents set up a "529 Plan" earmarked for the child's education (and transferable to other children in the same generation) but controlled by the parents (similar to the third alternative above).

5.7 Primary Recommendations. The current policy of VHCB and VHFA is to require a replacement reserve contribution of $35 per unit per month ($420 per unit per year). This contribution is not required to be adjusted annually for inflation. For new construction and substantial rehabilitation projects (the majority), a capital needs assessment is required within 6 months after construction completion. Periodic updates to the capital needs assessment are also required.

- **5.7.1 Funding for Capital Needs.** VHCB and VHFA should make a conscious decision on a funding strategy for long-term capital needs. If VHCB and VHFA expect to make multiple funding commitments to a property over the property's useful life, it is not necessarily appropriate or desirable to provide up-front all of the resources likely to be needed to sustain the property long-term. *We believe that funding properties at initial development so that they are sustainable to (or modestly past) the point of the nonprofit GP's option exercise date, and providing additional funding at that time for long-term sustainability, might be an excellent option.*
- **5.7.2 Capital Planning in the Underwriting Stage.** VHCB, VHFA and Housing Vermont should enhance the role of capital planning in their underwriting practices. They should determine, on a property by property basis, the percentage of long-term capital needs that should be funded via the reserve. We expect that, frequently, this percentage will be 100%. *This percentage will depend on the extent to which the property will have future foreseeable excess cash flow and/or refinancing potential. This is a property-specific determination. As generalizations:*

- *The higher the operating expense ratio, the less likely a property will be to have future excess cash flow.*
- *Similarly, if a property has no hard debt or only modest hard debt, its opportunity to refinance will be limited.*
- *The longer the amortization term of a property's debt, and the lower its interest rate, the less likely a property will be to have future refinancing potential.*
- *Some properties will not have refinancing potential as a result of financing via bonds that are not callable, or via mortgage loans with long-term prepayment lockouts.*

- **5.7.3 Update CNAs Periodically.** CNAs should be updated periodically (VHCB and VHFA recently began requiring periodic updates). The results of updated CNAs should be reflected in changes to the ongoing reserve deposit levels. *We recommend updating not sooner than 5 years and not later than 10 years, after the most recent CNA.* Between periodic updates, the reserve deposit should be increased annually to adjust for inflation.
- **5.7.4 CNAs to Support Transactions.** A CNA should be obtained whenever an existing property is to be purchased or refinanced.
- **5.7.5 Capital Planning Horizon.** VHCB, VHFA and Housing Vermont should standardize on a 20-year capital needs analysis period. *Because many major building systems have 20-30 year useful lives, a shorter analysis period risks ignoring major building systems that call for few if any replacements during the analysis period but will need significant replacements soon after the analysis period.*

5.8 Secondary Recommendations.

- **5.8.1 Third Party vs. In-House CNAs: Initial CNAs.** We recommend that all initial CNAs be performed by third parties. *An exception could be made for CNAs that are part of the initial underwriting process; sponsors and their construction contractors could prepare these CNAs using information they already have for purposes of estimating initial development costs. We recommend that the first periodic update after initial development should be by a third party.*
- **5.8.2 Third Party vs. In-House CNAs: Periodic Updates.** If the original CNA was provided by a third party, we believe that one or two periodic updates could be performed by suitably qualified in-house staff.
- **5.8.3 Importance of Guidance from VHCB and VHFA.** In the absence of guidance from VHCB and VHFA, the following sorts of inappropriate results could occur:
  - Sponsors might regard the reserve as a resource for all sorts of purposes other than providing for the specified capital needs.
  - Providers who are used to assessing rehab needs for initial underwriting purposes often tend to assume, incorrectly, that aging but functional components should routinely be discarded before the ends of their useful lives.

- When faced with older properties, inexperienced analysts often overlook long-lived systems such as brick tuckpointing, elevator refurbishing, in-wall utility pipes, and underground utility pipes.
- Providers often assume, inappropriately, that an equal number of components (for example, water heaters) will wear out each year, when a more thoughtful analysis would conclude otherwise.
- The owner and manager of the property may have inadequate communication with the analyst, leading (for example) to unit costs that are not accurate for this particular property.

- **5.8.4 Verify CNAs Reporting Needs Below $500 PUPA.** As noted above, based on experience reviewing other CNAs, we expect that average annual capital needs for typical Vermont properties will exceed $500 per unit per year. We recommend that VHCB ask sponsors to verify CNAs reporting low needs.

5.9 Reference Materials on Capital Planning.

- **On-Site Insight Materials.** See the following, from the website of On-Site Insight at www.on-site-insight.com:
  - **Sample Capital Needs Assessment.** This sample report illustrates the components typically found in a CNA.
  - **Report on the Condition of Affordable Housing.** An analysis of 183 CNAs for older affordable rental housing.
- **Fannie Mae Materials.** Fannie Mae's Guide to the Property Evaluator can be found at http://www.efanniemae.com/mf/guidesforms/pdf/forms/III-12.PDF. Fannie Mae calls its reports "Physical Needs Assessments."
- **HUD Mark-to-Market Materials.** The Physical Condition Assessment standards for the Mark-to-Market program are found in Chapter 4 (guidance) and Appendix I (statement of work).

Section 6. Other Findings and Recommendations

6.1 Overview. Our research and interviews led to a few additional findings and recommendations that do not fit neatly into the three formal tasks discussed above. Those findings and recommendations are discussed in this section of our report. Because VHCB, VHFA and Housing Vermont have such a high overlap of properties, they should collaborate on these recommendations.

6.2 Asset Management Database. Develop a database on the portfolio that contains information sufficient to support a variety of asset management purposes. *The data elements we assembled for this analysis would be an appropriate starting point.*

6.3 Asset Management Risk Assessment. Identify properties that are at-risk, identified by type and severity of risk. Risks would include excessive "hard" debt, weak markets, latent construction defects, environmental problems, inadequate ownership, inadequate management, cash flow problems, and impending expiration of the affordable use period.

6.4 Asset Management Action Strategies. For each at-risk property, develop a strategic approach designed to mitigate the risk. Action strategies could include re-syndication, refinancing, transfer of ownership, change of management, workout / recapitalization, renovation, redevelopment, removal of the property from the portfolio, coordinated action with other at-risk parties, and reliance on action by other at-risk parties.

6.5 Workout / Restructuring Capacity. Develop the capacity (internal and/or external) to analyze, structure, negotiate, and implement financial restructuring of properties to achieve sustainability.

6.6. Role of VHCB. We offer the following as observations on the role that VHCB plays in the production and funding of affordable rental housing in Vermont.

- **Funding Role.** The fact that VHCB allocates HOME funds plus State trust funds is noteworthy and important, if only because this allows VHCB to fund initiatives that are difficult or impossible to fund with private debt and Low Income Housing Tax Credits. Interviewees complimented VHCB on its willingness to make the first financial commitment to a proposed development.
- **Technical Assistance Role.** Interviewees value the technical assistance that they receive from VHCB. As one interviewee put it, "There are times when you need someone that's outside and who is removed but who has worked with organizations with the same issues".
- **Leadership Role.** Interviewees appreciate VHCB's commitment to being part of the leading edge in affordable rental housing. VHCB's 2004 seminar on expiring-use issues was mentioned in particular. Interviewees also complimented VHCB for monitoring proposed new developments, and for discouraging developments that would overbuild the local demand.

Appendices

1. List of Interviewees
2. Economic Assumptions, Methodology, and Terminology
3. Limiting Conditions
4. Key Results from Economic Analysis
5. Key Results from Expiring-Use Task

In addition, we provide a separate Property-Specific Addendum containing detailed output from our economic model for the 70 properties for which we received data for both underwritten cash flow and actual cash flow.

Appendix 1. List of Interviewees

Local Organizations

Andy Broderick, Housing Vermont
Sam Falzone, Vermont Housing Finance Agency
Elisabeth Kulas, Rutland County Community Trust
Connie Snow, Brattleboro Land Trust
Ed Stretch, Gilman Housing Trust

National Organizations / Experts

Amy Anthony, Preservation of Affordable Housing Inc.
Michael Bodaken, National Housing Trust
Conrad Egan, National Housing Conference
Matt Perrenod, Housing Partnership Network
Peter Richardson, Consultant
Tom White, Consultant (formerly Senior VP for Multifamily, Fannie Mae)

Appendix 2. Economic Assumptions, Methodology and Terminology

Key Definitions

- Administrative Payroll – salary, payroll taxes, and benefits for front-line administrative staff (e.g., on-site manager, leasing assistant, office assistant) who lease units, collect rent, receive resident service requests, and perform other day to day tasks.

- Bad Debts – rental revenue lost because residents fail to pay rent that is due.

- Capital Expenditure – a Capital Need, for accounting purposes, is treated as an addition to the owner's investment rather than as an immediate expense. For example, replacement of a single refrigerator often would be expensed, whereas replacement of ten refrigerators typically would be capitalized.

- Capital Need – a major repair or replacement cost. For example, roof replacement, exterior painting, parking lot resurfacing, appliance replacement, HVAC replacement, flooring replacement.

- Capital Needs Assessment ("CNA") – an estimate of Capital Needs for an extended period such as 20 years, by building system by year.

- Concessions – rental revenue lost because residents are not charged the full rent (e.g., during a slow leasing period, residents are offered $100 off the first month's rent).

- Credit Enhancement – mortgage insurance charges, guarantee fees, and other fees paid to third parties to provide the lender with additional assurance of repayment, in exchange for which the lender provides a lower mortgage interest rate.

- Debt Service – required payments for principal, interest, and credit enhancement.

- Debt Service Coverage – the margin between Net Operating Income and Debt Service.

- Effective Gross Income – property revenue successfully collected. Equal to Gross Potential Rent, minus Rent Loss, plus Other Income.

- Expense Cushion – An expression of cash flow as a percentage of expenses. For example, a property with $100 in expenses and $10 in cash flow, has an 'expense cushion' of 10%.

- Gross Potential Rent – the rental income the property would receive if all units were occupied, all rent were collected, and all tenants were charged the full rent.

- "Hard" and "Soft" Debt – "hard" debt is debt with payments that must be made without regard to the cash flow of the property. "Soft" debt involves either deferred payments, or payments that are contingent on property performance (e.g., payments equal to a percentage of positive cash flow).

- Net Operating Income – Effective Gross Income, minus Operating Expenses, minus Reserve Deposits. In other words, the cash flow return that an owner would receive after having paid cash for the property.

- Operations and Maintenance Payroll -- salary, payroll taxes, and benefits for front-line operations staff (e.g., maintenance supervisor, maintenance technician, porter) who respond to resident service requests, perform preventive maintenance, perform inspections, coordinate contract maintenance, and perform other day to day tasks.

- Operating Expenses – the owner's out of pocket costs of operating the property (excluding Reserve Deposits and Debt Service). Major categories include Administrative Payroll, Operations and Maintenance Payroll, Other Administrative Expense, Other Operations and Maintenance Expense, Property Insurance, Property Management Fee, Real Estate Taxes, Security, and Utilities Expense.

- Other Administrative Expense – for example, telephone expense, office supplies, copying and printing, audit expense, training, and legal expense (typically, assistance with difficult evictions and contractor disputes).

- Other Operations and Maintenance Expense – for example, pest control, trash removal, grounds maintenance, maintenance supplies, and minor contract maintenance. Major maintenance is typically classified as a Capital Expenditure.

- Property Insurance – casualty insurance (e.g., fire, wind damage) and liability insurance (e.g., slip-and-fall) covering the property owner.

- Property Management Fee – a fee paid to a professional management firm, to operate the property on behalf of the owner. Typical tasks include hiring, training, and supervising the front-line staff, arranging for insurance and utilities, arranging for contract maintenance, accounting, and reporting.

- Real Estate Taxes – payments to the local government to cover government services. In affordable rental housing, often real estate taxes are assessed at lower than normal rates (a partial or full "abatement"), or are assessed according to a non-standard formula (a "payment in lieu of taxes" or "PILOT").

- Rent Loss – Vacancy Loss plus Bad Debts plus Concessions.

- Reserve Deposit / Replacement Reserve Deposit – a monthly deposit made to a fund to be used for future Capital Needs.

- Security – expenses for security systems (e.g., buzzer-entry or entry-card systems, video surveillance systems) or personnel.

- "Surplus Cash" – a defined term used by HUD-Multifamily in regulating properties with FHA-insured mortgage loans. Surplus Cash represents the excess of operating cash balances, over and above short-term obligations such as accounts payable. See Form HUD-93486 Computation of Surplus Cash, Distributions and Residual Receipts, HUD Handbook 4370.1 REV-1 Appendix 2.

- Utilities Expense – costs for utilities borne by the property owner. Includes utilities for common areas, utilities for vacant units, and any utilities for occupied units for which the owner has agreed to bear the cost.

- Vacancy Loss – rent revenue lost because units are not occupied.

Data Entry and Data Integrity

We received from VHCB and Housing Vermont data from the original underwriting, the 2004 actual revenue and expenses, and available capital needs studies. We entered that data into an Excel workbook in electronic form, using consistent categories. We performed a number of data validation tests, for example:

- Verifying properties whose underwritten results indicated an inadequate margin between revenues and costs.
- Researching discrepancies in unit counts.
- Researching discrepancies in debt service costs (principal and interest, for "must pay" debt).

Capital Needs Methodology and Assumptions

We used the results of property-specific capital needs studies where available, with the exception that if the studies suggested average annual capital needs below $400 per unit per year, we used $400 per unit per year instead. The portfolio average for the property-specific capital needs studies (including the adjustment just described) was $775 per unit per year.

We estimated annual capital needs for a 2005-2034 (30 years). Typical capital needs studies had 15 or 20 year terms. For years past the end of the property's capital needs study period, we used the average annual needs during the study period.

When no property-specific study was available, we assumed $800 per unit per year of capital needs.

Methodology for Missing Underwritten Inflation / Trending Rates

For most properties, we were provided with the original underwriting assumptions for income and expense inflation rates ("trending" rates). Where those assumptions were missing, we used 1.5% for income and 3.0% for expenses.

Methodology for Cash Flow Comparisons: Actual vs. Underwriting

Our actual results were from 2004. We compared 2004 actual cash flow to the first-year underwritten cash flow. Before making this comparison, we restated the first-year underwritten cash flow in 2004 dollars by applying the trending assumptions from the original underwriting.

The actual 2004 reported debt service did not distinguish between debt service on "hard" loans (i.e., "must pay" debt service) and accruing interest on "soft" loans. Accordingly, for purposes of this cash flow comparison, we assumed that the 2004 actual "hard" debt service was equal to the "hard" debt service that we derived for 2005 based as discussed below.

Methodology for Determining "Hard" Debt Service and Loan Balances

We determined which loans were "hard" and which were "soft" by reviewing the original underwriting information.

Almost all of the "hard" loans were normal fixed-rate, fixed-payment, self-amortizing loans. The few remaining "hard" loans had payments that varied over the life of the loan; for those loans, we captured the actual year by year payments and used those in our cash flow estimates.

For each "hard" loan, we calculate the amount that would be outstanding at the end of each of the next 20 years.

Methodology for Sustainable Underwriting Estimates

For each property, we adjusted the 2004 actuals to adjust the replacement reserve deposit to a "sustainable" level corresponding to the average annual capital needs that we assumed for the period 2005-2024. This provided an estimate of what 2004 cash flow would have been, had a sustainable reserve deposit been in effect.

We then estimated the level of "hard" debt that would be supportable, if a sustainable reserve deposit were in effect. In making this estimate, we made the following additional adjustments to 2004 actual cash flow:

1. We estimated sustainable rent loss (vacancy plus bad debts plus concessions) at the greater of the 2004 actual rate, or 7.0%.

2. We assumed that a sustainable level of operating cash flow (NOI minus hard debt service) would be equal to 10% of total operating expenses.

We also estimated the rent increase that would be necessary to support existing "hard" debt service, while providing sustainable levels of rent loss and operating cash flow.

Methodology for Sustainability Gap

We use the term "sustainability gap" to mean the amount of funding that would be necessary now, to restructure a property so that its ongoing operations would be sustainable. We estimated this "sustainability gap" in two different ways:

1. (Refinance Later) What it would cost to fund negative cash flow for the next 20 years, assuming that the property is refinanced at year 11.
2. (Restructure Now) What it would cost to write down the property's hard debt to sustainable levels today, increased by any cash flow deficits (offset by any positive cash flow) that would remain after the debt reduction (typically, however, cash flow would be positive once hard debt was reduced to sustainable levels).

We concluded a sustainability gap that was the smaller of these two calculations. We used a 20 year net present value calculation (using a 10% discount rate), so that the sustainability gap represents today's cost to stabilize each property.

Methodology for Long Term Cash Flow Projection (2005-2024)

We projected each property's cash flow based on 2004 actuals with these adjustments:

1. Rent loss at the greater of the 2004 actual rate, or 5.0%.
2. Sustainable reserve deposit.

Our projections trend income at 2.5% and expenses at 3.0%.

For each year, we estimated the value of the property assuming continuation of affordable housing use, using an appraisal-style reserve deposit of $400 per unit per year, and a capitalization rate of 8.0%.

We also estimated, for each year, the maximum refinancing proceeds that the owner might be able to obtain. We assumed the following lending parameters: 80% maximum loan-to value, 1.30:1 minimum debt service coverage ratio, 6.50% interest rate, 30 year amortization. We assumed 3.0% transaction costs would have to be paid from the proceeds of the refinancing. We then compared the remaining proceeds to the amount of hard debt we estimated the project would then owe, to determine whether the project owner might have a profitable refinancing opportunity in that year.

Methodology for Expiring Use Analysis

We first estimate the amount of the nonprofit general partner's purchase option, using the formula provided in the limited partnership agreement.

Our estimate of outstanding debt is discussed above under Amortization (we ignored soft debt for purposes of this calculation).

Our estimate of appraised value (if applicable to a particular property's option price) is discussed above under Long Term Cash Flow Projection.

For properties where the option price is partially based on an additional amount necessary to provide the Target Return to the investor, we estimated that amount at $5000 per unit, derived as follows:

a. The average underwritten cash flow in the VHCB portfolio is roughly $1000 per unit per year.
b. We assumed that one-third of that amount was projected to be distributed to the investor (the remainder representing fees or reserves).
c. We assumed conservatively that none of the projected amount would have been distributed from operations
d. Thus $1000 per unit x 15 years ÷ 3 x 100% = $5000 per unit.

For properties where the option price is partially based on investor exit taxes, we estimated that amount using the hypothetical scenario illustrated in Table A-2 below, and assuming the lowest possible sales price (thus the greatest possible likelihood that income taxes due might exceed the net proceeds of sale). We believe that the parameters of this scenario are typical for the VHCB portfolio. Under this scenario, no exit tax would be expected at year 15. For conservatism, however, we estimated exit taxes at $1000 per unit.

Table A-2: Exit Tax Estimate via Balance Sheets (Amounts Are Per Unit)

	Original	Year 15	
Cash	$0	$0	
Land	$4,000	$4,000	
Buildings	$90,000	$90,000	
Accumulated Depreciation		($49,091)	27.5 Year straight line
Financing Costs	$6,000	$6,000	
Accumulated Amortization		($3,000)	30 Year straight line
Total Assets	$100,000	$47,909	
Hard Mortgage Debt	$15,000	$11,103	7% 30 year
Soft Mortgage Debt	$25,000	$29,024	1% accruing + compounding
LIHTC Equity	$60,000	$60,000	
Accumulated Losses		($52,218)	
Cash Distributions		$0	
Total Liabilities & Equity	$100,000	$47,909	
Sales Price = Debt		$40,127	
Less Tax Basis		($47,909)	
Gain (Loss) on Sale		($7,782)	
Exit Tax		$0	40% combined federal + State

Our estimates are based on our projections for the property's operations for the year in which the option is first exercisable.

We then estimated the gross amount of funding that a nonprofit general partner would need to assemble in order to exercise its option. This consists of the following:

3. The cash portion of the option price (that is, the amount over and above assumption of the existing debt).
4. Repair costs, which we ignored because they are taken into account in our calculation of the sustainability gap (see below).
5. Transaction costs (e.g. legal fees), which we estimated at $20,000.
6. Sustainability gap (i.e., the amount of funding, if any, needed to restructure the property so that its ongoing operations will be sustainable). Our approach for determining the sustainability gap is discussed above under Sustainable Underwriting Estimates.

We categorized the expiring use portfolio by cost to preserve. Properties with total costs to preserve of $12,500 per unit or more were termed High Cost, properties with total costs to preserve of $7,500 per unit or less were termed Low Cost, and remaining properties were termed Moderate Cost.

Appendix 3. Limiting Conditions

Our findings and recommendations represent our best judgment of the status of the portfolio as of December 31, 2004. The following should be kept in mind when interpreting our findings and recommendations.

1. We are not appraisers.

2. We reviewed only a limited amount of data for each property.

3. We made no site visits.

4. We received a variety of data from VHCB, most of which was in hard copy. In the process of building and testing our economic model, we performed a number of data validation checks on data elements received from VHCB. VHCB has been responsive to our requests for clarification and data correction. However, it is possible that we made data entry errors that we did not discover, and that the hard copy data we reviewed contained errors that we did not discover.

5. This report assumes that there are no gains in efficiency from stabilizing the portfolio. However, for example, it is possible that:
   a. With adequate reserves, operating expenses may decline.
   b. If property conditions improve, vacancy losses may decrease.

6. As discussed in Section 2, our data sample was largely though not entirely random. Our data sample appears large enough that our findings are likely to represent accurately the status of the entire VHCB portfolio, but it is possible that the properties we did not sample are sufficiently different from those we did sample that our results may not be accurate at a portfolio level.

7. If one divides our data sample into sub-samples (for example, by county), the reliability of the conclusions at the sub-sample level will be less than the reliability at the level of the full sample. For small sub-samples, the loss of reliability could be very significant. Accordingly, in this report we do not make statements about sub-samples. Similarly, our estimates should not be regarded as definitive with respect to individual properties; any property-specific follow-up action should be preceded by analysis that, at a minimum, verifies the data that we used in arriving at our findings and recommendations.

8. Our data do not allow us to determine the causes of variances versus underwriting. For example, causes might include poor underwriting, poor operations, market deterioration, and unforeseeable increases in operating costs.

Appendix 4: Summary Results of Economic Analysis

70 Properties in sample
70 Properties with underwriting cash flow data
70 Properties with actual cash flow data for 2004
70 Properties with both actual and underwritten cash flow data
45 Properties with capital needs data
15 Expiring-use properties

45 properties with capital needs data

$756 per unit per year average capital needs
$527 per unit per year current Reserve deposits
26.7% had average capital needs exceeding $1000 per unit per year
37.8% had average capital needs below $500 per unit per year
4.3% of CNAs were for periods of 10 years or less
61.7% of CNAs were for periods of 11-15 years
29.8% of CNAs were for periods of 16-20 years
4.3% of CNAs were for periods of 21+ years
47.1% could meet 20-year capital needs through reserves and cash flow alone
52.9% could meet 20-year capital needs through reserves, cash flow, and refinancing

70 Properties with both underwriting and actual cash flow data

Gross Potential Income Performance
62.9% had greater GPR than underwritten
37.1% had lower GPR than underwritten
On average, GPR was 10.3% higher (lower) than underwritten*

Rent Loss Performance (Vacancy, Bad Debts, Concessions)
On average, rent loss was 5.3% (underwritten)
and 3.5% (actual)
50.0% had actual rent loss below 3.0%
11.4% had actual rent loss above 10%
28.6% had actual rent loss greater than underwritten
10.0% had actual rent loss more than 5 percentage points greater than underwritten
58.6% had actual rent loss less than underwritten

Commercial and Other Income Performance
67.1% had actual commercial / other income greater than underwritten
20.0% had actual commercial / other income below underwriting by $50 PUPM or more

Effective Gross Income Performance
On average, EGI was 9.9% higher (lower) than underwritten*

Operating Expense Performance
On average, expenses were 16.2% higher (lower) than underwritten*
12.9% had lower operating expenses than underwritten
On average, expenses were $4,563 PUPA (underwritten)
and $5,025 PUPA (actual)
On average, administrative expense was 30.7% higher (lower) than underwritten*
On average, utility / trash expense was 32.7% higher (lower) than underwritten*
On average, O&M expense was 21.6% higher (lower) than underwritten*
On average, insurance expense was 45.7% higher (lower) than underwritten*
On average, real estate taxes were 31.6% higher (lower) than underwritten*

Net Operating Income Performance

On average, NOI was	5.9%	higher (lower) than underwritten*
On average, NOI was	$2,058	per unit per year (underwritten)
and	$2,179	per unit per year (actual)

4.3% had negative NOI
54.3% had actual NOI greater than underwritten
8.6% had actual NOI at least $2000 per unit greater than underwritten
45.7% had actual NOI lower than underwritten
7.1% had actual NOI at least $2000 per unit lower than underwritten

Operating Cash Flow Performance

On average, Cash Flow was	-6.8%	higher (lower) than underwritten*
On average, Cash Flow was	$932	per unit per year (underwritten)
and	$869	per unit per year (actual)

51.4% had actual operating cash flow greater than underwritten
8.6% had actual operating cash flow at least $2000 per unit greater than underwritten
48.6% had actual operating cash flow lower than underwritten
7.1% had actual operating cash flow at least $2000 per unit lower than underwritten
25.7% had negative operating cash flow in 2004
2.9% had negative operating cash flow in 2004, above $100 per unit per month
0.0% had negative operating cash flow in 2004, above $200 per unit per month

Sustainability Gap

52.9% had no sustainability gap
32.9% had a sustainability gap exceeding $5,000 per unit
47.1% are sustainable without needing a refinance or debt restructuring
5.7% are sustainable via refinance but not via debt restructuring
0.0% are sustainable via debt restructuring but not via refinance
0.0% are sustainable via either debt restructuring or refinance
47.1% have a sustainability gap that cannot be eliminated via internal financial resources

Expiring-Use Analysis

42.9% have current value (assuming continuation of affordability) that exceeds hard debt by $5000 per unit or more
5.7% have current value (assuming continuation of affordability) that exceeds hard debt by $25,000 per unit or more
$4.0 million estimated funds to exercise nonprofit GP options to purchase (15 properties)
$1.4 million to cover the sustainability gap
$2.2 million to cover the option exercise price
$0.4 million to cover transaction costs

* Average of percentage variance for the sample portfolio. This will not agree with Table 3.5.A, which uses a different calculation. That is, this sheet reports the average of the variances, and Table 3.5.A reports the variance of the average dollar amounts.

Appendix 5: Costs to Preserve The Expiring-Use Portfolio

(Funding that the Nonprofit GP Would Have to Assemble, to Exercise its Option and Achieve Sustainability)

#	Property Name	Number of Units	Cash Option / Unit	Sustainability Gap Per Unit	Other Costs Per Unit	Cash to Close, Per Unit	Cost Category
7	Abbott Block	19	$2,209	$5,107	$1,050	$8,367	Moderate
11	Battenkill Drive	8	$5,000	$11,589	$2,536	$19,125	High
13	Bristol- New construction	9	$6,696	$239	$2,206	$9,141	Moderate
14	Caledonia Housing Partnership	28	$5,000	$3,969	$710	$9,679	Moderate
18	Congress & Park Streets	12	$5,000	$5,243	$1,674	$11,917	Moderate
25	Franklin Homestead Elderly Hou	23	$5,000	$2,278	$853	$8,130	Moderate
41	Mountain View Apts (1989)	72	$5,000	$0	$278	$5,278	Low
42	Newport, Derby Line Scattered	22	$5,000	$7,184	$907	$13,091	High
43	North Branch Apts (Elm St/Barr	39	$5,000	$11,313	$508	$16,821	High
46	Pine Meadow Family Housing	30	$5,000	$6,451	$682	$12,133	Moderate
52	Salmon Run	80	$9,207	$0	$250	$9,457	Moderate
58	Spring & Elliott Street	16	$0	$0	$1,250	$1,250	Low
60	Thayer House/Brandon	9	$5,000	$5,609	$2,169	$12,778	High
64	Tricor Village Apts.-Swanton	16	$5,000	$0	$1,250	$6,250	Low
66	Waterbury Housing & Senior	14	$5,000	$13,332	$1,454	$19,786	High
15	Properties	397	$4,874 average	$4,821 average	$1,185 average	$10,880 average	

#	Property Name	Number of Units	Cash Option	Sustainability Gap	Other Costs	Cash to Close
7	Abbott Block	19	$41,968	$97,042	$19,958	$158,968
11	Battenkill Drive	8	$40,000	$92,708	$20,292	$153,000
13	Bristol- New construction	9	$60,267	$2,147	$19,853	$82,267
14	Caledonia Housing Partnership	28	$140,000	$111,124	$19,876	$271,000
18	Congress & Park Streets	12	$60,000	$62,915	$20,085	$143,000
25	Franklin Homestead Elderly Hou	23	$115,000	$52,383	$19,617	$187,000
41	Mountain View Apts (1989)	72	$360,000	$0	$20,000	$380,000
42	Newport, Derby Line Scattered	22	$110,000	$158,055	$19,945	$288,000
43	North Branch Apts (Elm St/Barr	39	$195,000	$441,193	$19,807	$656,000
46	Pine Meadow Family Housing	30	$150,000	$193,542	$20,458	$364,000
52	Salmon Run	80	$736,580	$0	$20,000	$756,580
58	Spring & Elliott Street	16	$0	$0	$20,000	$20,000
60	Thayer House/Brandon	9	$45,000	$50,479	$19,521	$115,000
64	Tricor Village Apts.-Swanton	16	$80,000	$0	$20,000	$100,000
66	Waterbury Housing & Senior	14	$70,000	$186,642	$20,358	$277,000
15	Properties	397	$2,203,815	$1,448,229	$299,771	$3,951,815

Summary by Cost Category (High Cost = $12,500 per unit or more, Low Cost = $7500 per unit or less)

5 High	7 Moderate	3 Low
33% High	47% Moderate	20% Low

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia M. Loller, Director of Administration

DATE: January 30, 2007

RE: **Software Analysis Recommendation**

Action Requested:

Board Approval of staffs' recommendation for the upgrade/purchase of the Agency's core software application for an amount not to exceed $390,000.

Overview:

In December 2005, the Board was presented with a request for conceptual approval to pursue the required analysis for the possible replacement of our core software application (Mitas). For several years we have been concerned about our system functionality (current and future) and as well have had customer service issues with Mitas. We felt it was time to explore all the options available to suit out IS needs.

Since that time, staff developed and mailed a very detailed RFP to three organizations known to us to be the primary software providers for HFA's. Many of the larger HFA's have in house systems. The staff did also review and entertain the option of working with NCSHA's Open Source Group, as well as, partnering with New Hampshire Housing Finance Agency with their in house developed products. After review of these two options, it was determined that neither would fulfill the needs of the Agency at this time or in the foreseeable future.

Below is an outline of our review process, which includes an analysis of our findings and a recommendation for the Agency's software needs going forward.

Review Process

RFP

Rick Jean, IS Manager, along with many Agency staff developed an RFP that addressed all facets of the Agency's core software application systems (Single Family, Servicing, Multifamily, Finance). The RFP was sent to The Mitas Group, Housing Development Software (HDS) and Emphasys Software (formally AOD). All recipients responded by the August 25th deadline.

Demonstrations

Once the proposals were received, each vendor conducted multiple demonstrations of their modules for Agency staff (via webinars and in person visits). These demonstrations occurred from September 30th through the mid-December and numbered in excess of 15. In addition to participating in the demonstrations, staff prepared questions from the RFP responses for each presentation and also drafted follow up questions/issues after the presentation.

Evaluation

As demonstrations were completed, it became clear that some of the modules would not meet the needs of the Agency, either because the product was not fully developed or the product performed differently than the way the Agency does business (and for business reasons it does not make sense to change our process).

Staff entered the review process knowing that we might have a 'Best of Breed' solution (the best products in the market for that module – regardless of the vendor), which would require additional interfacing among different vendors products. This approach brings its own set of challenges, as you need to have either in house technical expertise or easily accessible outside partners to assist with the interfacing issues when they arise. Keeping this in mind, Senior Management decided that it made sense for the Single Family, Servicing and Finance modules to reside with the same vendor. The Multifamily modules could stand alone with little or no impact on the other applications.

The next decision was to identify the best modules and then identify what additional benefits these modules would bring to the table. There were some clear front runners. For Multifamily, HDS provided the most user friendly and functionally sound product. The functionality was the best fit for how the Agency does business, unlike the Mitas modules, which would require substantial customization to meet Agency needs.

For the Single Family, Servicing and Finance modules the HDS products are not mature enough to be considered as a viable solution. Emphasys offered some new/different functionality for these respective modules and had an attractive front end Web application. However, the cost to license the Emphasys software, in addition to the expense of staffs' time associated with a full data conversion far out weighted the benefits gained over remaining with the Mitas and upgrading to the new releases.

Seeing that HDS is not functionally suited and Emphasys is very expensive given the benefits over Mitas, the recommendation is to move ahead with Mitas for the Single Family, Servicing and Finance Modules. Though we still have reservations regarding Mitas' customer service, our options are a bit limited. We will do our best to ensure the contract is as inclusive as possible and then manage the process very closely. As an added note, Mitas had stated in the fall of 2005 that they would not move to an SQL or Oracle platform in the foreseeable future. Since that time they have made a change in strategic direction and will include with their 2007 Release an SQL option.

Once we have Board approval, we will pursue due diligence for any new purchases with conference calls and possible site visits.

Recommendation

The Agency's recommendation is to:

- Purchase HDS Multifamily suite of modules for the Multifamily systems
- Upgrade the Agency's current Mitas modules for Single Family, Servicing, and Finance to the 2006 Release (many of the issues with the 2004 release have been fixed in the 2006 release)
- Purchase newly developed Workflow and Toolkit Mitas modules, which are required for the 2006 Mitas release.
- Conduct process review sessions with Mitas staff to ensure efficient utilization of the software and benefit from the 'best practice' experience and successes at other HFAs. This will require additional Mitas visits (estimating 3 additional visits – one per module).
- The project will be funded from the Agency's fund balances

Justification

Past Mitas Expenses Minimal

VHFA's expenses over the past 7 years have been artificially low, as the Mitas system was fully depreciated years ago and the annual maintenance expense was the Agency's only *annual* Mitas software related expense. The Agency has made in the vicinity of $20,000 in one-time customizations over the past 14 years. This is the only investment in our core software applications since 1992 when we made our original investment of $157,200 (96,000 for the software, $35,200 for training, data conversion and implementation and $26,000 for customizations).

The staff has done an incredible job of creating workarounds to address the software's shortcomings, but it is time for the Agency to make another sizable investment if the Agency is to have the ability to adapt to the quickly changing business environment.

Multifamily

The HDS suite of Multifamily modules is an excellent package. It offers the flexibility needed to address the nuances of each project. The Section 8 module is the premier module in the country, with over 90% of HFAs utilizing this product. The Agency is leasing this product for one year, as we needed a replacement for our HUD reporting (TRACS) system. Should the Agency purchase the additional MF modules, we will receive a credit for the one year lease toward the purchase ($8,125).

The HDS MF modules will also allow for efficiencies as the Agency continues to add to its tax credit projects. The on-site laptop software will allow staff to enter data during visits and simply download the information to the system once they return to the office. The system also has a web interface that will allow the managers and owners to input their annual audit and budget information. This will eliminate duplicate data entry and substantially delay the need for future staff increases in the Asset Management area.

Mitas

As noted over the years, working with Mitas is never boring and frequently can be quite the challenge. To that end, we recognize that some of our concerns around customer service are still very real; however, we are approaching this project with the attitude that this can and will work for the Agency. Management will be committed to a process for escalating issues to Mitas when the need arises and/or providing the resources to allow staff to develop workarounds to meet the

Agency's business needs. Our goal is to work toward proactive management of the Agency's software issues, vs. having to be reactive to software inefficiencies.

Our plan is to take an open-minded approach to adapting the Agency's processes to work with standard Mitas functionality. This will reduce the cost of customizations and will also facilitate less complex upgrades in the future.

Cost Analysis

A Cost Analysis Summary is attached. The summary outlines the different options available to the Agency. Below are the descriptions for the various options.

Option 1 – Upgrade Mitas – for All Modules

As you may recall, we suspended any upgrades to the Mitas system in the fall of 2005 when the Agency decided to pursue alternatives for our core software applications. This was prompted by the significant issues associated with implementing the Mitas 2004 Release. Mitas has since released the 2006 Release, which means the Agency is two releases behind.

With the 2006 release we need to purchase a new product this is integrated with the release called the Toolkit and Workflow module. This module has added more functionality to the current system and interfaces with new functionality of the 2006 Release. This is the $15,000 listed in the Purchase column. As with any new purchase, the maintenance will increase and there will be associated training and implementation expenses (Maintenance and One-Time Costs columns). Also included in the One-Time cost column is a staff expense for hiring a temporary position for populating the MF Mitas system more fully - $15,000. ***This option is the barebones minimum.***

Option 2 – HDS (MF)with NO Customizations – Upgrade only

This option is the same as the first Mitas option, however, the Multifamily (MF) pieces are removed and the HDS pricing is added. The Mitas upgrade for the remaining modules would be to the minimum level. $25,000 has been added to all HDS options for data conversion. No estimate was provided by HDS for the project, just hourly rates.

Option 3 – HDS and Mitas WITH Customizations

This option includes the HDS MF modules, and the remaining Mitas modules with *customizations,* which will allow for increased automation of current processes, most of which staff has created workarounds for in the past. This option also includes process review sessions with Mitas for each module to ensure efficient utilization of the software and benefit from the 'best practice' experience and successes at other HFAs.

Option 4 – HDS and Emphasys

This option includes HDS for the Multifamily suite and Emphasys for Single Family, Servicing and Finance modules. As noted earlier, HDS' Single Family and Servicing modules were not mature enough to consider for VHFA's purposes and Emphasys' MF modules are very antiquated, though they are in the process of developing new modules.

Staff Expense

As we discussed with the Board in the fall, the Multifamily Development and Asset Management departments were in need of additional support for the software evaluation project and ongoing operational support. This project highlighted the ongoing need for more capacity in this area than we have had in the past. As a result, Kim Roy was promoted to Assistant Director of Multifamily Programs, similar in nature to the Assistant Director of Homeownership (Jacklyn Santerre). She will take on the role of subject matter expert (SME) with regard to IS and operational initiatives for the Multifamily departments. A new Management Officer position has been added to take on a large portion of Kim's portfolio and other responsibilities transferred from the Operation Specialist position.

The Finance department will also be in need of some relief in this area, but at this time the plan is to hire temp staff through the end of March (which is in the current budget). By the time we start the budget process, Finance will have a clearer idea of its needs as we move forward with this project and the plan will be to include any needs in the 2008 Agency budget.

Contract Negotiations

The Agency's current annual maintenance expense for Mitas and TRACS (HUD) software is $33,000. As you will see in the cost analysis, the recommended new annual maintenance expense (Option 3) will be a little more than double this amount at $68,556; the purchase of new modules and customizations is $174,500; one time costs for implementation, training and data conversion is $157,120. There may also be an expense in interfacing HDS to the Mitas system should it make sense to pursue that option – this cost is unknown at this time.

Once we have approval from the Board, we will commence contract negotiations with Mitas and HDS. As more in depth discussions occur during this process, it is likely that there will be additions and deletions to the numbers as presented in this proposal. It is anticipated that there will also be other expenses related to project administration that are hard to measure at this point. Given the contract negations and added administrative expenses, the Board request was higher than the stated cost analysis figures - for 'an amount not to exceed $390,000'.

Conclusion

Staff is very excited about the prospect of updating the Agency's software systems with more current and functional products. As mentioned earlier, the Agency has had core application software expenses that have been artificially low for 7 or 8 years and it seems this is the right time to make the needed investment to help VHFA remain flexible enough to meet our quickly changing business needs.

Software Evaluation Cost Analysis Summary
January 30, 2007

Option 1 - Upgrade Mitas - for ALL Modules

Vendor	Purchase Price	Annual Maintenance	One Time Costs	Comments
MITAS	$15,000	$33,000	$67,000	Purchase Toolkit module for 2006 Release; Maint. Includes current maintenance and additional for new Toolkit; One-time costs include Toolkit implementation and data conversion, MF data input expense, training on each module.
TOTAL	**$15,000**	**$33,000**	**$67,000**	**$82,000**

Option 2 - HDS (MF) and Mitas (No MF) with NO customizations - upgrade only

Vendor	Purchase Price	Annual Maintenance	One Time Costs	Comments
HDS	$139,000	$27,900	$65,020	Conversion cost is an estimate as no quote given for this
MITAS	$15,000	$33,000	$42,000	Same as above, but MF training and data input removed
TOTAL	**$154,000**	**$60,900**	**$107,020**	**$261,020**

Option 3 - HDS and Mitas WITH customizations

Vendor	Purchase Price	Annual Maintenance	One Time Costs	Comments
HDS	$139,000	$27,900	$65,020	Conversion cost is an estimate as no quote given for this
MITAS	$41,000	$40,656	$76,000	Includes customizations and software review by Mitas
TOTAL	**$180,000**	**$68,556**	**$141,020**	**$321,020**

Option 4 - HDS and Emphasys

Vendor	Purchase Price	Annual Maintenance	One Time Costs	Comments
HDS	$139,000	$27,900	$65,020	
Emphasys	$216,400	$60,900	$125,600	
TOTAL	**$355,400**	**$88,800**	**$190,620**	**$546,020**

Maintenance Price Increase per year Mitas and Emphasys 5% and HDS 10%

Maintenance Year	All Mitas Modules Upgrade Only	HDS & Mitas Upgrade Only	HDS & Mitas w/ Customizations	HDS & Emphasys
1	$33,000	$60,900	$68,556	$87,200
2	$34,650	$65,340	$73,379	$92,955
3	$36,383	$70,142	$78,582	$99,137
4	$38,202	$75,337	$84,199	$105,782
5	$40,112	$80,960	$90,266	$112,928

CARSEY INSTITUTE

FACT SHEET NO. 1

WINTER 2007

The Declining Young Adult Population in New England

ROSS GITTELL

New England's economic future will shape and be shaped by demographic trends in the region, and there are some disturbing patterns emerging showing a decline in the young adult population. Businesses need a dynamic labor force that includes a pool of young adult workers. Young adults also make the region a vibrant and interesting place to live, contributing to cultural, intellectual and social life. And young families support local schools and demand a strong educational system.

New England lags significantly behind other U.S. regions in population growth, and is losing its youth.

Data recently available from the US Census American Community Survey suggest a troubled demographic profile emerging throughout the New England states. The region's population has grown less than the national average over the last 15 years, increasing 8 percent compared to an 18 percent increase nationally from 1990 to 2004. In all age cohorts New England's growth lags the national average, but the

POPULATION CHANGE OF AGES 25–34 BY STATE.

Rank	State	1990–2004 Percentage Change Ages 25–34	1990 Population Ages 25–34	2004 Population Ages 25–34
1	Nevada	60%	222,027	354,894
2	Utah	45%	274,898	399,210
3	Arizona	31%	634,899	830,117
4	Idaho	21%	152,800	184,610
5	Colorado	17%	611,849	717,277
6	Georgia	16%	1,174,896	1,363,671
7	Oregon	12%	451,544	505,997
8	North Carolina	9%	1,143,875	1,241,888
9	Texas	8%	3,086,171	3,335,725
10	Tennessee	2%	812,321	828,111
41	Rhode Island	-20%	173,624	139,077
42	Massachusetts	-20%	1,101,361	880,404
43	Maryland	-21%	900,098	710,846
44	North Dakota	-23%	104,015	80,531
45	Pennsylvania	-23%	1,912,456	1,471,113
46	Vermont	-27%	95,257	69,580
47	New Hampshire	-27%	204,823	148,953
48	Alaska	-28%	112,965	81,152
49	Maine	-29%	205,235	145,686
50	Connecticut	-30%	583,882	409,393
	United States	**-7%**	**43,175,932**	**40,031,938**

**Data collected from the US Census Bureau http://www.census.gov/popest/datasets.html*

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UNIVERSITY of NEW HAMPSHIRE

This brief is part of a series of Carsey Institute *Reports on Changes in New England.*

most alarming change is in the 25–34 year old group. The population in this "young adult" age cohort in New England declined nearly 25 percent (24.2 percent) from 1990 to 2004. This compares to the national average decline of 7 percent.

All the New England states are among the bottom 10 of the 50 states in population change in this important cohort and all the states in the region have lost one-fifth or more of their young adult populations. The decline in young adults in the New England states contrasts sharply with the greater than 10 percent growth in this cohort in seven of the Western Mountain, Northwest and Southeast States—Nevada, Utah, Arizona, Idaho, Colorado, Georgia and Oregon.

This loss of young adults has occurred throughout the region. Of the 67 counties in New England, every one except for tiny Nantucket county in Massachusetts experienced some decline in the young adult cohort.

BOTTOM 10 NEW ENGLAND COUNTIES IN POPULATION GROWTH FOR AGES 25–34, 1990–2004

County Name	State	1990–2004 Percentage Change for Ages 25–34
Aroostook	ME	-52%
Windham	VT	-41%
Newport	RI	-41%
Piscataquis	ME	-40%
Bennington	VT	-38%
Rutland	VT	-38%
Rockingham	NH	-38%
Coos	NH	-38%

What are the causes—and consequences—of the demographic changes?

Some of the causes of the population changes in New England are attributable to predictable demographic shifts, while other factors are less well understood. Clearly the decline in the young adult population in New England can be attributed in part to the aging of the large baby boom population, those born between 1946 and 1964. In 1990, more than half of New England baby boomers were in the 25–to–34 year old age cohort. In 2004, these baby boomers were no longer young adults. This explains part of the decline in the region, and we know that the aging of the baby boom generation is a primary cause of the overall decline in the percentage of young adults in the nation as a whole.

What is less well understood is why the distribution of the young adult age cohort is so unequal across different regions. Why do some of the Mountain, Northwest and Southeastern states have positive growth rates of 20 to 60 percent in the young adult age group while New England has double-digit decline? The dramatic differences suggest that New England is not "attractive" to young adults, but what factors contribute to young adults' preference for one region over another? What is the relative importance, for instance, of factors such as costs of living? What role do housing or energy costs play in the choices made by different age cohorts? Are certain types of jobs or environments more desirable by people of different ages? How do current "myths" about some regions being more youth-oriented and youth-friendly than others influence the changes we have seen in recent years? We do not yet have answers to questions like these and more research and analysis is needed.

Whatever the causal factors turn out to be, however, the consequences of the demographic changes are substantial and suggest leaders in the region need to pay attention to these trends. The decline of the young adult population in New England has significant implications for the future labor force, economy and character of the region. Younger workers provide the economic foundation for the future strength and resilience of the region's businesses. They provide a critical pool of hard working, entry level workers for businesses in all industries, and often bring fresh ideas, new skills, and energy to the workplace. They make the region more interesting, more dynamic and can be a magnet that attracts others to come and visit and live in the region, both young and old. The region will struggle to achieve significant employment growth and new industry and business development without an adequate pool of young workers, and the imbalanced growth in the older population leaves the region vulnerable to a host of health and elder care costs without the productive base to support them.

The author thanks Tim Lord for his research assistance.

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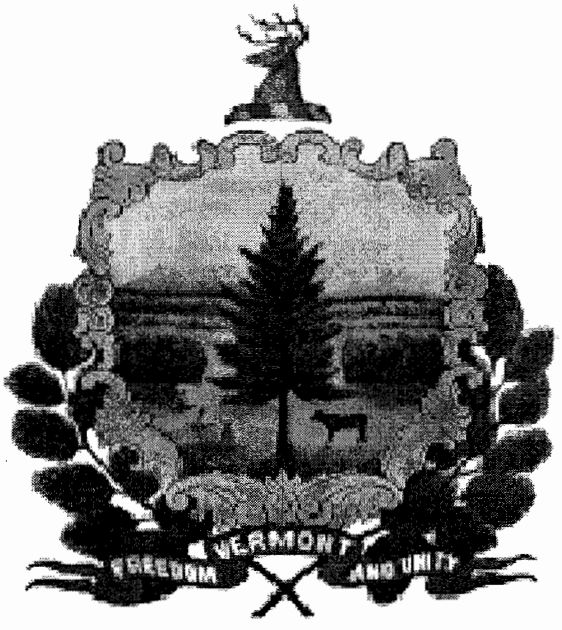
Vermont Housing Budget
And
Investment Report

to the

House Committee on
General, Housing, and Military Affairs
and the
Senate Committee on
Economic Development, Housing & General Affairs



Prepared by

The Department of Housing and Community Affairs

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I. Introduction

In accordance with Act 189 Section 12 (2005-2006 Legislative Session) Vermont Housing Budget and Housing Investment Reports, the Department of Housing and Community Affairs (DHCA), in cooperation with the Vermont Housing and Conservation Board (VHCB), the Agency of Human Services (AHS), the Vermont Housing Finance Agency (VHFA), and the Vermont State Housing Authority (VSHA) has prepared the Vermont Housing Budget and the Vermont Housing Investment Report.

The report includes:

1) The Vermont Housing Budget--a combined 2007 budget of state housing dollars in excess of $50,000;

2) The Vermont Housing Investment plan which identifies areas of the state that face the greatest housing shortages and describes planned investments in single-family housing, mobile homes, multifamily housing and housing for homeless persons, and housing for persons with special needs;

3) Recommendations for approaches that maximizes the use of available state and federal resources and strategies to improve coordination among state, local and regional housing providers to address identified housing shortages; and

4) A description of the Vermont housing agencies' principal roles and programs.

The DHCA is committed to having a strong role in coordinating housing policy through the development of the Consolidated Plan and enhancing cooperation among the many housing organizations throughout the state. While DHCA does have direct administrative oversight of some funding programs that have housing components, such as the Community Development Block Grant program (CDBG), its purview over many other sources of housing funding is limited by statute and federal regulations. DHCA relies on board representation and strong working relationships with the other housing organizations in the state to assure the efficient expenditure of state funds appropriated for housing development.

Challenges to Meeting the Affordable Housing Need in Vermont

There are a number of challenges confronting the state regarding the provision of affordable housing including but not limited to the following:

- The unmet need is very large. The Vermont Housing Needs Assessment 2005-2010 estimated the number of affordable apartments for Vermont's low-income renter households falls short of demand by about 21,000 units. This same report

projects a need for the construction of 12,300 new owner-occupied homes to meet the total expected demand in 2010.

- Much of the existing housing stock is old and in need of some level of rehabilitation. Almost 1/3 of our housing stock (78,000 units) was built prior to 1939 and is now over 60 years old. Preserving this existing housing stock in a cost efficient way is vitally important.
- The cost of developing and preserving affordable housing is escalating. While five years ago an affordable housing project was considered expensive if its total cost reached $130,000 per unit, now it is not unusual to have projects costing $200,000- $250,000 per unit (See chart page 19)
- Affordability for all new housing production is largely achieved through the use of public funding. While this eliminates most if not all conventional debt on these projects, it limits the availability of funds to the level of annual appropriation (about $38 million annually; see chart page 17). Without the availability of conventional funding, the rate of production per year at the current cost per unit is less than 300 units annually. This rate is insufficient to make a net gain on the ever increasing need.
- A substantial shortfall in capital reserves exists for many existing affordable housing projects. Repairing these projects where capital reserves are insufficient will further reduce the availability of public funds for new, affordable housing projects.
- Mobile homes, which compromise nearly 8% of Vermont's housing stock (over 22,600 units), present vexing issues. These include the fact that many mobile home parks have deteriorating infrastructure that is cost prohibitive to correct. Also, because mobile homes are not legally identified as "real property" the potential for equity appreciation for those that own their mobile homes is slim.
- Vermont's water and sewer infrastructure is limited. In order to create new housing units, adequate and reliable water and wastewater systems must be available. The challenge is that the availability of municipal services is limited and Vermont's geography limits the land area that can accommodate septic systems.
- Universal Jurisdiction as of July 1, 2007. As a result of Act 133 of the 2001 adjourned session the Agency of Natural Resources (ANR) will have jurisdiction over all failed water and wastewater systems in the state, with the exception of those few municipalities that adopt their own standards(currently only one), on July 1, 2007. ANR estimates that 1,300 septic systems fail annually and the total annual cost to repair or replace these systems to proper performance standards could reach $30 million ($10,000-$30,000 per system). Many of these households will not have the economic resources to afford the required systems and will need assistance through grants or low cost loans.
- Demographic shifts facing Vermont. We are an aging state- the Census data tells us that the proportion of Vermont households with household members over 62 years of age is growing at a rate almost double the rate of all households. In fact, the fastest growing group between 2003 and 2013 will be the eldest, those 85 years and older. The total number of households is also projected to expand and

these will be smaller households due in part to the impact of the housing demand by the growing senior population.

- Coordinating the many agencies and organizations for which "affordable housing" is a core mission. Clearly one of the strengths of Vermont's affordable housing delivery mechanism is the fact that there are numerous state, regional and local organizations (which often include individual governing or advisory boards), as well as private developers, involved in creating and preserving housing. This type of decentralized structure leads to challenges, however, in terms of setting priorities and coordinating the efforts of the many players in the housing field.

The following report will include strategies and objectives that have been implemented, are under consideration for implementation, or proposed to meet the above-listed challenges head on.

II. Funding Affordable Housing

Affordable housing projects in Vermont are primarily pursued and developed by a decentralized group of local/regional non-profit community based organizations spread across the state. These organizations rely on funding from a mix of mostly government resources to get projects constructed.

The largest financial resource and routinely the largest funding component of any given affordable housing project is provided from tax shelter induced investment through the Federal Low Income Housing Tax Credit (LIHTC) program ($16-18 million annually). The LIHTC is administered by VHFA. VHFA often provides loans for multi-family housing projects in conjunction with the allocation of federal housing tax credits. VHFA also administers a number of funding programs for homeownership development. Another resource brought to bear in many affordable housing projects is the Federal Home Loan Bank of Boston's Affordable Housing Program (AHP).

The most common federal resources brought to projects include two federal Department of Housing and Urban Development (HUD) sources: HOME, which is administered by VHCB, and the Community Development Block Grant (CDBG), which is administered by DHCA under the program name the Vermont Community Development Program (VCDP). VCDP funds are available to all municipalities with the exception of Burlington which gets funds directly from HUD. Other federal resources which are targeted to specific housing types include HUD 811 (housing for people with disabilities), HUD 202 (housing for the elderly), Rural Development 515 (multi-family rental housing production), HUD Emergency Shelter Grant (ESG) program and HUD Special Purpose Grants obtained by the Vermont Congressional Delegation.

The state's funding resources for affordable housing resides in three agencies: VHCB, the Agency of Human Services (AHS) and DHCA. The primary state support for housing development comes from a portion of the property transfer tax which by statute is dedicated to VHCB. In a typical year VHCB receives approximately $7-$8 million in dedicated funds to support housing development. This is the only direct state funding that supports the costs of building affordable housing units. Other less direct sources of state financial support for affordable housing include the state tax credit for affordable housing administered by VHFA, the Charitable Housing Investment Tax Credit, administered by DHCA, and the Downtown Program tax credits available for historic façade and code improvements also administered by DHCA.

Additionally, approximately $6 million in state general fund dollars supports programs of the departments of the Agency of Human Services to assist in supporting their clients, including temporary shelters, temporary rental assistance, and promoting aging in place. DHCA receives approximately $150,000 in general and special fund revenue to support their policy development functions as well as the Department's responsibilities under the mobile home park program. (See Appendix A. Housing Investment Plan).

Local funding resources include funds from municipal revolving loan funds which may be contributed to a project in the form of a loan or grant. The majority of these local revolving loan funds were initially capitalized with federal HUD funds for community development projects.

III. Leverage

Sources of leveraging are limited and include grants, amortizing, non-amortizing and forgivable loans, federal earmarks, and tax credits. Tax credits induce banks and other investors to purchase a dollar's worth of tax credit against tax liability for less than one dollar in investment. Therefore, for every dollar "invested" through tax credits, the tax credit authority, state or federal, subsidizes the investment by some percentage, generally less than 10%. In the end, an equal but direct appropriation to housing would actually be about 6-10% less expensive than the existing tax credit programs.

As the attached chart in the Investment Plan shows (See page 18.), there is currently approximately $38 million of state and federal funds available for the development of housing projects in Vermont. Until new funding sources are developed and/or discovered, $38 million is our dependable leveraging capacity. The production of affordable housing also creates jobs and encourages neighborhood revitalization which is less easily quantifiable but an important indirect benefit.

Alternative government subsidized loans are provided through programs such as HUD "811" (housing for people with disabilities), HUD "202" (housing for the elderly), and Rural Development "515" (multi-family rental housing production).

The Low Income Housing Tax Credit program raises approximately $16-$18 million annually. However, that program only raises 50%-60% of the cost of development. Matching state funds enable full utilization of the program especially outside of Chittenden County. This is also the case with the Community Development Block Grant program, a federally funded program administered by the Department of Housing and Community Affairs. Program awards are capped at $750,000 each, a level that is far below what is necessary to cover the complete cost of an affordable housing development. Again, state funds often provided through VHCB supplement the federal programs that make up the largest percentage of funding for most all projects.

Federal historic tax credits, not a resource designed to create affordable housing is used in Vermont for affordable housing at a level far greater than in most of the rest of the country.

Vermont receives approximately $4 million annually from HUD's HOME program and has received between $500,000 and $1 million annually for the past from HUD's Lead Paint Hazard Reduction Program. HOME requires a state match of 25% and the Lead Program requires a 10% state match.

Avoided Costs

Some of the state's investment in affordable housing helps to serve the lowest income, most vulnerable people. Should these people not be housed in a secure, affordable, often service supported environment, the alternative in many cases would be institutionalization or homelessness. The avoided costs of those alternatives are substantial. Estimates from the Agency of Human Services indicate that the cost of housing an individual in one of the state's institutions can be as high as $819/day.

Rental Assistance

Most affordable housing developments have at least some federally funded rental assistance either through Rural Housing Services or HUD Section 8 contracts. This rental assistance allows enrolled families to pay no more than 30% of their income for rent. These contracts have an average value of $5,000 for each household.

IV. Agency Coordination To Maximize The Use Of Available State And Federal Resources

Each of the four major housing agencies, the Department of Housing & Community Affairs (DHCA), the Vermont Housing Finance Agency (VHFA), the Vermont State Housing Authority (VSHA), and the Vermont Housing & Conservation Board (VHCB) plays a unique and well-defined role in the production, rehabilitation, financing, and subsidy of housing for a broad spectrum of low and moderate income Vermonters. These agencies work together, with federal housing agencies – HUD and USDA Rural Development – and with departments of the Agency of Human Services, to create a delivery system that leverages the maximum amount of federal dollars available to Vermont. **(See Appendix B for chart of the state housing agencies interrelationships and Appendix C for descriptions of state housing agencies in Vermont.) Specific efforts to enhance coordination between the housing agencies include the following:**

Consolidated Housing Application

In an effort to further improve coordination between state agencies and provide a quicker and more streamlined application process for project developers/applicants, the three major housing funders: VHCB, VHFA and DHCA have been working on the development of a common housing application. This new application will be a major improvement as it will allow applicants to fill out a single application to access three funding sources and the funders will have consistent information which will help to coordinate and expedite the application review. To further simplify the application submittal and review process, these same funding organizations are in the process of developing common underwriting guidelines. It is anticipated that both the common housing application and common underwriting guidelines will be in place in the next few months. DHCA is also in the process of implementing a web-based on-line application

system which will be used by all VCDP applicants starting in January 2007 and other grant programs shortly thereafter. The on-line application system will greatly increase the efficiency of our application process for clients.

Shared Compliance Monitoring

The three agencies, VHCB, VHFA and DHCA, are also working to streamline and consolidate their project monitoring. Because all three agencies administer federal funds they are required to ensure compliance with federal law and regulations pertaining to each specific funding source. It is possible that instead of all three agencies making three separate monitoring visits for a given project, one visit will be coordinated to cover all pertinent compliance areas. This has the potential for significant time and cost saving for the funding agencies as well as for the project grantees/developer(s).

All Players Project Meetings

Since the majority of housing projects being developed need to tap the funding resources of many organizations such as DHCA, VHFA USDA RD and VHCB, the project developers are strongly encouraged to schedule a site visit and meeting of all the potential players having a role in the project as early as possible in the project development. These "all players" project meetings allow for the project developer(s) to hear the myriad of questions/issues from the funding agencies at one time and provide critical information regarding the timing and readiness of a project.

Housing Council

The Housing Council was established by Executive Order in 1995 to coordinate and oversee implementation of the state's housing policy, to evaluate housing services, and to be a resource to housing providers in their efforts to supply decent and affordable housing for Vermonters. Members of the Housing Council include representatives from:

> DHCA; VSHA; VHFA; VHCB; Agency of Human Services; the Governor's Office; Vermont Association of Public Housing Directors; Joint Housing Committee; U.S.D.A. Rural Development; Labor & Industry; the Division for Historic Preservation; and representatives of the three following interests: nonprofit housing provider, private sector housing providers, and a low income advocate.

The Housing Council meets bi-monthly and is the primary coordinating tool for the state's housing entities. Subcommittees of the Housing Council have several successful accomplishments, including the Northwestern Vermont and Upper Valley housing studies, the statewide Housing Awareness Campaign, and the 2006 Analysis of Impediments to Fair Housing Choice in Vermont. **(See Appendix B for chart and Appendix C for descriptions of state housing agencies in Vermont.)**

Consolidated Plan—Uniform Direction

The delivery of funding for affordable housing in Vermont is directed by the Consolidated Plan for Housing & Community Development (Con Plan), updated annually by DHCA with input from an Advisory Committee representing a broad spectrum of the housing, economic development, and human service communities. The Con Plan sets forth priorities for the state in spending federal (HUD) housing and community development funds. The Con Plan priorities are closely mirrored by the priorities adopted by VHCB for spending trust fund dollars on affordable housing developments and by the Joint Committee on Tax Credits for allocating the federal low income housing tax credit.

The current Con Plan, which covers program years 2005-2010, kept in place two overarching priorities from the previous 5-year plan – emphasis on development in downtowns and growth centers and striving to achieve perpetual affordability through the use of mechanisms which produce housing resources that remain affordable over time. Besides keeping in place these existing priorities, the new 5-year Con Plan sets forth some new priorities which include the following: (1) increasing the supply of affordable and workforce housing; (2) expanding the delivery of scattered site housing rehabilitation services statewide to preserve our existing housing stock; and (3) focusing on remediating and reusing brownfield sites with the highest priority for re-use being housing or economic development projects that principally benefit low or moderate income households.

The specific priorities relating to housing in the current 5-year Con Plan include: (1) housing families and individuals at low income levels with a preference for those with very low incomes including the homeless and people with special needs, (2) fulfilling the objectives of the Ten Year Plan to End Chronic Homelessness, (3) preserving and improving existing mobile home parks, (4) addressing the deterioration of the existing housing stock through acquisition, preservation, and rehabilitation, (5) demonstrating leverage of resources and cost effectiveness, (6) addressing the current and future need for accessibility modifications to serve those with physical disabilities, (7) enhancing opportunities to sustain and increase homeownership, (8) addressing the need for new in-fill family rental units in communities with tight housing markets, (9) accomplishing mixed income developments, including shared housing and (10) furthering fair housing opportunities.

The 2006/2007 Action Update to the 5-year Con Plan added two new housing-specific priorities: (1) making elderly housing a priority in regions where the Housing Needs Assessment identifies a need for low-income elderly housing; and (2) Allowing HOME funds to be used for rental subsidies when required by cuts in federal funding or as may be needed to help address an increase in homelessness.

Cross-membership of Boards

Representatives of VHFA and the Agency of Commerce and Community Development are board members on the Housing and Conservation Board. VHCB's Executive Director sits on the VHFA board as does the Commissioner of DHCA. The VHFA Director sits on the Community Development Advisory Board.

The four housing agencies, along with a representative of the Governor's office, comprise the Joint Committee on Tax Credits. The tax credit committee evaluates applications for the federal and state low income housing tax credit allocations through a competitive process. Private investors invest in housing developments that have received such allocations, providing needed equity for the development, and receive a federal tax deduction in return.

V. Results of Interagency Collaboration

Over the past five years the combined efforts of the housing agencies committed funds have resulted in the following successes:

- 2,256 Multi-family units built, rehabbed or funded;
- 7 mobile home parks, with 297 homeowners, were purchased by nonprofits resulting in infrastructure upgrades and rent stability;
- 3,749 households received low-interest mortgages from VHFA;
- 544 households received assistance under the VCIL home access program;
- 510 units of housing were provided grants and loans to mitigate lead hazards; and
- More than 5,000 households received rental assistance annually

The state is fortunate that through the Vermont Congressional Delegation's work on the HUD appropriations process approximately $650,000 in additional HUD funds were received for FY2006.

The coordinated work of the state's housing agencies has also been extremely successful in securing federal resources that are subject to competitive applications. These include the Federal Home Loan Bank's Affordable Housing Program, which provides low interest loans or grants for affordable housing; USDA's Rural Development 515 program, which provides low interest loans and rental assistance for multi-family housing; HUD's 811 and 202 programs, which provide capital grants and operating subsidies for housing for people with disabilities or the elderly respectively; and HUD's McKinney housing for the homeless programs; HUD's Lead Paint Hazard Reduction Program, which provides money to reduce lead based paint hazards in privately owned multi-family and single-family housing; HUD's Housing for People with AIDS program, and the Commission on National and Community Service's AmeriCorps and A*VISTA programs, which have been used in Vermont to provide direct service to residents of state funded affordable

housing, to help lower income Vermonters become homeowners and to help homeless Vermonters find housing. The state's housing agencies also recently collaborated with the Department of Aging and Disabilities to obtain a grant from the Robert Wood Johnson foundation, a private foundation, to develop models of affordable assisted living in rural areas.

VI. Identify Areas of the State Facing the Greatest Housing Shortages

There is substantial variation in estimates for housing unit growth for Vermont's counties. One-half of the new projected households in Vermont are located in three counties: Chittenden (4,938 new households), Washington (2,234 new households), and Franklin (2,165 new households). Five counties have a higher percentage change between 2000 and 2005 than the statewide average, including Addison, Bennington, Chittenden, Franklin and Lamoille.

Low rental vacancy rates have generated much concern, since many areas have less than a 5% vacancy rate. For instance, the rental vacancy rate was low for the state as a whole and particularly low in Addison, Chittenden, Franklin, Lamoille, and Washington counties. Conversely, rental vacancy rates in the northeastern counties of Caledonia, Essex, and Orleans counties were substantially higher than the state average.

The age of housing stock relates to housing quality since older stock requires more maintenance, updated infrastructure, and safety and code improvements. Vermont's housing stock is old. Based on a 2000 U.S. Census comparison among states, Vermont ranks 11th among states (along with South Dakota) with respect to the median year in which primary structures were built (1968). It should be noted that, with the exception of New Hampshire, the other New England states have even older housing stock than Vermont.

About 15% of the housing units in Vermont are used for vacation purposes. This housing stock typically includes, units rented on a weekly or monthly basis, privately owned single family homes that are used periodically throughout the year and condominiums that are generally located at or near a ski resort. . In Chittenden County, the level is significantly lower than the state average. Numerous counties have relatively high rates of seasonal housing, notably Grand Isle, Essex, Orleans, and Windham counties. The number of seasonal units dropped appreciably in 10 of the 14 counties between 1990 and 2000 (Census for 1990 & 2000). For the state as a whole, there were 1,400 fewer seasonal units in the 2000 census than in 1990 census. This trend may however, be changing, figures from the VT Tax Departments property transfer tax records show that more than 2,500 primary homes were converted to seasonal use between 2000 & 2003.

Finding affordable rental housing throughout the state is an ongoing problem. According to the October 2006 "Out of Reach" study published by the National Low Income Housing Coalition statewide, the Fair Market Rent (FMR) for a two-bedroom apartment

is $797. In order to afford this level of rent and utilities, without paying more than 30% of income on housing, a household must earn $2,658 monthly or $31,897 annually. Assuming a 40-hour work week, 52 weeks per year, this level of income translates into a Housing Wage of $15.34. The Housing Wage is what a family working 40 hours a week, 52 weeks per year must earn to be able to afford rent and utilities for a typical two-bedroom apartment.

A single minimum wage worker earns an hourly wage of $7.25. In order to afford the FMR for a two-bedroom apartment, a minimum wage earner must work 85 hours per week, 52 weeks per year. Or, a household must include 2.1 minimum wage earner(s) working 40 hours per week year-round in order to make the two bedroom FMR affordable.

Vermont is the tenth least affordable "Combined Nonmetro Area State" in the nation and has the eighteenth least affordable two bedroom housing wage ($15.34) up from last years twenty-second place wage of ($13.90). Vermont families must earn over twice the minimum wage to afford to rent a typical two bedroom unit.

Monthly Supplemental Security Income (SSI) payments for an individual are $655 in Vermont. If SSI represents an individual's sole source of income, $197 in monthly rent is affordable, while the FMR for a one-bedroom is $651.

Households with very low incomes, or special needs because of a disability or other circumstances, tend to have a particularly hard time in all parts of the state. Homelessness has risen throughout the state in recent years. Emergency shelter operators report that people need to stay in shelters for longer periods of time and that more and more shelter space is occupied by families. It is increasingly common to find homeless shelter beds occupied by working people whose wages are insufficient to cover the cost of housing.

The estimated number of affordable apartments for Vermont's low-income renter households currently falls short of demand by about **21,000** units. The future need for new homeowner units is estimated at **12,300** homes to meet the total expected demand in 2010. **(See The Summary of the Vermont Housing Needs Assessment 2005-2010 Appendix D)**

VII. Key Objectives and Recommended Strategies To Remedy Identified Housing Shortages

Vermont's 2005-2010 Con Plan outlines the state's key objectives in the housing arena. The overarching objectives relating to housing in the Con Plan are to increase the supply of housing and stabilize the existing housing stock including: multi-family rental, homeownership units, mobile homes, elderly housing, and supportive housing for homeless, elderly and special needs persons.

DHCA's Recommended Strategies to Increase the Supply of Housing

- New Neighborhoods Initiative – Under this proposal, local officials will designate areas of their communities as New Neighborhoods. These areas are characterized by access to public infrastructure, adjacent or contiguous to an existing neighborhood, proximity to services, and higher densities. In these designated New Neighborhoods, housing will be presumed to be the highest and best function, and be viewed in the local and state permitting process as a priority above all other uses. To induce communities to develop New Neighborhoods the municipality would be authorized to keep the education portion of the property tax for new units built in the designated area for three years. The reallocated property tax could be used for any municipal purpose directly or indirectly related to the New Neighborhoods.

- Land Bank Initiative – Under this initiative, land owned by the state that is surplus to an agency's or department's core mission would be available for housing development.

- Manufactured Housing Pilot Project – In an effort to increase the supply of good quality and reasonably priced housing to meet the demand of low to moderate income Vermonters, state funding resources should be targeted to programs creating low cost modular, stick built units of housing. A pilot program is currently underway in the Northeast Kingdom administered by NVDA.

- Cost-savings Initiatives – The costs of developing housing has increased dramatically in recent years. While five years ago an affordable housing project was considered expensive if its total cost reached $130,000 per unit, now it is not unusual to have projects costing $200,000- $250,000 per unit. While some of the costs associated with these projects are fixed such as materials, labor, etc., there needs to be a serious review made of all the costs associated with these projects, including financing costs, to see if there are creative ways to reduce costs or at least stem the rate of increase for these projects. For example, creating a no interest pool of funds to bridge construction costs for affordable housing projects could save up to one million dollars annually.

Recommended Strategies to Stabilize and Preserve the Existing Housing Stock

- Continue to support the regional scattered site housing rehabilitation programs administered by non-profit housing organizations throughout the state. With the exception of the northern part of Windsor County, the entire state is covered by one of these programs that are funded primarily by the VCDP. These programs provide low cost loans to income eligible homeowners to complete essential repairs to their homes. For the last 10 years, DHCA has invested over $11million in VCDP funds for these programs which have improved and preserved over 980 units of housing for low to moderate income households. During the past year,

DHCA has spent considerable time coordinating meetings and workshops with these regional programs in an effort to streamline their programs, increase cost efficiency and improve the sustainability of their operations.

- Confront impending challenges brought forth by the Agency of Natural Resources' (ANR) Universal Jurisdiction over all failed water and wastewater systems beginning July 1, 2007. ANR estimates that 1,300 septic systems fail annually and the cost to repair or replace these systems to proper performance standards could reach $30 million ($10,000-$30,000 per system). Many of these households will not have the economic resources to replace failed systems and will need assistance so they are not displaced.
- Be prepared to address the possibilities of significant funding cuts to federal rental subsidies or a significant increase in homelessness due to a natural disaster, by allowing the use of HOME funds on an as-needed basis for a limited housing rental voucher program.
- Ensure that the state can respond quickly, efficiently and cost effectively to the most pressing housing needs facing us at a given time by providing DHCA the flexibility to determine how and by whom the federal HOME funds that flow through the Department are administered.
- Ensure that the major state housing funding agencies assess, analyze and confront the under funded capital needs of our older affordable housing stock.
- Pass legislation to characterize mobile homes as real property. Such action will open up lower cost mortgage opportunities for mobile home residents.

Both objectives of increasing the supply of housing and preserving the existing housing stock would be further enhanced if municipalities looking for funding or financing from any state agency were required to demonstrate their past, current and future plans for the provision of affordable housing in their communities. Also, municipalities must be fully informed and educated regarding their responsibilities to further fair housing opportunities and then be held accountable to those standards.

Appendix A

Housing Investment Plan

State Funding for Housing Agencies and Human Services

	VHCB	DHCA		AHS	
SOURCES	**Trust Fund**	**General Fund**	**Special Fund**	**General Fund**	**TOTALS**
Property Transfer Tax (housing portion of projected $11.3 in revenue)	$8,078,329				$ 8,078,329
Loan Repayments	$42,000				$ 42,000
Interest on Fund	$103,200				$ 103,200
Federal Grants					$ -
Mitigation Funds	$100,000				$ 100,000
Other	$24,000				$ 24,000
State General Fund		$87,435		$6,450,755	$ 6,538,190
Special Fund			$61,308		$ 61,308
					$ -
TOTAL SOURCES	**$8,347,529**	**$87,435**	**$61,308**	**$6,450,755**	**$ 14,947,027**
USES					$ -
Operations	$799,393	$27,435	$61,308		$ 888,136
Grants/Loans	$7,548,136	$60,000			$ 7,608,136
Furnace and boiler replacement program				$655,372	$ 655,372
Correction transitional housing and prevention				$1,811,214	$ 1,811,214
Operating for Alcohol and drug abuse programs				$346,158	$ 346,158
Youth Housing Subsidies				$150,000	$ 150,000
Temporary Housing/General Assistance/Emergency Assistance				$2,677,853	$ 2,677,853
Community Providers case management				$112,158	$ 112,158
Housing Contingency Funds for mental health clients				$156,000	$ 156,000
Emergency Shelter grants and homeless assistance				$542,000	$ 542,000
TOTAL USES	**$8,347,529**	**$87,435**	**$61,308**	**$6,450,755**	**$ 14,947,027**

Corrected to $1,005,000; Dismas House: $87,000

Federal Funding for Housing Agencies and Human Services

	VHCB						DHCA	AHS	TOTALS
SOURCES	Federal HOME Program	Federal HUD HOPWA	Federal HUD SPG IV	Federal HUD Lead Paint Program IV/Healthy Homes	Fed. Share Americorps	TOTAL FEDERAL FOR VHCB	Federal Funds CDBG	Federal Funds	
Federal Grants	$3,670,311	$400,000	$1,078,000	$1,000,002	$371,999	$6,520,312	$3,281,165	$1,529,342	$ 17,851,131
Other									$ -
TOTAL SOURCES	**$3,670,311**	**$400,000**	**$1,078,000**	**$1,000,002**	**$371,999**	**$6,520,312**	**$3,281,165**	**$1,529,342**	**$ 17,851,131**
USES									
Operations	$216,799	$18,871	$32,488	$421,942	$178,914	$869,014	$159,514		$ 1,897,542
Grants/Loans	$3,453,512	$381,129	$1,045,512	$578,060	$193,085	$5,651,298	$3,121,651		$ 8,772,949
Community provider-operating and shelter funds								$133,500	$ 133,500
Community provider-transitional housing								$259,027	
Emergency Shelter Grants and Homeless Assistance								$491,815	$ 491,815
Youth Housing Subsidies								$111,000	$ 111,000
Homeless outreach for severely mentally ill								$300,000	$ 300,000
Housing contingency funds for mental health clients								$234,000	$ 234,000
TOTAL USES	**$3,670,311**	**$400,000**	**$1,078,000**	**$1,000,002**	**$371,999**	**$6,520,312**	**$3,281,165**	**$1,529,342**	**$ 17,851,131**

State and Federal Funds Combined for Bricks and Mortar

SOURCES	VERMONT HOUSING AND CONSERVATION BOARD	DEPT OF HOUSING AND COMMUNITY AFFAIRS	VERMONT HOUSING FINANCE AGENCY	TOTALS	PERCENT OF TOTAL
Property Transfer Tax	$8,078,329			$8,078,329	21.15%
Interest on fund, repayments, mitigation funds	$103,200		$ 132,000	$235,200	0.62%
State of Vermont General Fund		$87,435		$87,435	0.23%
State special fund - Mobile Home park fees		$61,308		$61,308	0.16%
Federal Housing Program Revenue	$6,520,312	$3,281,165		$9,801,477	25.66%
Federal Housing Credit Equity*			$ 19,053,000	$19,053,000	49.89%
Mitigation Funds	$100,000			$100,000	0.26%
Other	$24,000			$24,000	0.06%
Private Financing					
Other financial sources					
State Housing Tax Credit Equity**			$ 749,550	$749,550	1.96%
TOTAL SOURCES	**$14,825,841**	**$3,429,908**	**$19,934,550**	**$38,190,299**	
USES					
Programs providing grants/loans for affordable housing development projects	$14,825,841	$ 3,429,908	$ 19,934,550	$38,190,299	
TOTAL USES	**$14,825,841**	**$ 3,429,908**	**$ 19,934,550**	**$ 38,190,299**	

* This estimate is based on the calendar year 2005 recipt of $2,190,000 in federal credits with .87 value for sale of the credits.

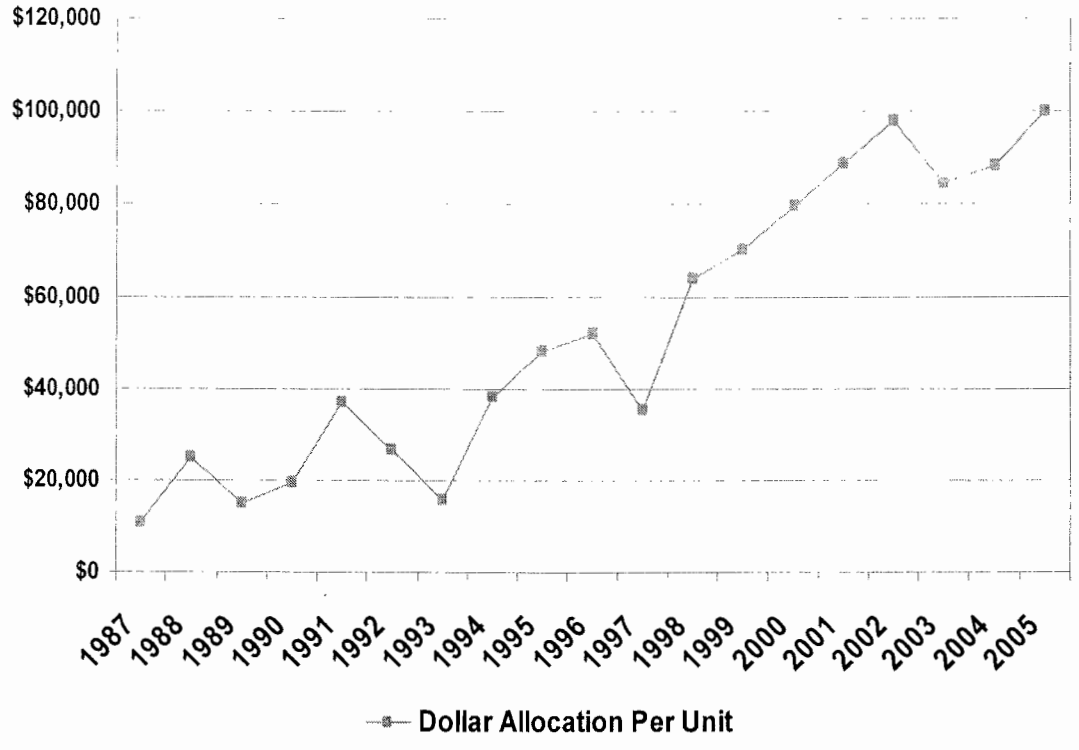
** This estimate is based on the calendar year 2005 receipt of $150,000 in state credits with a value of .90 value for sale of the credits.

State and Federal Funds Combined for Housing Assistance/Subsidies

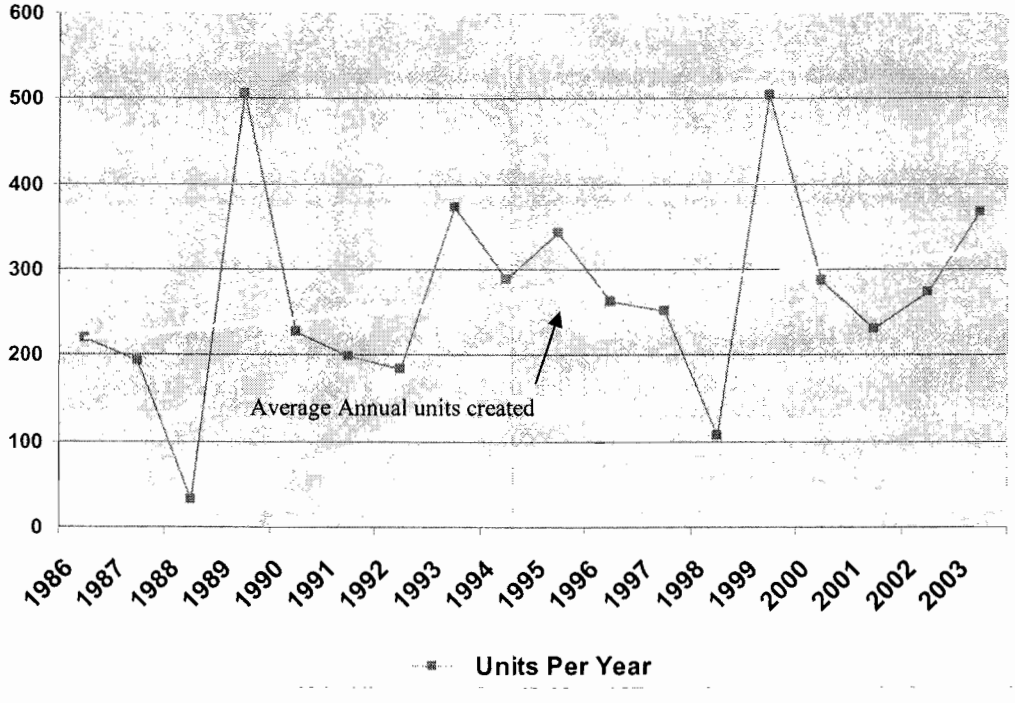
SOURCES	AGENCY OF HUMAN SERVICES	VERMONT HOUSING FINANCE AGENCY	VERMONT STATE HOUSING AUTHORITY	VERMONT HOUSING AND CONSERVATION BOARD	TOTALS
State of Vermont General Fund	$6,450,755				$ 6,450,755
Federal Housing Program Revenue	$1,529,342				$ 1,529,342
Federal Rental Asistance Program **(Project Based)**		$ 3,500,000	$ 19,180,000*		$ 22,680,000
Federal Rental Asistance Program **(Tenant Based)**			$ 16,860,000		$ 16,860,000
Federal Lead Paint				$ 1,000,002	$ 1,000,002
Americorp				$ 371,999	$ 371,999
HOPWA				$ 400,000	$ 400,000
TOTAL SOURCES	**$ 7,980,097**	**$ 3,500,000**	**$ 36,040,000**	**$ 1,772,001**	**$ 49,292,098**
USES					
Programs providing housing assistance to individuals and rental assistance	$7,980,097	$ 3,500,000	$ 36,040,000	$ 1,772,001	$ 49,292,098
TOTAL USES	**$7,980,097**	**$ 3,500,000**	**$ 36,040,000**	**$ 1,772,001**	**$ 49,292,098**

Corrected to $5,731,541

LIHTC Allocation Per Unit 1987-2005
Typically finances ½ the cost of the development
(See page 17 Federal Tax Credits)



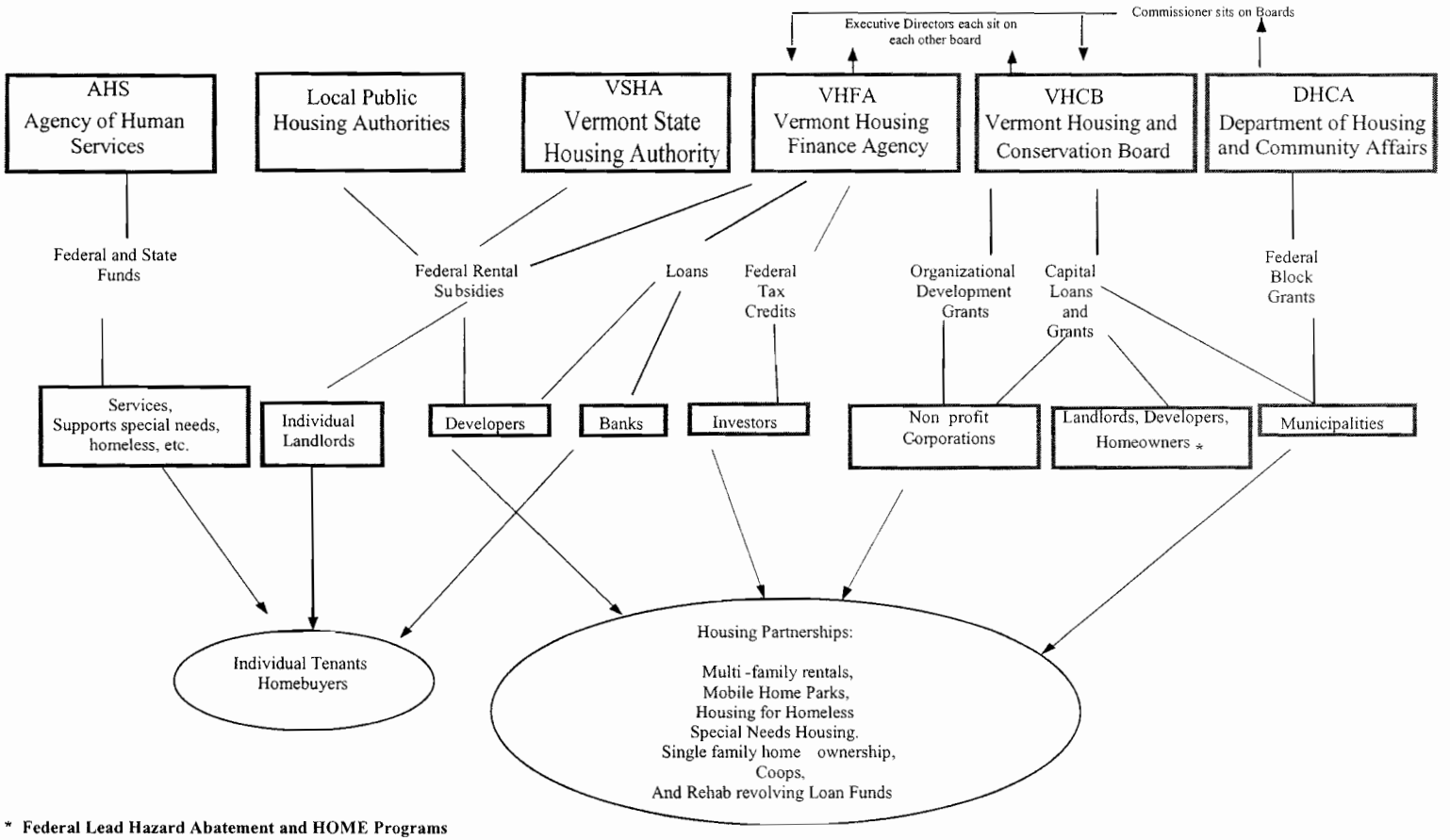
Affordable Units Created
1987-2003



Appendix: B

Chart of State Housing Agencies

State Housing Agencies in Vermont



* **Federal Lead Hazard Abatement and HOME Programs**

Appendix: C

Description of State Housing Agencies

Vermont Housing and Conservation Board (Trust Fund, VHCB)

The Vermont Housing and Conservation Board, a public instrumentality of the state, was established by state law in 1987. The VHCB mission includes the preservation, rehabilitation or development of housing affordable to families below median income, and the conservation and protection of agricultural land, historic properties, important natural areas and recreational lands. Over the years approximately 60 percent of VHCB's program funds have been used for housing.

With the funds received from the State of Vermont as well as federal sources, VHCB has funded affordable housing of various types, from single family homeownership, to mobile home parks, to multi-family rental apartments, to transitional housing for formerly homeless individuals, to shelters for battered women and others who find themselves suddenly homeless. VHCB has also played an important role in building a strong nonprofit delivery system. In addition to project grants and loans, the organization offers capacity grants, training and technical assistance to the non-profit housing development organizations who develop affordable housing using VHCB funds.

Historically, much of the focus of VHCB's housing funding has been on the rehabilitation of buildings located in historic downtowns that not only provide decent, much needed housing, but serve a community revitalization function as well. In recent years, an increasing percentage of VHCB funding has gone to create new housing units and/or to provide homeownership opportunities, especially in the state's tightest housing markets. State dollars provided by VHCB often are the catalyst for a larger community redevelopment effort undertaken with both private and public funding.
VHCB is directed in its enabling legislation to fund housing that is "perpetually affordable", in other words, projects that will provide perpetual benefits to low and moderate income Vermonters. Through the use of housing subsidy covenants and other mechanisms, the Board strives to assure permanent use of each development as affordable housing and to avoid the costs associated with re-acquisition at a future time. The housing subsidy covenants proscribe the levels of rent and resident income and preclude the sale of the property for profit. In the case of homeownership, the covenant limits the future sales price of the home to insure the home's affordability to a future lower income household.

Grant/Loan Program
The vast majority of the Board's funds are used to provide grants and/or loans to eligible projects. In housing activities the Board generally provides funds for acquisition and rehabilitation or development of housing. These include awards for multi-unit affordable family housing, single family homeownership, mobile home park acquisition by nonprofit entities, and housing for Vermonters with special needs. The Board, as part of its loan and grant program, administers a number of other programs, most of which bring federal funds into the State of Vermont:

HOME Program
The Board is administering a U.S. Department of Housing & Urban Development (HUD)

program, the HOME program, for the State of Vermont, in cooperation with the Department of Housing and Community Affairs. FY2006 began the Thirteenth year of the HOME program. These funds are to be used to serve low and very low income Vermonters in housing projects meeting the priorities of the state's Consolidated Plan. HOME program awards either stand alone or supplement VHCB funds in a particular project, providing one of the essential funding components and create greater affordability. Both non-profit and for-profit developments have received funding from the HOME program.

Lead Paint Hazard Reduction Program.
In FY1995 the Board began administering this federal program funded by the U.S. Department of Housing & Urban Development providing funds to non-profit housing developers, private landlords, and low and moderate income homeowners to make housing units lead safe and therefore to reduce the possibility of lead poisoning in young children. VHCB received competitive grants enabling approximately 1,550 units of housing to be made lead safe.

AmeriCorps
For ten years, beginning in 1997, VHCB has received funding from the federal Corporation for National Service to place AmeriCorps or VISTA members in housing and conservation organizations throughout Vermont. Thirty-four AmeriCorps members worked for twenty-six organizations on projects ranging from assisting homeless individuals to find housing, counseling first-time homebuyers, and working with rental housing residents on issues from budgeting to maintenance practices to environmental education, stewardship activities, and assessing lands for public access..

HOPWA (Housing Opportunities for Persons With AIDS).
This HUD funded program provides funds to AIDS service organizations and housing groups for Vermonters living with HIV/AIDS. VHCB administered a first round of this program in FY1997 and FY1998. Three subsequent awards of over $1 million each have allowed the program to continue. Funds are used for long term rental assistance, emergency assistance to help households maintain housing, and direct client services with a focus on housing.

HUD Special Purpose
HUD Special Purpose awards are obtained by the Vermont Congressional Delegation directly through the HUD appropriations process and are designated by Congress for specific projects throughout the state. VHCB serves as a "pass-through" administering entity for these funds. Approximately $650,000 was received for FY2006.

Act 250 Housing Mitigation funds
In several instances, the District Environmental Commissions have required ski areas undergoing expansion to mitigate the impact of that expansion through contribution to a special fund to be used for affordable housing in the area of impact. In most cases this fund is to be administered by VHCB. Agreements are currently in place with the Stratton, , Mt. Snow and Stowe Mountain Rsort, and in process with the Haystack Club and Okemo ski areas.

Specific Uses of State Funds

Through the end of Fiscal Year 2006 VHCB has used state funds as follows:

- VHCB has awarded funds to projects providing 8,358 perpetually affordable units, including 1184 units of federally subsidized housing at risk of conversion.
- VHCB has provided funding for almost 800 units of homeownership and cooperative housing using shared appreciation models to maintain affordability.
- VHCB has helped nonprofits purchase or develop 45 mobile home parks with over 1,790 units of housing resulting in stabilization of rents and correction of water and sewage problems.
- VHCB has provided mini-grants for environmental assessments, options, appraisals, energy analysis, and other pre-development housing development costs.
- VHCB has funded a statewide HOMELAND program in conjunction with Vermont's non-profit housing organizations to assist prospective home-buyers in purchasing appropriate homes using a limited appreciation model to insure affordability for future buyers as well.
- VHCB has developed an active training and technical assistance program in conjunction with other housing agencies. The program has included co-sponsorship of a series of workshops as well as one-on-one direct technical assistance.
- VHCB has funded nearly 70 service supported residences ranging from transitional housing for the homeless to single room occupancy for persons with chronic mental illness to shared residences for elderly individuals no longer able to live independently.
- VHCB has provided organizational development grants to 13 nonprofit housing organizations.

The benefits of state and federal dollars provided through the Vermont Housing & Conservation Board extend beyond these specific projects and programs. For every VHCB dollar invested, approximately $4 is invested from other sources, often private investors or lenders. Not only do all of the funds that go into these programs create decent, affordable housing for lower income Vermonters but they often correct serious health or safety problems, revitalize communities, fix up eyesores, or give new life to historic properties. The economic benefits of the public dollars invested extend far beyond the project itself, in job creation, more vital downtowns, and attraction and retention of employers, to name just a few.

Agency of Commerce and Community Development
Department of Housing and Community Affairs

The Department of Housing and Community Affairs (DHCA) is the principal state housing policy arm for the Governor and prepares the Consolidated Plan. It is located within the Agency of Development and Community Affairs. DHCA's Housing Division has two staff who are primarily supported by federal and special funds.

DHCA administers Community Development Block Grants (CDBG) to local governments, approximately 50 percent of which are used for housing planning or project development. DHCA also administers Act 252 which provides technical assistance to owners and residents of mobile home parks which are going through a sales or closure process.

Over the past fifteen years

- DHCA has awarded over $25 million in block grants resulting in more than 3,000 affordable housing units. Included in these grants, were the capitalization of at least three regional revolving loan funds which provided low cost rehab loans to homeowners and private landlords.

- DHCA has made more than 45 CDBG planning grants to localities for housing.

- DHCA has advised residents of 212 mobile home parks proposed for sale of their rights and assisted residents of 50 parks which were planned for closure.

- DHCA provides annual funding of a community action agency to assist tenants in mobile home parks at-risk of sale or closure.

- DHCA has assisted eleven homeless shelters through various federal homeless assistance programs including Supplemental Assistance for Facilities to Assist the Homeless (SAFAH), Permanent Housing for Homeless Handicapped (PHH), and Emergency Shelter Grants (now transferred to the Office of Economic Opportunity).

The Vermont State Housing Authority

The Vermont State Housing Authority (VSHA) was established in 1968 to improve housing conditions and expand housing opportunities for families of low and moderate income.

The Vermont State Housing Authority receives no direct state funding and administers units funded by the U.S. Department of Housing and Urban Development. During the upcoming fiscal year, the Vermont State Housing Authority anticipates that 3,466 units of Section 8 Existing housing, through Housing Choice Vouchers, Project Based Voucher, Moderate Rehabilitation, Shelter Plus Care, Family Unification and Mainstream Housing will be utilized. In addition, VSHA anticipates 2,952 units will be under New Construction/Substantial Rehabilitation Contract Administration as well.

VSHA administers the following programs:

Section 8 Housing Choice Voucher Program
This program provides tenant based vouchers to help eligible very low income families increase affordable housing choices. With funding provided by the Department of Housing and Urban Development (HUD) and administered by local public housing authorities, as well as VSHA, this program utilizes privately owned existing housing stock.

Families, elderly, disabled and single people whose income falls within the income guidelines qualify for this program. After a person applies and is determined eligible, they are placed on a waiting list until funds become available to assist them. When funding becomes available, a Housing Choice Voucher (Voucher) is issued.

A Voucher is the written guarantee of VSHA to the tenant or prospective landlord that the Voucher holder is eligible for participation in the program. The Voucher is used by the holder to choose and lease safe, decent, and affordable housing. The Voucher sets forth the bedroom size the family needs and outlines the family's obligations under the program and the period of time the family has to locate suitable housing.

Project-Based Voucher and Moderate Rehabilitation
VSHA also administers the Project-Based Voucher and Moderate Rehabilitation programs. These programs are project specific housing rather than open market. Tenants are selected from the Section 8 Housing Choice Voucher waiting list, owners and/or managers determine suitability and VSHA determines eligibility for participation in the program. In the Moderate Rehabilitation programs, the subsidy is attached to the UNIT and NOT to the family. If a family vacates a Project-Based Certificate or Moderate Rehabilitation unit and still wishes to have a subsidy, they must reapply under a different program. Under the Project-Based Voucher Program, families are entitled to continued assistance.

Supportive Housing and Shelter Plus Care
Two of the state's most at-risk populations – the homeless and the disabled homeless – are finding relief through collaboration between the federal government, state and community mental health agencies, private nonprofits and VSHA.

The U.S. Department of Housing and Urban Development (HUD) funds two homeless programs in Vermont – Supportive Housing and Shelter Plus Care – under the Stewart B. McKinney –Vento Homeless Assistance Act of 1987. VSHA is the lead grantee for McKinney-Vento funded programs and oversees close to $2.5 million.

HUD's McKinney-Vento funds, awarded competitively, require both the development of a continuum of care system to address homelessness that identifies needs and then builds strategies to address those needs, and the movement of people from transitional to permanent housing.

Family Unification
Family unification vouchers are made available to families for whom the lack of adequate housing is a primary factor in the separation, or threat of imminent separation, of children from their families or in the prevention of reunifying the children with their families. Family unification vouchers enable these families to lease or purchase decent, safe and sanitary housing that is affordable in the private housing market. Program eligible households are referred to VSHA by the Department for Children and Families.

Mainstream Housing Opportunities
Mainstream program vouchers enable families having a person with disabilities to lease affordable private housing of their choice. Mainstream program vouchers also assist persons with disabilities who often face difficulties in locating suitable and accessible housing on the private market. Only a family that includes a disabled person and is income eligible may receive a mainstream program voucher. Applicants will be selected from the VSHA housing choice voucher waiting list. It is the responsibility of a family to find a unit that meets their needs. If the family finds a unit that meets the housing quality standards, the rent is reasonable, and the unit meets other program requirements, the VSHA executes a Housing Assistance Payment contract with the property owner. This contract authorizes the VSHA to make subsidy payments on behalf of the family. If the family moves out of the unit, the contract with the owner ends and the family can move with continued assistance to another unit.

New Construction/Substantial Rehabilitation/Contract Administration
The Section 8 Program was authorized by Congress in 1974 and developed by HUD to create new and rehabilitated housing through a long-term commitment of rental subsidies for eligible tenant families (including single persons and the elderly) in communities without sufficient safe, sanitary, and adequate housing. In 1983, the statutory authority for the New Construction and Substantial Rehabilitation Programs was repealed.

VSHA continues to administer rental subsidies, for these units. For projects with VHFA mortgages or financing, contract administration is shared. Staff conducts regular inspections to monitor the management activities of the owner, insure the buildings are well maintained, and determine the needs and/or satisfaction of tenants. The owner selects the tenants. VSHA reviews all applications to insure each applicant's eligibility, and to insure that tenants are being charged the proper amount of rent.

Family Self-Sufficiency
Family self-sufficiency (FSS) is a HUD program that encourages communities to develop local strategies to help assisted families obtain employment that will lead to economic independence and self-sufficiency. Public housing agencies (PHA's) or the VSHA work with welfare agencies, schools, businesses, and other local partners to develop a comprehensive program that gives participating FSS family members the skills and experience to enable them to obtain employment that pays a living wage. Families that are selected to receive a voucher or who currently receive assistance through the housing choice voucher programs may be eligible to participate in the FSS program with a local PHA or the VSHA. Under Section 8 funding received between 1992 and 1997, VSHA is mandated to administer an FSS program of 150 families. Each participant has the ability to accrue an escrow account as an incentive to continue working and to become economically self-sufficient.

Housing for Persons With AIDS (HOPWA)
The Vermont Housing and Conservation Board contracts with VSHA to administer the housing piece of this grant to prevent homelessness by assisting low income persons with AIDS and their families with rental assistance. Eligible applicants are referred to VSHA by various AIDS service organizations throughout the state. VSHA serves approximately 31 individuals in this program.

Homeownership Homeownership vouchers assist first-time homeowners with their monthly homeownership expenses. The home must pass an initial housing quality standards inspection conducted by the VSHA and an independent home inspection before the VSHA may approve the purchase by the family. VSHA has designated 5% (currently 154) of its Housing Choice Vouchers to enable families to purchase a home. First-time homebuyers can use their rental subsidy to pay for a mortgage and other monthly housing expenses. This effort is conducted in cooperation with the U.S. Department of Agriculture's Rural Development, Vermont Housing Finance Agency and the regional NeighborWorks® homeownership centers. VSHA's program has targeted participants in the Family Self-Sufficiency program or those enrolled in the Welfare-to-Work Program. To date the VSHA has had 68 closings.

Development and Management
VSHA has been in the business of development and property management from very early in its history. The agency has pulled together many resources and partnerships, both public and private, to assist in the creation and/or rehabilitation of affordable housing. VSHA's property management portfolio consists of 41 properties, including multi-family, elderly, and mobile home parks.

Vermont Housing Finance Agency

The Vermont Housing Finance Agency (VHFA) was established in 1974 to finance and promote affordable housing opportunities for low- and moderate- income Vermonters. VHFA's primary activities include: **Single Family Mortgage Financing; Multifamily Programs including Development, Monitoring and HAP Contract Administration and Housing Tax Credit Administration**. In addition, **VHFA serves as a significant resource for the collection of housing data** and frequently provides testimonial support in the development of housing policy at the state and federal level, along with assistance to affiliated housing organizations.

VHFA operates with an average staff size of 40 and receives no appropriation of State funds. Its loan programs are funded primarily through the issuance of tax-exempt bonds. VHFA operates on the net funds generated from fees and interest income that amounts to the difference between its cost of funds and the interest rate charged on its investment in loans. Bonds issued by VHFA are secured by the cash flows of the underlying loans made by the Agency, and are not obligations of the State of Vermont.

Since its inception, VHFA has assisted more than 25,000 Vermonters and their families in purchasing primary residences and provided financing, development and management support, subsidy administration and tax credits to 7,000 units of multifamily rental housing.

VHFA administers the following programs:

Single Family Mortgage Financing

VHFA provides homeownership financing by purchasing loans from 33 participating lenders around the state. Participating lenders include banks, credit unions and mortgage companies. Homeownership opportunities and education are further enhanced through VHFA's financial support of and involvement with five NeighborWorks® Homeownership Centers located around the State. VHFA was instrumental in the start up and provides ongoing funding of the Centers. VHFA provided $247,000 for operating funds to Home Ownership Centers in Fiscal Year 2006.

Since 1974, VHFA has made more than 25,000 loans to Vermonters purchasing primary residences. The current portfolio of single family loans is 4,992 with a loan balance of approximately $374 million. In fiscal year 2006, 95% of loans made by VHFA were made to households at or below 100% of median income and 65% of its borrowers were at or below 80% of median income. VHFA's typical borrower has an average household income of $46,700, borrowed an average loan amount of $131,800 and purchased homes

with an average purchase price of almost $148,000. Comparatively, the average purchase price of homes in Vermont, based on transfer tax returns for 2005, was $220,671.

Loans purchased in FY2002:	$67.1 million for 859 loans
Loans purchased in FY2003:	$54.6 million for 663 loans
Loans purchased in FY2004:	$68.4 million for 733 loans
Loans purchased in FY2005:	$79 million for 714 loans
Loans purchased in FY2006:	$99.9 million for 780 loans

Downpayment Assistance:

VHFA created a new Cash Assistance Option within our single-family loan programs in 2000. Under this option, VHFA provides borrowers with up to 3 percent of the mortgage amount requested in cash available to assist them with down payment or closing costs. This program constitutes 17 percent of VHFA's most recent loan volume.

VHFA also provides down payment and closing cost assistance using interest earned on Real Estate Trust Accounts. VHFA has made in excess of $137,537 available to homebuyers through this program this fiscal year alone.

Predevelopment and Construction Loans for Homeownership Development

VHFA created a Homeownership Predevelopment Loan Program providing upwards of $1.3 million as a revolving loan fund. This pilot program is intended to foster the construction of single-family affordable housing units that are available for sale by providing working capital at low cost to eligible housing developers quickly and flexibly.

The Homeownership 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. Financing is available for site acquisition, infrastructure development, as well as construction of individual housing units.

New Mortgage Initiatives

VHFA has also made significant changes to existing programs that allow more households to qualify for a mortgage and has introduced two new programs that also expand the number of households who will qualify to purchase a home.

- VHFA in partnership with Mortgage Guarantee Insurance Corporation (MGIC) has introduced lower cost mortgage insurance on most VHFA loans that also allows an option for including the premium in the financing instead of being paid monthly. This change results in lower monthly housing payments. VHFA also expanded the availability of 100% financing for borrowers with good credit. Also included in the new lower cost mortgage insurance is Job Loss Protection to assist VHFA borrowers

with their mortgage payment in the event of an involuntary job loss within two years of their home purchase.

- VHFA also introduced a new pilot program called Fixed 35. This program allows the borrower to make interest, tax, and insurance payments during the first five years of their mortgage. After five years, they begin to make principal, interest, tax, and insurance payments for the remaining 30 years. The interest rate is fixed for the entire 35 year term. As result housing payments are initially more affordable .
- To encourage the development of new housing, VHFA announced special financing for new homes in developments that meet smart growth characteristics. Financing for buyers is available at 4.75%, fixed for 30 years. A total of $10 million in financing is available statewide.

Other Homeownership Activities:

- Low-interest loans and other incentives to promote energy conservation improvements.
- Shared appreciation mortgages through nonprofits to ensure long-term housing affordability.
- Borrowers purchasing a home financed by VHFA receive benefits from the State by an exemption from the State Property Transfer Tax on the first $100,000 of their purchase price.

Multifamily Programs

Loans on multifamily housing projects are made directly by VHFA staff to community-based or statewide nonprofit agencies or organizations and private for-profit developers who are committed to creating and preserving housing to low and moderate income Vermonters. Since 1977, VHFA has assisted over 275 projects representing 7,000 units.

Included in this figure are the 31 housing projects for which VHFA provided loans and tax credits in Fiscal Year 2006. The agency provided $22.8 million in a combination of predevelopment, construction, and permanent financing to 30 housing projects. Loan production during fiscal year ending June 30th, 2006 in each of our multifamily loan programs is as follows:

FY 2006	Short Term Construction	Permanent Loan	Rehab Loan	Ventures Loan
# of Loans	7	5	7	14
# of Units Supported with Loans	218	199	184	342
$ Volume	$17,035,000	$4,421,236	$758,975	$562,500

Acquisition, rehab, construction and construction/permanent loans made by VHFA are primarily made in conjunction with the allocation of federal housing tax credits. Most

projects are funded through the issuance of tax-exempt bonds but also require public or private funding sources as well. VHFA has the responsibility to underwrite projects to be sure the projects are properly built within budgeted constraints, completed within the stated time frame, meet affordability covenants. VHFA's underwriting analysis looks beyond compliance with program rules and target marketing. An in depth review is done of the underlying project assumptions, need for the project, demand for the project, acquisition and rehab/construction costs and long term financial viability. VHFA has established underwriting standards which are intended to balance credit risk to maintain a high bond rating, while providing the flexibility needed to meet a wide diversity of projects, and yet meet the needs of bond investors to make capital investment in Vermont attractive.

VHFA is working on developing a common application format, along with VHCB and DHCA. The funds these organizations administer represent the lion's share of capital funding for affordable housing in Vermont. A common application should aid developers in quicker preparation time and should help the funding agencies in coordinating their reviews. This effort will also assist in allowing for electronic application processes.

VHFA's **Vermont Housing Ventures** program provides loans to non-profit developers to assist them with predevelopment expenses that help determine project feasibility in the early stages of a new project. VHFA has provided 180 predevelopment loans since 1988 totaling over $4.8 million dollars. The Vermont Housing Ventures revolving loan fund gives non-profit housing organizations with limited resources the ability to conduct preliminary engineering and valuation studies to determine project feasibility at a nominal rate. In all but a very few instances, these projects have gone forward to become a reality. Ventures loans are repaid to VHFA when these projects receive construction and/or permanent funding. Repaid loan proceeds are then recycled to new projects.

Federal and State Housing Tax Credit Programs:

Federal Low Income Housing Tax Credits (LIHTC) brings substantial equity investment into Vermont's housing market. In calendar year 2006, Vermont received federal Tax Credit authority to allocate $2,190,000 ("Allocated Credits"). Since the inception of the program in 1987, VHFA has awarded approximately $21.7 million in federal allocated tax credits to developers of over 5,165 units of affordable rental housing that have been built or acquired and rehabilitated through private sector equity investments. The equity this generated for affordable housing developments is estimated at $188.7 million dollars.

VHFA also administers Federal Bond Credits which are similar to the Allocated Credits noted above, but which provide a lower level of credits and therefore lower equity investment to the project. The Bond Credits are automatically provided to eligible projects in conjunction with Private Activity Tax Exempt Bond Financing. VHFA has awarded $4.5 million in Bond credits, generating approximately $39 million in equity.

Additionally, the State of Vermont made available $150,000 in State Housing Tax Credits for 2006. Effective May 2006, the Legislature enacted program changes including: moving to a Fiscal Year program, increasing the total state credit ceiling to $300,000 in FY2007 and increasing the ceiling to $400,000 in FY2008. The allocation of both of federal and state credits is highly competitive and continues to be oversubscribed in each allocation round. The combined effect of the State and Federal tax credit programs was private equity investment of nearly $33.6 million dollars in the past fiscal year alone that has been used to acquire, rehabilitate and/construct affordable housing units.

VHFA's responsibilities for administering the Tax Credit program include:

- Ongoing review of tax credit rules and regulations for incorporation and maintenance of the State Qualified Allocation Plan
- Coordination, Receipt, Review and Underwriting of Tax Credit Applications for presentation to the Tax Credit Allocation Committee and the VHFA Board of Commissioners
- Administration of the initial reservation, and ongoing compliance monitoring of projects with IRS requirements

As with debt financed projects, those financed with Tax Credit Equity require an extensive level of underwriting analysis.

Asset Management/Compliance Monitoring /HUD Contract Administration:

As part of its ongoing obligations under its bond issuances, VHFA monitors 136 housing projects with a total of 4,640 units for long term financial viability; property maintenance; program compliance; preservation of market value; and long-term - if not perpetual - affordability. The loan portfolio balance for multi family is approximately $132.7 million, including current construction loans.

VHFA's monitoring responsibilities include direct HUD HAP Contract Administration for $3.5 million of annual Section 8 rental subsidy payments for 476 of these units and VHFA shares HAP Contract Administration with the Vermont State Housing Authority and has oversight for an additional 1,336 units (with $9.7 million in subsidy). VHFA takes the lead role in projects where VHFA is the primary lender or responsible for tax credit compliance monitoring. VHFA monitors 168 projects with 3,380 units for tax credit compliance and 65 of these have VHFA loans.

VHFA has also played an active role in negotiating Preservation Agreements with 73 property owners (1,985 units) to preserve and/or extend affordability or transfer these properties into long-term perpetually affordable ownership structures. This has been accomplished by new loans, debt restructuring, housing credits and by the reinvestment of VHFA earnings in long term deferred loans which are used to improve cash flows, rehabilitate projects, and/or to facilitate transfers of projects from private to non-profit ownership.

Other Activities

Homeless Planning Activities

Homelessness is growing in our state, especially among working families. It is estimated that Vermont has 4,000 homeless individuals and families each year and on any given night 88 Vermont children are sleeping in a shelter. In response to this, VHFA has become a leader in assisting the state in homeless policies and program planning. The Continuums of Care are responsible for applying for the approximately $2 million in federal homeless funding available annually as well as the ongoing responsibilities of running those programs. The Interagency Council is charged with creating new and analyzing existing state policies and altering state funding and programs to respond better to meet the needs of people who are homeless. VHFA participates regularly in both efforts to ensure coordination. VHFA started regularly attending both the Chittenden County and the Balance of State Continuum of Care meetings in August 2003. This has lead to changes in how VHFA allocates tax credits to help providers possibly access new units created through that program. Recognizing that VHFA has an involvement with all of the state housing resources and housing managers, VHFA's Executive Director Sarah Carpenter was named to the Interagency Council and helped draft the 10-year plan to end homelessness. Staff attends the VICH meetings regularly and has volunteered to manage approximately a dozen steps in the work plan.

Housing Data Resource:

In addition to VHFA's loan, tax credit allocation, and monitoring responsibilities, VHFA serves as an important resource for the collection, maintenance and analysis of housing related data.

VHFA launched the Vermont Housing Data website in 2003. The site, which was created in partnership with the UVM's Center for Rural Studies, is a searchable database of every town, village, county and the state for over thousands of pieces of housing data. It also is home to the statewide Directory of Affordable Rental Housing (DoARH), which is also searchable by any area and also by bedroom size, tenant population, unit restrictions, and funding source. The DoARH now lists vacant units posted by housing managers. VHFA coordinated a major update of the DoARH data and is committed to keeping the listing accurate and up to date. The site is updated quarterly and available as a download. VHFA monitors and uses Census Data in conjunction with Vermont Property Transfer Tax data to monitor the pulse of housing affordability around the state and through this new website will be able to increase the amount of detail and analysis available to individuals, municipalities and organizations. As a resource to communities in Vermont, there is a step by step guide to conducting a local housing needs assessment, as well as a home affordability calculator.

This past year VHFA released the first in a series of issue papers, titled *Housing and the Vermont Economy*. The report showed how the construction of 25 modest homes would mean 61 additional jobs, generating $2 million in annual wages and a $6.3 million boost

for local businesses. The report includes a survey of 108 Vermont employers on the state's housing shortage. "The survey shows a significant level of concern among Vermont's employers about the cost and availability of housing in our state and the impact on their employees, their business and the economy as a whole," the study states.

Vermont Housing Awareness Campaign:

VHFA provides staff coordination for the Vermont Housing Awareness Campaign, a coalition of public and private interests and organizations working to address Vermont's housing shortage by promoting development of housing for all Vermonters. The Campaign has used a combination of advertising, media outreach and public education efforts to build support, particularly among community leaders—business owners, faith community leaders, elected officials, and community activists in particular—for housing development. The Campaign works with the Housing Council each year to issue "Between A Rock and A Hard Place," a report that tracks the gap between wages and housing costs in Vermont. The Campaign has been successful at increasing the visibility of housing as a public issue and has served as a model for similar efforts in other states as well as the national Campaign For Affordable Housing. For information on the Campaign go to www.housingawareness.org.

Agency of Human Services

The Agency of Human Services (AHS) serves as the umbrella organization for all human service activities within state government. The Agency is led by the Secretary and the Deputy Secretary. The Secretary's office is responsible for strategically leading the agency and departments and establishing and implementing agency-wide policies and practices that cross departmental boundaries.

The need for Vermonters to lead safe, healthy and productive lives is critical to the success of the Agency's mission. Two of the most basic life supports for our clients is housing and transportation. Each of the departments within AHS serves individuals and families that have housing and transportation needs. In order to continue to move forward in coordinating housing and transportation services, the AHS has a position of Housing and Transportation Director located within the Secretary's office. This enables the agency to coordinate housing and transportation services, programs and activities across departments within AHS and ensure that AHS speaks with one voice for AHS across all relevant forums, included but not limited to other state agencies, the federal government, and community partners. The Housing and Transportation Director is currently responsible for developing a comprehensive view of housing and transportation needs across the agency, developing and beginning to implement a statewide plan to end homelessness, and for exploring methods to increase transportation alternatives for individuals with disabilities.

AHS has dramatically changed the structure, leadership and authority of its teams in the 12 human-service districts across Vermont. Each AHS district team is now led by a Field Service Director, who works with local and state managers, private sector managers, community partnerships, education, and the broader community.

Field directors are charged with managing a consolidated district budget, with flexible funding authority, and overseeing a district global budget of all agency expenditures, including grants and contracts. They are also charged with holding team members and local providers accountable for service standards and teamwork focused on client outcomes and prevention. Building excellent relationships with community partners, including schools, law enforcement agencies and non-profit housing developers is a priority. Leading staff and partners, in conjunction with the regional partnership, to drive positive trends in the region and delivering coordinated services to individuals and families that are timely, flexible and seamless across all programs and agencies are also part of their responsibilities.

In addition to the Housing and Field Directors within the Secretary's office, the departments directly affecting housing within the AHS are:

- Department for Children and Families (DCF)
    - Economic Services Division (ESD)

  - Family Services Division (FSD)
  - Office of Economic Opportunity (OEO)

- Department of Corrections (DOC)

- Department of Disabilities, Aging and Independent Living (DAIL)
  - Division of Disability and Aging Services
  - Vocational Rehabilitation

- Department of Health (VDH)
  - Alcohol and Drug Abuse Programs Division
  - Mental Health Division

The Agency of Human Services has important policy contributions to make to housing agencies because of its role in working with the lowest-income families and special needs populations. The AHS has been a strong advocate of targeting affordable housing development to families below 30% of median income and of developing housing for those with special needs. It is a critical partner in the development of housing with social services.

As the Agency of Human Services starts to develop an agency-wide budget on housing, the analysis becomes more and more complex. Many housing dollars are measurable where some are not. Some housing dollars are included in grants to community partners and the current reporting system does not require reporting outcome measures on housing specifically. This can become more complicated since there are direct dollars for housing allowances, utility payments, back rent, supportive service funds for persons with severe mental illnesses, temporary rental assistance and start up funds to enable individuals to maintain their independence within their communities while they wait for federal housing assistance programs.

The Department for Children and Families administers various funding sources for housing allowances. More specifically, the Economic Services Division (EDS) has several grants/funding sources for housing. The General Assistance (GA) and the Emergency Assistance (EA) grants total approximately $2,677,853. These funds are utilized for and support home ownership/rental, room, permanent housing, temporary housing catastrophic, back rent, security deposit, and temporary housing for up to a period of twenty-eight days. Although the total figure for housing allowance is not reflected in the numbers above, the Temporary Aid for Needy Families (TANF) funds provide a housing allowance in the monthly grant to families who qualify for TANF resources. ESD also oversees the Crisis Fuel Assistance program which provides fuel assistance to qualified families to keep them in housing.

ESD funds of $504,685 are granted to several community providers for housing assistance. These providers include the Champlain Valley Office of Economic Opportunity, Committee on Temporary Shelter in Burlington, Morningside House in

Brattleboro, Good Samaritan Haven in Barre, and the Rutland County Housing Coalition in Rutland.

The Family Services Division (FSD) administers the Chaffee funds from the federal government which has been level funded at $500,000 since 1999. The FSD supplements these funds with general funds of $68,000 for supplementing the housing assistance for youth up to their 22nd birthday. These funds can be applied to living expenses, first month deposit, and rental subsidy. Also within the FSD, there is $193,000 applied to independent living for youth from the ages of 17-19. $111,000 is federal funding and $82,000 is general fund. These funds are allocated to individuals who have not obtained their diploma and are living with foster parents.

The Office of Economic Opportunity (OEO) controls funding granted to community providers which serve some of the lowest income Vermonters. OEO grants funding to community action agencies, homeless providers, transitional housing agencies, and has some flexible funds that go to the Field Services Directors through community action agencies. $1,033,815 is granted to community providers for emergency shelter, prevention, hotel/motel payments, and homeless assistance grants. OEO also manages the weatherization program helping to maintain low-income Vermonters in their own home. The general funds utilized are $655,372 for furnace and boiler replacement and repairs program. Within OEO the Community Service Block Grant (CSBG) is granted to community action agencies to cover many services for low income Vermonters. This program does not break out the housing dollars allocated for individual clients, therefore can not be determined at this time.

The Department of Corrections (DOC) allocates funding to community providers for transitional housing, reunification, and prevention programs for those who are transitioning out of a prison facility and into the community. The total appropriation is **$1,005,000** which is all general fund. **In FY06 DOC also received an additional appropriation for the Dismas House of Vermont in the amount of $87,000 which covered general programmatic costs.**

The Department of Disabilities, Aging and Independent Living (DAIL) makes a relatively small number of grants, discretionary loans, and other funding available for housing that may have incentive value to development. The payments assist general housing units occupied by persons with special needs (elders and adults with physical disabilities) and purpose-built special needs housing. Although funds are not reported within DAIL's budget, many special needs housing projects are based on services DAIL providers for the success of the housing initiative such as Aging in Place.

The Department of Health oversees the Alcohol and Drug Abuse Programs (ADAP) and the Division of Mental Health (DMH). Both divisions support and maintain services within the communities by providing assistance through contracted community providers. This includes the designated mental health agencies and six community alcohol and drug abuse programs throughout the state. ADAP's $343,274 federal funds were allocated to six community providers for operations of programs.

Within the Department of Health, the Division of Mental Health has a significant amount of funding for specific populations. The sum of $390,000 is distributed through the mental health designated provider system for Housing Contingency Funds (HCF). HCF are used for security deposits, start up household furnishing for persons exiting the state hospital and Community Rehabilitation & Treatment (CRT) clients, and temporary rental assistance while those served await subsidy from Federal Section 8 program. Clients must me on the Section 8 list or other affordable housing development waiting lists. These funds are a mix of federal and state. In addition to the above funds, DMH also oversees $300,000 of federal PATH funds. These funds are directed to homeless outreach for severely mentally ill individuals with the expectation of getting this population into subsidized housing. There is over $12M allocated by the designated agencies for the specific purposes for staffing and supporting individuals and families with mental illness in housing options in their communities. These funds are obtained through the Medicaid funding source and other federal programs.

Appendix D

Summary of the Vermont Housing Needs Assessment

2005-2010

Executive Summary
Affordable Housing Problem Persists in Vermont

After several years of expansion, Vermont's economy is performing well and outperforming most U.S. and regional markets. Unemployment rates remain low and attractive interest rates support growth within many economic sectors.

Vermont's residential construction and real estate sectors are accelerating at rates not experienced since the late 1980s. Home prices have soared in recent years; Apartment rents are also increasing. Some Vermonters can afford the rapidly escalating costs of housing having benefited from prosperity generating high-quality jobs, the expanding real estate market, and investments. A very different part of Vermont's population has persistently low incomes and struggles tremendously to find affordable, decent housing.[1]

Substantial need for rental housing will be seen in the next five years.

- The estimated number of affordable apartments for Vermont's low-income renter households currently falls short of demand by about **21,000** units.
- An estimated **47,400** renter households currently have low-incomes (at or below 80 percent of the state median income).
- Due to the shortage of affordable apartments, an estimated **54%** or **23,940** of Vermont's low income households had high housing cost burdens, i.e., paid more than 30% of incomes for housing expenses in 2000.
- Some households who occupy apartments considered "affordable" to low-income households cannot afford those apartments without a rental subsidy. Specifically, the individual incomes of these 47,381 low-income households are not distributed exactly the same way as the individual rents of the remaining "affordable" 26,490 housing units.
- There may be mismatches between the location of low-income households and the location of available affordable units.

Owner-occupied houses are unaffordable for most low-income Vermonters.

- There is a need for new construction of an estimated **12,300** owner-occupied homes to meet the total expected demand in 2010.
- The median purchase price of a house in Vermont in 2005 is projected to be about **$174,000**.
- The maximum affordable purchase price of a house for the **54,800** low-income households in Vermont is **$75,000**.
- Only **1,150** houses sold of $75,000 in Vermont in 2004, making homeownership virtually impossible for most low-income households.

[1] The study was commissioned by the Vermont Department of Housing & Community Affairs and the Vermont Housing Council, a consortium of affordable housing and human service agencies. The study will be used to develop strategies to address housing problems, including the HUD Consolidated Plan. The division's Consolidated Plan for Housing and Community Development guides funding decisions for over $13 million for five years in U.S. Housing and Urban Development funds, and is the State's primary policy directive for other state and federal housing programs.

- About **56%** or **28,000** low-income owner households had housing cost burdens in 2000, i.e., with mortgage and other expenses greater than 30% of income.

Affordable housing developers in Vermont have created enough affordable apartments to meet the needs of about **one quarter** of Vermont's low-income renter households in 2005.

- Roughly **11,600 of the estimated 47,400** low-income Vermont households rent homes subsidized through federal and state housing programs. About **one-half** of Vermont's subsidized housing stock is designated for elderly or disabled households.

- In addition to affordability, the quality of housing is a particular problem for low-income households. More than **78,000** units (almost one third) of Vermont's housing stock were built prior to 1939, meaning it is now over 60 years old.

Housing problems (i.e., quality, over-crowding, or cost burdens) compound housing supply issues.

- Among households with mobility and/or self-care limitations, **36%** or **14,200** households experienced at least one housing problem in 2000.
- More than **29%** or **26,000** total households of any income experienced a housing problem.

Obtaining affordable, safe, and decent housing is particularly difficult for individuals with special needs.

- In the next five years, more than **21,000** frail elderly and disabled people will need assistance with activities of daily living in Vermont's community-based housing.
- About **4,000** individuals are homeless at any given time, **one-quarter** of whom are children.
- Other special needs populations include adults with severe mental illness, persons with developmental disabilities, teen runaways, persons with substance abuse problems, and persons being released from Vermont's prison system.
- Approximately **33,500** of individuals with special needs are low-income, compounding their housing difficulties.

VERMONT AFFORDABLE HOUSING DATA REPORT

In accordance with Sec. 11 of No. 189 of the Acts of the 2005 Adj. Sess. (2006) (S.127), the Vermont Legislative Council and the Vermont Joint Fiscal Office prepared this report for the House Committees on Ways and Means, General, Housing and Military Affairs, and Commerce and the Senate Committees on Finance and Economic Development, Housing and General Affairs to provide those committees with an informational basis for legislative assessment of the affordable housing programs available in Vermont.

General Analysis

Vermont incentives for affordable housing development include tax credits, tax exemptions, purchase-money grants, low-interest loans, and financial and resource support from housing organization directed toward development of and rehabilitation of affordable housing, both for sale and rental, and financial and educational support for purchasers and renters.

These incentives are targeted to "low" or "moderate" income Vermonters. Unless otherwise indicated, references to median income and to HUD median income refer to the Median Family Income Levels set by the Federal Department of Housing and Urban Development, available at www.huduser.org. A copy of the 2006 HUD Vermont income limits is attached as Attachment A, with annotations showing 80 percent of median family income for each county in Vermont.

Most of the Vermont statutes that create affordable housing incentives do not specify the details of applicant qualifications or a verification process. In the case of state entities, these details are outlined in rules. The details are important in order to determine:

(1) Are the affordable housing programs delivering assistance only to those who need it?

(2) Are there protections in place to assure that the financial incentives are targeted only to affordable housing?

(3) Are the affordable housing incentives efficiently creating affordable housing and would sufficient affordable housing be created in the absence of incentives?

In the case of affordable rental housing, the income of the tenant household is monitored, but in the case of home purchase, income eligibility is determined only at the time of purchase, since rescinding a purchase is not a viable option if and when the owner's income increases. Theoretically, when income increases, homeowners often purchase a larger, more expensive home, thereby returning lower-priced affordable housing to the market.

Issues Presented in Sec. 11 of Act 189

1. Identify the population served by the property transfer tax exemption for buyers with Vermont Housing Finance Agency mortgages and whether they are a subset of similarly-situated home buyers in Vermont, and estimate the cost of expanding the exemption beginning in fiscal year 2008 to the first $140,000.00 of home value for all similarly-situated buyers regardless of mortgagee.

2. Identify affordable housing incentives in Vermont law.

3. Identify state and quasi-public entities in Vermont which administer, allocate, or award affordable housing incentives and any discernible overlap in functions of theses entities, and identify any amount of state funding for these entities in the most recent state budget.

4. Determine the definition of "affordable housing" under the incentives identified including the type and price range of the housing supported and the income level of eligible recipients for the program.

5. Estimate the annual cost of each incentive in total and per unit of affordable housing supported.

6. Determine to what extent, if any, affordable housing incentives provide direct support for construction or development of property other than affordable housing.

7. Identify private-sector sources of support available for affordable housing and other methods of state assistance for affordable housing which could be offered.

Issue 1. Property Transfer Tax Exemption (PTT)

History of Property Transfer Tax Exemption (PTT)

Since 1997, Vermonters who purchase homes through the Vermont Housing Finance Agency (VHFA) paid no PTT on the first $100,000.00 of the sale price of the purchased home; however, they do pay this tax in the amount of 1.25 percent tax on the purchase price over $100,000.00. The $100,000.00 threshold has not increased since 1997.

Households Served by VHFA that Benefit from PTT

In 2006, the average income of a purchaser of a home through VHFA was about $47,000.00, and the purchase price was approximately $148,000.00. In 2006, 94 percent of the 780 VHFA borrowers had incomes below the median income level in their area. In fact, 65 percent had incomes below 80 percent of the area median.

VHFA home buyers differ from the general population of Vermont home buyers in that they must comply with the following VHFA program requirements:

- Buyers in Addison, Bennington, Chittenden, Grand Isle, and Windsor Counties must be first-time home buyers or not have owned a home during the previous three years.
- A buyer's income must be less than the county maximum, currently set between $62,000.00 and $81,000.00, depending on location and household size.
- The purchase price of a home must be less than $237,000.00–$275,000.00, depending on the location and whether the home is new or existing.
- Buyers must have a credit history that demonstrates ability and willingness to make payments when due and an income sufficient to repay the loan.
- All purchased homes must meet standards that ensure that the house is safe and structurally sound and the mechanical systems are in good working order.

The Cost of the PTT Exemption

The PTT exemption is currently available only to buyers with VHFA mortgages, relieving them of transfer tax liability on the first $100,000.00 of the purchase price of their home. A buyer may participate in other home buying programs with other organizations, but that buyer is eligible for the PTT exemption only if a VHFA mortgage is involved. In fiscal year 2006, the PTT exemption cost the state about $374,000.00 in forgone PTT revenue.

If the PTT exemption threshold were increased to $140,000.00 for VHFA mortgage holders, the state would forgo revenues of $645,000.00 based on 2006 VHFA home purchase statistics.

Although VHFA is the single largest provider of affordable home mortgages among the state's public and nonprofit agencies, the USDA Rural Development (RD) and Vermont Housing and Conservation Board (VHCB) also administer programs that provide additional home-buying assistance to low- and moderate-income Vermonters. Many of these home buyers participate in joint programs with VHFA, thus making the PTT exemption available to them. If the PTT exemption were extended to low- and moderate-income buyers who purchase affordably priced homes through a program that does not involve a VHFA mortgage, the state would forgo revenues of $741,000.00. (Although some private lenders offer independently administered programs to assist low- and moderate-income home-buyers, these sales are not included due to lack of data.)

Extending the PTT exemption to all buyers regardless of income for purchase of affordably priced primary homes (priced within VHFA's purchase price limits) would increase the amount of forgone state revenue to $4.7 million.

Estimated Annual Cost of $140,000 PTT Exemption Threshold

Type of Buyers Eligible for Exemption:	**Home buyers using VHFA**	**Home buyers using VHFA, RD, or VHCB***	**All buyers of homes within VHFA's purchase price limits****
Annual Estimated Cost to the State:	$645,000	$741,000	$4.7 million

(Source: PTT home sales data.)
*This estimate is based on the homes purchased annually through homeownership programs of VHFA, RD (direct and guaranteed loans), and VHCB (HOMELAND program) and accounts for borrowers who use more than one of these programs.
**This estimate is based on all 5,500 sales in fiscal year 2006 of primary homes (except mobile homes) for prices within VHFA's purchase price limits, regardless of buyer income or first-time home buyer status. This estimate does not include the cost of extending a PTT exemption to mobile home buyers because few mobile homes meet VHFA's property requirements.

Vermont's Housing Agencies Target the PTT Exemption

Since the PTT exemption is available to all Vermonters who purchase homes with VHFA financing, and since the eligibility requirements for a VHFA mortgage are restricted to low- and moderate-income home buyers who purchase affordable primary and, often, first homes, this benefit directs scarce state dollars only to those buyers who most need and benefit from home ownership. Although the present limitation on this exemption benefits *only* low- and moderate-income home-buyers, it does not benefit *all* low- and moderate-income home buyers.

Extending the PTT to all low- and moderate-income buyers of affordable homes or extending the exemption to the first $140,000.00 of the purchase price would increase forgone revenue but would still ensure that only low- and moderate-income home-buyers benefit from this exemption. Extending the exemption to *all buyers* of affordably-priced homes would be a very costly step that would inadvertently benefit higher-income home-buyers who may choose to buy an affordably priced home but do not have the same financial limitations of their lower-income counterparts.

Issues 2, 3, 4 and 5 are addressed as a group because they are related. affordable housing incentives; state and quasi public housing organizations; applicable definitions of "affordable"; the annual cost of each incentive, in total and per unit of affordable housing supported **(see charts for project and per-unit cost estimates, page 17).**

FEDERAL INCOME TAX INCENTIVES THAT PASS THROUGH FOR VERMONT INCOME TAX PURPOSES

Income Tax Credit (26 U.S.C.§ 42) **Low-Income Housing Tax Credit (LIHTC)** Low-income housing developers are eligible for a nonrefundable income tax credit for costs of construction, rehabilitation, or purchase of low-income housing.

If the activity is for-profit, the building must remain low-income housing for 30 years; if the activity is not-for-profit, there appears to be no limitation imposed on the building use.

The credit is the greater of 10 percent of qualified building basis each year for 10 years or $3,000.00 per affordable unit each year for 10 years. "Qualified building basis" is 70 percent of basis for nongovernmental-subsidized projects and 30 percent of basis for government-subsidized projects.

"**Low Income Housing Project**" is defined (26 U.S.C. § 42(g)) as residential rental property in which at least:

Twenty (20) percent of the residential units are rent-restricted and occupied by individuals whose income is 50 percent or less of area median gross income; or

Forty (40) percent of the residential units are rent-restricted and occupied by individuals whose income is 60 percent or less of the area median gross income. (Note: The property will not fail to qualify just because part of the building is used for nonresidential-rental purposes. In most cases, the unit won't cease to qualify just because the occupant's income goes up (unless it goes up to more than 140 percent to 170 percent of the limit and another unit in the building is occupied by a higher-income person; note that 170 percent of 80 percent of median equals 136 percent of median. Full-time students may qualify as low-income persons, if they are not dependents on another person's tax return and if they are parents).

Depreciation deduction. Low-income housing is also eligible for accelerated depreciation for 15-year period instead of the usual 19 years; using full-month convention.

"Low income housing" has the same meaning as 26 U.S.C. § 42(g).

VERMONT TAX INCENTIVES, WITH RELATED DEFINITIONS OF "AFFORDABLE" HOUSING

TAX INCENTIVES FOR BUILDERS, OWNERS, AND FINANCIERS

1. Income tax – deduction (32 V.S.A. § 5811(18) and (21))
Federal accelerated depreciation passes through to Vermont income tax.
"Affordable housing" has the same meaning as 26 U.S.C. § 42(g).

2. Income tax – credit (32 V.S.A. § 5930u).
Income tax credit for construction or rehabilitation of an affordable housing project that qualifies for Federal Section 42 credit. The credit is administered by VHFA.
"Affordable housing" has the same meaning as 26 U.S.C. § 42(g).

3. Income tax – credit (32 V.S.A. §§ 5930n, 5930aa). Tax credit for substantial rehabilitation of historic buildings also claiming federal rehabilitation tax credit)
Rehabilitation income tax credit for five percent or 10 percent of project costs of rehabilitation of an historic building in a downtown development district or designated village center if 10 percent of the rehabilitated units qualify as affordable housing. Partial recapture of credit may be had if the building is sold within five years.
"Affordable housing" means housing affordable to households with income at or below 80 percent of median income as established by HUD.

4. Income tax – credit (32 V.S.A. § 5830c. Tax credits; charitable investments in housing)
This is a credit against taxes on individual income, corporate income, banks, financial institutions, and insurance companies for low-interest loans made to an affordable housing nonprofit organization. The credit makes up the below-market interest rate to the lender, up to a maximum of three percent of the loan, for the life of the loan. Beginning in 2006, the activities of the affordable housing entity may include loans to individuals with income up to 100 percent (instead of 80 percent) of the greater of state or area median income; and the loans may be made at a rate of prime-plus-two (instead of prime or below).
"Affordable housing" as defined by Department of Housing and Community Affairs, to include:
a. At least 50 percent [reduced in 2006 from 75 percent] of households occupying the housing shall have income that does not exceed 100 percent of the greater of state or area median income.
b. Providing housing at a cost of 30 percent of an eligible household's gross income.
c. Affordability to be maintained for at least 15 years [this was reduced in 2006 from 40 -years] or the duration of the loan, whichever is greater with a housing subsidy covenant or other legal limitation. This limitation may be terminated upon foreclosure.

5. Income tax credit (32 V.S.A. §5828) for sale of a mobile home park to a majority of the park's leaseholders or to a nonprofit approved by the leaseholders, a credit against

individual or corporate income taxes of the seller in the amount of seven percent of the capital gain.

6. Income tax - deferral of payment [32 V.S.A. § 5920(f)].

A partnership or limited liability company is not required to file an income tax return for nonresident partners or members if the business purpose is solely to operate an affordable housing project in the state. (The nonresident partners and members still owe the Vermont income tax, but the exempt entity does not have to pay it up front if its only business is affordable housing.)

"Affordable housing project" means a residential rental development for low-income Vermont residents (not to exceed area median income) throughout the period of the investment and subject to one or more of the following:

a. Housing subsidy covenant granted to Vermont Housing and Conservation Board;
b. Regulatory agreement or LIHTC housing covenant granted to VHFA;
c. Housing assistance payment contract with HUD under 24 CFR Part 883;
d. Regulatory agreement granted to Farmers Home Administration.

7. Education property tax stabilization [32 V.S.A. § 5404a(a)(3)].

Local tax stabilization agreements may be available for affordable housing approved by VEPC or by the tax commissioner with recommendation by the commissioner of DHCA.

New or rehabilitated **"affordable housing projects"** are housing projects secured with federal financial participation, including federal low-income housing tax credits.

8. Education property tax – discount [32 V.S.A. § 5404a(a)(6)].

Ten percent education property tax reduction is available for qualified rent-restricted rental units for 10 years or until the expiration of the rent restriction, whichever occurs first.

"Qualified rental units" means units subject to rent restriction under state or federal law, but this does not include units subject only to Section 8, Section 236, or Section 515 housing requirements, as certified by VHFA.

9. Property transfer tax exemption [(32 V.S.A. § 9603(20), (21), (23)].

No property transfer tax is assessed on a transfer of property to:

a. A nonprofit to preserve housing affordable to low-income families.
b. A housing cooperative for low- or moderate-income housing.
c. A leasehold interest by a nonprofit to low-income individual to provide affordable housing or to ensure continued affordability of the housing.

"Affordable housing" means primary residence secured with VHFA financing; and certain transfers to nonprofits to preserve housing for low-income households.

TAX INCENTIVES TO LOW-INCOME HOUSEHOLDS FOR PURCHASE OF A PRIMARY RESIDENCE

1. Land gains tax - partial exemption (32 V.S.A. § 10011)

One-half of land gains tax is exempted for a transfer to a 501(c)(3) corporation that develops affordable housing provided the property remains affordable for at least six years.

No definition of "**affordable housing**" in this section.

2. Property transfer tax - partial exemption (32 V.S.A. § 9602(1)). No property transfer tax on the first $100,000.00 of purchase price if the purchase involves VHFA financing.

No definition of **"affordable housing"** in this section, but buyers must qualify for VHFA financing, including income and home price restrictions.

INCENTIVES TO MUNICIPALITIES IN A TAX INCREMENT FINANCING DISTRICT

Inclusion of housing in a created TIF district that is "affordable to the majority of the residents living within the municipality" is one of the criteria that will enhance VEPC approval. [32 V.S.A. § 5404a(h)(4)(B)]

"Affordable housing" is defined by reference to 10 V.S.A. § 6001(29). Owner's or renter's gross household income cannot exceed 80 percent of the county median gross, and housing costs cannot exceed 30 percent of the owner's or renter's gross household income. **"Housing costs"** include, for rental housing, monthly rental fees and utilities; and, for owned housing, monthly mortgage principal, interest, taxes, and insurance.

OTHER INCENTIVES

1. Municipal and Regional Planning and Development Act (24 V.S.A. Chapter 117) has as one of its many goals "to ensure the availability of safe and affordable housing for all Vermonters, particularly for Vermonters with low and moderate income."

"Affordable housing" [24 V.S.A. § 4303(1) (2)] means housing owned or rented by households with gross annual incomes that do not exceed 80 percent of the county median or metropolitan area income, as determined under HUD rules, and whose annual housing costs are no more than 30 percent of the household's gross income. "Affordable housing development" means development that includes the greater of 20 percent of the units or five units that are affordable and will continue to be affordable for at least 15 years. The commissioner of DHCA establishes guidelines for providing affordable housing in a municipality with no approved development plan (24 V.S.A. § 4351).

2. Cooperative Housing Ownership Act (11 V.S.A. §§ 1581-1609), the purpose of which is to "foster creation and preservation of affordable housing in Vermont by authorizing cooperative housing entities." Low income is 80 percent or less of median income for the area, and moderate income is income between 80 and 101 percent of area median, in accordance with HUD standards.

3. Other affordable housing incentives will be included in the following descriptions of the state and quasi-public housing entities.

STATE AND QUASI- PUBLIC ENTITIES IN VERMONT

DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (DHCA)
(3 V.S.A. § 2472)

Charitable Housing Investment Tax Credit (32 V.S.A. § 5830c)

This tax credit is administered by DHCA. Details can be found on page 6, No. 4 under the heading **TAX INCENTIVES FOR BUILDERS, OWNERS, AND FINANCIERS**

"**Affordable housing**" is defined in a rule adopted by the Department of Housing and Community Affairs (DHCA), which is scheduled for updating in compliance with H.777 (Act 116) passed last biennium.

"Affordable housing" means housing in which at least 50 percent of the housing units must be occupied by households whose income does not exceed 100 percent of the greater of state or area median income (changed from 75 percent in Act 116, 2006). The goal is to provide housing at a cost of no more than 30 percent of the household's gross income. (Housing costs for renters include rent and utility payments; housing costs for purchase include mortgage payments, insurance, and taxes.) The affordability of the unit shall be protected for a period of time not less than the term of the loan or at least 15 years, whichever is greater, through a housing subsidy covenant or other legally binding instrument, which shall terminate upon the issuance of a judgment of foreclosure or a transfer of the property in lieu of foreclosure (changed from 40 years to 15 years in Act 116, 2006).

In the case of eligible housing charities that use charitable investments to finance loans to individual borrowers, those loans may not be made to any borrower with an income above 80 percent of the greater of the state or area median income. Area median income is the county or Metropolitan Statistical Area median income published by the federal Department of Housing and Urban Development.

The Vermont Community Development Program (VCDP)

This program provides financial and technical assistance to help communities identify and address local needs and priorities in the areas of housing, economic development, public facilities, and public services primarily for residents of low and moderate income. "Only Vermont cities, towns, and incorporated villages chartered to function as general purpose units of local government are eligible for grants under this program. However, the majority of projects are a coordinated effort among municipalities, community groups, and local or state nonprofit organizations." VCDP is funded by the federal Community Development Block Grant Program (CDBG) and administered by the state. Funded activities must meet at least one national objective and at least one state

objective. National objectives include: assuring that principally persons of low- and moderate-income households are benefited; aiding the prevention and elimination of slums and blight; and meeting the community development needs of a particular urgency. State objectives are to: conserve, expand, and improve housing; create and retain employment; improve public facilities in support of housing or economic development activities; and improve circumstances that threaten public health and safety."

Definition of low- and moderate-income: See Attachment A.

HOME funds (Federal Home Investment Partnerships)

HOME funds are received by the DHCA and distributed by the Vermont Housing and Conservation Board to be used for acquisition and rehabilitation, new construction, mobile home parks, and organizational support for Vermont's nonprofit housing developers. See Vermont Housing and Conservation Board, below.

Low Income Housing Tax Credit (LIHTC) (see page 5 under the heading: Federal Income Tax Incentives That Pass Through for Vermont Income Tax Purposes

This tax credit was designed to encourage construction or preserve affordable housing for lower-income households. DHCA works with the VHFA through the Joint Committee on Tax Credits, which allocates tax credits awarded to Vermont affordable housing developers (see VHFA below).

The LIHTC appears to be a very effective means of raising equity capital for affordable rental housing development in Vermont. It provides a direct cost-based reduction in federal tax liability over a 10-year period for owners of qualifying rental housing who agree to conform to certain operating restrictions for at least 15-years. The Tax Reform Act of 1986 set a maximum housing credit allocation for each state based on population. Vermont's annual allocation is approximately $2.125 million.

"Affordable housing" means housing "targeted at households earning no more than 60 percent of the median income."

VERMONT HOUSING FINANCE AGENCY (VHFA) (10 V.S.A. § 611)

Homeownership Construction Loan Program: This program provides financing for site acquisition, infrastructure development, and unit construction for owner-occupied single-family developments."

Construction and permanent loans. VHFA offers low-interest construction and permanent mortgage financing for the development and preservation of affordable rental housing. Specific requirements regarding rent restrictions and qualifying household income may vary with the funding source. However, all developments must serve at least 51 percent low- and moderate-income households. Funds usually come from a number of sources, including:

- Proceeds from the sale of tax-exempt or taxable bonds
- Federal Home Loan Bank non-member advances
- Pension fund mortgage pools
- VHFA reserves

The housing sponsor must be organized on a limited profit or a nonprofit basis and approved by VHFA as qualified to own, construct, acquire, rehabilitate, operate, manage, or maintain residential housing.

Rental housing properties eligible for VHFA financing can include the following:

- Conventional living units
- Transitional housing
- Congregate homes for the elderly
- Mobile home parks
- Single Room Occupancy (SRO) units
- Special needs housing
- Emergency shelters
- Residential care facilities
- Cooperative housing
- Nursing homes

Predevelopment loan programs: VHFA offers predevelopment financing for activities such as architectural design, cost estimating, legal and consulting services, market studies, and appraisals to nonprofit and for-profit developers of multifamily or single-family housing. Eligibility for this program requires that 51 percent of the housing be affordable in accordance with VHFA purchase limits.

Home mortgage financing: Programs offered by VHFA include mortgages with a fixed rate, a stepped rate, a fixed rate 35-year mortgage, a cash assistance rate, the HOUSE program (Homeownership Opportunities Using Shared Equity), Limited Refinance, and Limited 4.75 percent program.

"Affordability" Restrictions and eligibility criteria are specific to each program. See Attachment B.

VERMONT HOUSING AND CONSERVATION BOARD (VHCB)
(10 V.S.A. § 311)

The Vermont Housing and Conservation Board is an independent, state-supported funding agency that provides grants, loans, and technical assistance to nonprofit organizations, municipalities, and state agencies to develop perpetually affordable housing and for the conservation of important agricultural land, recreational land, natural areas, and historic properties in Vermont.

VHCB funds the acquisition, rehabilitation, and construction of affordable housing with partnerships with nonprofit housing organizations. Private developers are eligible to apply for **federal** HOME Program funds which increase affordability, but have reporting requirements.

Eligible affordable housing projects include rental housing, rental and ownership coops, mobile home parks, single-family homes, shared elderly housing, single room occupancy housing, and group homes. VHCB funds leverage federal and private funds to develop housing for lower income households and individuals with special needs. Private bank loans and Low Income Housing and Historic Preservation Tax Credit equity are common financing tools in VHCB-funded projects. Federal rental subsidies are a component of many VHCB projects, with many of their housing projects involving housing development organizations that work together with social service agencies to provide housing with support services. Some housing is targeted to populations with special needs, such as housing for battered women, housing for the deaf, housing for people who are physically, developmentally, or mentally disabled, and housing for artists.

Loan and Grant Program

Funded housing must serve households earning less than 100 percent of median income as defined by HUD income guidelines. The majority of the units funded by VHCB serves households with incomes between 30 percent and 80 percent of median area income. The affordability of the housing is secured with legal instruments (housing subsidy covenants) filed in the land records that travel with the property upon resale to ensure perpetual affordability. Housing applications are considered four times annually.

Feasibility Funds

Housing and conservation projects in the early stages of development are eligible for Feasibility Grants of up to $10,000.0 for a single project to cover feasibility-related expenses and up to $15,000.00 for scattered site projects containing more than two separate sites. Funds may be used only to compensate contracted services and not to compensate applicants for staff time. Feasibility funds typically cover the costs of appraisals, energy assessments, marketing studies, options, engineering and environmental studies, and other predevelopment costs.

Homeland Program

The HOMELAND Program provides purchase subsidies, including assistance with down payment and closing costs, to make home ownership more affordable for Vermonters. Applicants for HOMELAND funds are prequalified to purchase a home within a given price range based on their income. Depending on income level, need, and other factors, homeowners may receive grants of $17,000.00–$20,000.00 toward the purchase price of a home. In addition to the HOMELAND grant, buyers must obtain mortgage loan financing and contribute their own cash resources (at least $1,000.00) toward the purchase of the home. Low-interest mortgage financing from the VHFA is available through private banks statewide and is frequently used in conjunction with HOMELAND funds. USDA Rural Development also sponsors low-interest mortgage financing programs.

Homeland grant funds are administered by nonprofits to subsidize the purchase of single-family homes, increasing affordability and guaranteeing perpetual affordability upon resale. Appreciation is limited by an agreement between the nonprofit and the homeowner. In return, the purchase price of the home is reduced by the amount of the grant.

In order to be eligible for HOMELAND funds, a potential buyer must successfully complete a one-day home purchase education program at one of six Neighbor Works Home Ownership Centers around the state: Burlington, St. Albans, Springfield, West Rutland, Lyndonville, and Barre.

Single-Family Assistance Program

Participating nonprofit housing organizations administer VHCB funds to income-eligible home buyers with grants of up to $2,000.00 to assist with down payment and closing costs.

Habitat for Humanity and Vocational Education-Built Homes

VHCB makes grants for home building projects undertaken by Habitat for Humanity or Vocational Education programs around the state. The 29 projects funded to date have helped either to pay for land or to lower the costs of construction, a saving that is passed to the first-time home-buyer. In most cases, VHCB only provides funding for perpetually affordable housing.

Purchase Subsidy Program

VHCB funds are awarded to assist low-income households to purchase mobile homes in nonprofit-owned mobile home parks. Funds are provided for down payment assistance and to prevent foreclosure. This program enables upgrading and replacement of deteriorated homes.

HOUSING VERMONT

Housing Vermont, a nonprofit syndication and development company founded in 1988, creates permanently affordable rental housing for Vermonters through partnerships with local organizations, public agencies, and the private sector. These partnerships have produced more than 3,300 affordable rental housing units in 94 different developments. According to the management review conducted by CFY Consulting, Housing Vermont is unique and a key to the success of the Vermont affordable housing development system. Housing Vermont is a housing developer, but also a provider of invaluable services to the community-based nonprofit development corporations for local housing projects. The services include predevelopment assistance, assembling tax credit equity, interim financing, construction management, taking ownership interest in a housing project, and asset management.

VERMONT STATE HOUSING AUTHORITY (24 V.S.A. § 4005)

The Vermont State Housing Authority is dedicated to the development and preservation of affordable housing in Vermont and is actively involved in the acquisition, construction, and rehabilitation of multi-unit complexes and mobile home parks throughout the state of Vermont. This objective is accomplished through the use of public and private financing, including grants, traditional borrowing, tax exempt financing, tax credits, and charitable contributions. The state and local housing authorities administer various rental assistance programs. There is a Section 8 Home Ownership Program through which rental vouchers may be converted into homeownership vouchers, which may make the voucher holder eligible for financial assistance with monthly homeownership expenses, such as mortgage, taxes, and insurance.

MUNICIPAL HOUSING AUTHORITIES (24 V.S.A. §§ 4003 – 4027)

This statute establishes a housing authority in each municipality, provided the governing body declares by resolution a need for the authority to address the existence of unsanitary or unsafe inhabited dwellings and a shortage of safe or sanitary housing available to low-income or elderly Vermonters. The housing authorities have among other powers the power to own and operate (lease or rent) as well as to build, renovate, or improve housing projects for the targeted populations. The following communities have housing authorities: Barre, Bennington, Brattleboro, Burlington, Hartford, Montpelier, Rutland, St. Albans City, Springfield, and Winooski.

Burlington Housing Authority (BHA). In addition to the statutory powers provided to municipal housing authorities, BHA administers Section 8 Homeownership Program, a new program for those who are currently renting through the Burlington Housing Authority, are in a public housing or Section 8 subsidized unit, or are applying for such assistance. The Section 8 Homeownership Program works much as the Section 8 Rental Assistance Program, except that the subsidy is applied toward the mortgage rather than toward the rent.

Affordable Housing: Most participants pay no more than 30 – 40 percent of income for rent and utilities. Income limits for eligibility are listed in the following table:

BHA - INCOME LIMITS - Effective 2/11/2004

Percent of Median Income	Low Income 80%	Tax Credit 60%	Extremely Low Income 30%
1 person	$38,650	$28,980	$14,500
2 person	$44,150	$33,120	$16,550
3 person	$49,700	$37,260	$18,650
4 person	$55,200	$41,400	$20,700
5 person	$59,600	$44,700	$22,350
6 person	$64,050	$48,000	$24,000

COMMUNITY LAND TRUSTS

Community land trusts have been established based on a model that preserves scarce affordable housing and community resources and creates innovative, safe, and secure housing opportunities for lower-income community members by ensuring that the homes offered for sale remain permanently affordable through agreements and legal instruments that assure affordability for future as well as current homeowners. An important tool is a ground lease and covenant held by the trust to ensure that properties remain affordable upon resale. The trusts administer programs that provide both rental and owned housing that will remain perpetually affordable. These organizations are community-formed nonprofit organizations that accept and use state money. Community land (housing) trusts have been established in Addison County, Brattleboro, the Champlain area, Central Vermont, Gilman, Rockingham, Rutland, and White River Junction.

Champlain Housing Trust (Lake Champlain Housing Development Corp. merged with the Burlington Community Land Trust in October 2006 to form the Champlain Housing Trust). The Champlain Housing Trust is a membership-based organization that provides a wide range of affordable housing opportunities, including homeownership, rental apartments, and coop housing in northwestern Vermont with over 270 rental apartments and 370 shared-appreciation single-family homes and condominiums. Through its land stewardship, CHT ensures that these properties will remain affordable.

Among its other responsibilities, CHT administers the Champlain Valley Rehab Loan Fund, which provides low-interest loans for home repairs for residents of Franklin County, Grand Isle County, and soon Chittenden County (now including Westford). Loans are available for a variety of home repairs, including no-interest loans with payment deferred for qualified very-low-income households until time of sale, refinance,

or title transfer of the home, amortizing loans between zero and 6.5 percent interest for income-qualified households, and grants for lead-based hazard abatement.

HOUSING DEVELOPMENT CORPORATIONS

HDCs are community-based organizations established locally to develop and preserve affordable and elderly housing for low- and middle-income households and to work to strengthen the economics of the community. Housing development corporations have been formed in Middlebury, Brattleboro, Burlington, Winooski, Montpelier, Morrisville, St. Johnsbury, Randolph, Bennington, Rutland, and White River Junction.

Randolph Area Community Development Corporation (RACDC) is a not-for-profit community-based organization established in 1993 by the Town of Randolph. RACDC has a threefold mission:

a. To preserve and develop affordable and elderly housing for low- and middle-income residents in the towns of Randolph, Braintree, and Brookfield

b. To attract and retain businesses that will help area residents to work locally and to receive higher wages

c. To build community alliances to support downtown and village center revitalization in downtown Randolph and in the village centers of Randolph, Braintree, and Brookfield.

RACDC provides the following services:

- Development and management of affordable and elderly housing
- Housing rehabilitation loan fund
- Management of the town of Randolph small business revolving loan fund
- Economic development support to the town of Randolph
- Management of Randolph's designated downtown program
- Housing and economic development support to Braintree and Brookfield
- Programs for home repair and downpayment assistance for income eligible residents of Randolph, Braintree, and Brookfield
- Education about the home buying process for first-time home-buyers of any income, as well as help with applications, budgeting, and credit rebuilding

LOCAL NONPROFIT DEVELOPERS

Local nonprofit developers cover each of the regional housing markets and provide comprehensive coverage for small rural Vermont communities. While diverse, these organizations can determine local needs and dynamics and have contact with local owners and government, and often have a local presence that minimizes resistance that might be shown to unknown developers.

Affordable Housing Incentives Authorized by Vermont Statute and Funded by the State

Affordable Housing Incentive	Location in Vermont Law Administrative Rules if Applicable	State or Quasi-public Entities that Administer, Allocate, or Award the Incentive	Amount, if any, in State Budget for State or Quasi-public Entities that Administer, Allocate, or Award the Incentive	Definition of Affordable Housing for the Incentive; including Purchase Price and Income Limits	Estimated Annual Cost of the Incentive; and Per Unit Estimated Cost	Extent, if any, that Incentive Supports Construction or Development of Property other than Affordable Housing
Tax credit for Affordable Housing	32 V.S.A. § 5930u	Allocating Agency is VHFA Tax Credit Committee includes VHFA, DHCA, VSHA, VHCB, Office of the Governor	None	At least 20% of units are rent-restricted and occupied by households at 50% or less of median income; or At least 40% of units are rent-restricted and occupied by households at 60% or less of median income. (same as federal housing tax credit and exempt facility tax exempt bonds)	$300,000 for FY2007 and $400,000 for FY2008	A property will not fail to qualify just because part of the building is used for non-residential rental purposes Housing must be perpetually affordable to lower income Vermonters
Modification of the Education Grand List for Subsidized Rental Housing	32 V.S.A. § 5404a(a)(6)	Certificate obtained from VHFA Vermont Tax Department Local Listers	None	Qualified rental units subject to rent restriction under provisions of state or federal law, except tenant-based Section 8, or certain USDA programs	A sliding scale up to 10% reduction of assessed value. Intended to set tax rate closer to the homestead rate rather than the non-homestead rate.	None - reduction is prorated based on percentage of the property that qualifies
Charitable Housing Investment Tax Credit (HITC)	32 V.S.A., Chapter 151 (Income Tax); §5830c DHCA Housing Division Rules Part IV	Vermont Dept. of Housing & Community Affairs Vermont Tax Department Approved Housing Charities	None	Housing costing no more than 30% of a households gross income Income should not exceed 100% of median Affordability protected for at least 15 years	$25,000 (cap = $150,000)	None Approved Housing Charity must demonstrate that at least 70% of investments are disbursed within 12 months for affordable housing
Downtown and Village Center Tax Credits Historic rehab Façade improvement Code improvement	32 V.S.A. § 5930aa 10 V.S.A. § 6001(3)	Vermont Downtown Development Board	None	Households whose income is at or below 80 percent of median, paying not more than 30% of gross income for housing Building must be located in a downtown development district or village center	$315,000 in FY07 ($1.5 million available for all credits listed at § 5930cc.) Three projects included a housing component	Only income-producing buildings that are not single-family residence. Primary purpose is not affordable housing
Property Transfer Tax Exemptions	1. 32 V.S.A. § 9602(1) 2. 32 V.S.A. §9603(20), (21), (23)	Vermont Tax Department	None	1. Primary residences using VHFA financing 2. Transfer to a nonprofit to preserve housing for low-income families; transfer to a housing cooperative for low- or moderate-income housing; transfer of a leasehold interest to a nonprofit to provide affordable housing or to ensure continued affordability of such housing.	1. Exempt from PTT on first $100,000. 2. No transfer tax due	None

Affordable Housing Incentive	Location in Vermont Law Administrative Rules if Applicable	State or Quasi-public Entities that Administer, Allocate, or Award the Incentive	Amount, if any, in State Budget for State or Quasi-public Entities that Administer, Allocate, or Award the Incentive	Definition of Affordable Housing for the Incentive; including Purchase Price and Income Limits	Estimated Annual Cost of the Incentive; and Per Unit Estimated Cost	Extent, if any, that Incentive Supports Construction or Development of Property other than Affordable Housing
Partial Land-gains Tax Exemption	32 V.S.A. § 10002(j)	Vermont Tax Department	None	Transfer to a 501(c)(3), if the property will be held at least six years for affordable housing purposes	One-half of land gains tax that otherwise would have been due	If property not held for six years for affordable housing, remainder of tax is due
Mobile home park sale; capital gain credit	32 V.S.A. § 5828	Vermont Tax Department	None	Sale of a mobile home park to a group composed of a majority of the leaseholders or to a nonprofit approved by the leaseholders	$0 Credit equals 7 percent of the taxpayer's gain subject to federal income tax for the taxable year	None

Affordable Housing Incentives Authorized in Vermont Statute at No Cost to the State

Affordable Housing Incentive	Location in Vermont law Administrative Rules if Applicable	State or Quasi-public Entities that Administer, Allocate, or Award the Incentive	Amount, if any, in State Budget for State or Quasi-public Entities that Administer, Allocate, or Award the Incentive	Definition of Affordable Housing for the Incentive; including Purchase Price and Income Limits	Estimated Annual Cost of the Incentive; and Per Unit Estimated Cost	Extent, if any, that Incentive Supports Construction or Development of Property other than Affordable Housing
Authority to issue bonds for low-interest homeownership mortgages and multifamily buildings	10 V.S.A § 601 et. Seq.	VT Housing and Finance Agency	None	Homeownership mortgage program has varying income and purchase price limits by county based on area median income and average purchase prices from previous year as required under federal law. Multifamily program (including construction of for-sale homes) provides financing for projects that qualify for financing with federally tax-exempt obligations or at least 20% of units for low or moderate income households and 51% of for sale homes must meet VHFA mortgage purchase price limits and best efforts on income limits.	$0	Multifamily loans may include commercial space necessary or convenient to residential housing.
Interest on Real Estate Trust Accounts	26 V.S.A § 2241(c)	Vermont Housing Finance Agency	None	All earnest money and contract deposits received by real estate brokers that are not reasonably expected to earn a substantial amount of interest.	$0	Funds education of first-time home-buyers through Homeownership Centers
Emergency Shelter Grants		VT Office of Economic Opportunity	None	Property must be used as an emergency shelter or for homeless prevention or services.	$0	

Issue 6. The extent to which affordable housing incentive may support development of property other than affordable housing.

No evidence was found to suggest that any affordable housing incentives were used, directly or indirectly, for non-residential construction or development that included high income or market rate housing. Although there is increasing focus on developing perpetually affordable housing, many affordable housing projects remain affordable for only 15 to 20 years, after which time they may become market-rate rental housing. Many organizations support, encourage, and provide incentives for community building as well as incentives for affordable housing, but without testimony or information directly from those organizations, it is impossible to ascertain how the finances are distributed and whether any funds may actually be used directly or indirectly for market-rate or non-residential construction or development.

Issue 7. Private sector sources available for affordable housing and other possible methods of state assistance.

Specifics regarding other methods of creating or supporting affordable housing are not within the expertise of members of either the Legislative Council or the Joint Fiscal Office. Additional methods and other creative approaches to developing affordable housing would be up to the various housing organizations listed in this report and their personnel who specialize in the development and financing of affordable housing.

However, the following are some examples of creative approaches to affordable housing development:

1. West Virginia created a Low-Income Assisted Mortgage Program that is a creative partnership of state government and local lender resources to support nonprofit housing development and help solve the common problem of the limited capital available to nonprofit affordable housing developers. This program creates a secondary market for purchasing low-interest mortgage loans from nonprofits by local lenders, thus improving cash flow to local nonprofits. This has resulted in the development of strong partnerships and creates a system that permits the nonprofit to provide mortgage loans of between nine and three percent interest while recovering part of the discounted purchase price of the loan.

2. In Washington state, the Washington Community Reinvestment Association, a nonprofit lender, was formed and funded by a group of for-profit lenders and has proved to be successful in providing relatively low-cost loans to developers of affordable housing.

3. Affordable rental housing development often is stimulated by combining multiple sources of financing together in a single property. This strategy could be adapted to promote homeownership for very low-income families. For example, HOME funds for down payment assistance can be combined with a below-market second mortgage funded by an employer to purchase manufactured housing built by a CDC.

Combining various programs is probably already happening and evolving. Homeownership by very low-income families is a difficult proposition that requires collaborative efforts by many participants, including municipalities, states, PHSs, CDCs, mortgage lenders, and housing counselors, many of whom do not always work closely together. So the first step is to build cooperation and strong working relationships among the players and then design effective ways to combine public and private funds to support homeownership for very low-income people.

4. Turnkey transactions are another approach to public-private partnerships. These arrangements benefit both the nonprofit affordable housing organization and the private housing developer. The nonprofit purchases housing units at pre-construction costs, enhancing present and on-going affordability of the units, which in turn provides the private housing developer with upfront construction funding.

RELATED INFORMATION

Vermont Housing Council

The VHC was created in 1995 pursuant to Executive Order No. 33-10 to coordinate and oversee implementation of the state's housing policy, evaluate housing services and initiatives, and be a resource to housing providers in their efforts to provide decent and affordable housing. Membership includes: Commissioner of DHCA, the chair, Director of Housing (DHCA), a representative from the Vermont State Housing Authority, VHFA, VHCB, AHS, Office of Policy Research and Coordination, Vermont Association of Public Housing Directors, Farmers Home Administration, Department of Labor (now Public Safety), and public members representing the interests of nonprofit housing providers, private sector housing providers, and low-income Vermonters. Other state agencies are asked to participate from time to time (see Attachment C).

Annual State Housing Budget and Investment Plan

In 2001, pursuant to Act 62 (H.483. An act to stimulate the development of affordable housing), the Department of Housing and Community Affairs was required to:

1. Compile a list of various discretionary loans, grants, and other funding in state agencies or departments that may be used to stimulate affordable housing development. This report was issued on November 15, 2001.

2. Create an annual state housing budget designed to assure efficient expenditure of state funds appropriated for housing development.

3. Develop an annual Vermont housing investment plan in consultation with the Vermont Housing Council, created by Executive Order 33-10 (1995) (Attachment D) and composed of state entities involved in housing as well as members representing various housing positions appointed by the governor.

Neither the housing budget nor the investment plan has been prepared for the past three years. However, in the wake of Act 189, which recodified the housing budget and investment plan requirements in 24 V.S.A. § 4498, DHCA is expected to present these budget documents by January 15, 2007. These documents may shed some light on the efficiencies or inefficiencies of the state's affordable housing expenditures.

ICF Consulting Report: Management Review of Vermont's Nonprofit Housing Development Organizations

In December 2003, the Agency of Administration in coordination with the Department of Housing and Community Affairs contracted with CFI Consulting to conduct a management review study of the Vermont nonprofit housing development organizations. CFI issued a very thorough review and critique of the system through scrutiny of nine of the 15 nonprofits that regularly develop housing projects with VHCB and 36 projects involving those nonprofits which account for approximately 75 percent of the units that have received VHCB support. The report appears to be comprehensive and might provide a good analysis and evaluation of the effectiveness of the affordable housing system in Vermont.

CONCLUSIONS

This report is primarily an organized presentation of publicly available information. In order to get in-depth answers to the questions presented in Act 189, testimony from the housing community is essential. Such in-depth consultation with the Vermont housing organizations was not within the scope of the report in Act 189. Information was gathered from Vermont statutes where appropriate. Limited contact was made with the various housing entities, requesting specific information from them. Other information was acquired through websites and informational publications.

An analysis of the total cost to the state of all affordable housing incentives and a comparison with the benefits derived was also not within the scope of this report. However, the costs of each program and the program costs per unit are outlined in the charts on pages 17 and 18.

Coordination within the housing community appears to have been a goal since 1995 when the Housing Council was created and legislation was passed that required DHCA to provide annual housing budget proposals. Based on the information collected for this report, this goal has largely been met. A cohesive and cooperative housing system is in place and functioning in Vermont with the help of various executive and legislative branch initiatives and the focus, creativity, expertise, and commitment of the Vermont housing community in this small state.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

To: VHFA Board of Commissioners

From: Maura Collins, Policy and Planning Coordinator

Date: January 29, 2007

Re: Strategic Planning

Halfway through the Fiscal Year, staff has completed 16 tasks from the Strategic Plan. Those items and associated outcomes are provided in the attached sheet titled "Completed Tasks FY07."

The most encompassing task staff plans to undertake during 2007 is implementation of new core software program(s), if the Board directs staff to do so. Staff recommendations to the Board will be presented at the February Board meeting. If approved, the expectation of management and staff is that during the next 12-24 months a considerable amount of staff resources will be dedicated to this conversion and there may be limited capacity for new strategic plan items.

Another 34 items are still on the Strategic Plan, with varying due dates for the coming year and beyond. The full list of these tasks is also attached as "Vermont Housing Finance Agency Strategic Plan." New items to the Strategic Plan since the Board last reviewed it include:

- ★ VHFA staff is working to merge the work of VHCB's Hard to House group, the VT Interagency Council on Homelessness, and various other supportive housing efforts in the state to create a comprehensive approach to increasing supportive housing in Vermont.
- ★ VHFA will support the work of the DAIL Housing Group, offering information, assistance, and respond to recommendations from that group accordingly.
- ★ Staff will advocate in the Legislature for a $100,000 tax credit for homeownership development. Ideally this will mirror many policies of the existing rental tax credit, but geared towards owned homes.
- ★ Consider other financing models for Homeownership loans, including Mortgage Backed Securities.

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EQUAL HOUSING OPPORTUNITY

Completed Tasks FY2007

Completed Item Description	Completion Notes
Administration:	
Modify the current appraisal forms to include a section for staff development goals. Train supervisors on its use.	A revised form was distributed in August and staff's annual retreat was focused on performance indicators and management.
Develop a plan for evaluating the replacement of the Mitas system. Develop requirements, remit RFPs and perform due diligence. Finalize recommendation for the Board.	Staff sent out an RFP in July, with responses due mid August. Staff did due diligence with dozens of meetings including demonstrations, and recommendations are being sent to the Board in February 2007. Pending Board approval, implementation and roll out would be decided in early 2007.
Research feasibility of establishing Agency Intranet.	Imaging software has replaced the need for a separate intranet.
Public Affairs and Planning:	
Work with the Agency of Human Services and other housing partners in Hard to House proposals	This has become an ongoing project for the Policy and Planning Department, under the work done for homeless groups. More information is posted online at www.helpingtohouse.org.
Study Employer Assisted Housing	A study was completed with ACCD, the Tax Department, VT Affordable Housing Coalition and VHFA.
Research housing's "multiplier effect" of bringing in school-aged children, and the costs or benefits to local schools as a result.	A final draft of this issue paper was released in early January. A copy of the report is available at http://www.vhfa.org/documents/housing_education.pdf.
Finance:	
Discuss the potential to sell multifamily loans directly to Fannie Mae. These would need to be serviced, and VHFA could take a servicing fee.	The Keybank Line of Credit has given the same result. This may also be accomplished through the multipurpose bond resolution. Instead of using the GSE's the Agency has gone these other routes.
Homeownership:	
Have discussion about expanding acquisition/repair loan program beyond current system	Staff has taken the interim step to buy loans before construction is completed with oversight by the lenders. We are not expecting a large increase in volume due to this because of the marginal benefit to lenders. Staff does not currently have capacity to monitor escrows or construction oversight. One potential outcome might be to encourage HomeOwnership Centers to provide that in conjunction with existing rehab programs.

Completed Tasks FY2007

Completed Item Description	Completion Notes
Research 1031 exchanges and compare pros and cons of REITs to these. Is there a potential market for investing in housing development?	Sam will draft a memo to the Board based on the recent VHMA conference and other things learned from Boston expert. As for using 1031s for Homeownership puposes, it is very rarely done and does not offer a new business opportunity for VHFA.
Find a funding source to possibly provide funding for HOCs to participate in national HECM counselor trainings.	Pat C talked with the HOCs and there's little interest in expanding their counseling because these positions have high turnover and so training is sometimes wasted. Staff would like to encourage HOCs to work on public education through web, etc and suggest the AAoAs take the lead on training counselors.
Finalize the 0% program for the Middlebury cottages	An agreement with Neighborworks of Western VT is finalized. A meeting was held so they fully understand Agency expectations.
Staff is working hard to reduce the number of forms originators must complete. This will consolidate the number of borrower signatures.	5 or 6 forms were eliminated. Origination forms were cut by 50%.
Multifamily Development & Asset Mgmt	
Work with Efficiency Vermont to flag multifamily projects in need of energy upgrades to maximize cost savings.	233 properties were surveyed as to their needs, and 14 projects were selected for Efficiency VT to work with.
Explore and decide on a new software product for HUD TRACS processing of HAP payments. VSHA has decided to use the IPS TRACS system.	Staff held meetings with several vendors and selected HDS as the new software. This implementation is now underway.
Explore ways to import audit/budget data.	This will change with the new core software to be implemented. If a new software is not implemented, then this task will return to the list of items to work on.
Risk Management:	
Create policies on how to preserve housing while not limiting the agency and losing loans.	A workshop at the VT Housing Managers Association conference in November 2006 explored owner's options of "buy, swap, or sell."

Vermont Housing Finance Agency Strategic Plan

#	Item Description	Date Due	Comments and Updates
1	**Administration:**		
2	**Employee Relations:** Create and sustain a workplace conductive to attracting and retaining a quality staff. Secure benefits that meet staff needs and are financially feasible for the Agency. Encourage and provide for staff's professional development		
3	Conduct formal review and update of employee manual.	Jun-07	
4	Identify key staff positions and ensure adequate planning for key staff turnover and retirement.	Jun-07	
5	**Technology:** Ensure that adequate network and software systems are in place to support the business requirements of the Agency and maintain integrity and security. These systems will support the needs of the staff, be secure from internal and external security threats and will be efficiently maintained. Also, the Agency will ensure maximization of the Mitas system and ensure training of staff to maximize the use of technology appropriate to their position.		
6	The Agency has drafted recommendations to the Board, which will be presented at the February meeting. Upon Board decision, the staff will create a plan of implementation as necessary.	Dec-09	
7	**Legal:** Provide competent legal services that maximize efficiency to all departments to ensure compliance and appropriate risk management while ensuring that the Agency's interests are adequately protected in all its endeavors. This includes acting as a resource to each department for evaluating policies and new initiatives, as well as a means for implementation. Also will ensure adequate resources for timely and efficient loan closings and modifications, and review and recommend changes to VHFA statutes and rules as needed.		
8	Create a formal document retention policy (including discussion of when document destruction is appropriate).	Jun-07	
9	**Office Management:** Provide support services and coordinate Agency initiatives that support Agency goals and objectives. This includes ensuring facilities are well maintained and space is efficiently utilized.		
10	Develop and implement an Agency Business Continuity Plan to include short-term and long-term department plans, documentation of entire process and testing at the Agency's backup facility. This includes developing a process for recovering all computer systems required to continue VHFA business processes.	Jun-07	Another test was completed in January 2007 which was successful in some areas, but some glitches made it another learning experience. A re-test is scheduled for June.
11	**Public Affairs and Planning:**		

Vermont Housing Finance Agency Strategic Plan

#	Item Description	Date Due	Comments and Updates
12	**Build Partnerships:** Strengthen partnerships and participate with other agencies and organizations, both public and private, to promote housing opportunities and to maintain housing policies and programs across the State. This includes continuing leading the Housing Awareness Campaign, supporting the Responsible Lending Initiative and working with partners to promote housing development in community forums and in the media, and producing the annual Housing and Wages report. As well as being a leader for the VT Housing Managers Association and New England Regional Service Coordinators.		
13	Review Agency programs, practices, and agreements to ensure inclusion of Fair Housing protections. Targeted projects are tax credit only deals where the there is no other federal monitoring taking place.	Mar-07	The QAP will be updated in winter 2006 and at that time clearer more stringent requirements will be put in place for tax credit properties.
14	**Advocacy:** Work with our congressional delegation, state agencies and state and local elected officials, HUD, NCSHA, and other local, state and national housing organizations on the development of housing policies and the passage of legislation and regulations affecting housing.		
15	Advocate in the Legislature for a $100,000 tax credit for homeownership development. Ideally this will mirror many policies of the existing rental tax credit, but geared towards owned homes.	Jun-07	
16	AHS invited many partners to participate in a new work group to look at the ESD General Assistance rules especially around housing.	Jun-07	Monthly meetings began in June 2006 and will ideally complete proposed rules for submission to the next legislative assembly.
17	Work with Legislators on expanding the VHFA-borrower exemption beyond the first $100,000 of a home from the property transfer tax.	Jun-07	The 2006 Legislature requested a summer study of the issue, in conjunction with other housing issues. This study was completed with VHFA's help and a bill will be introduced again in the 2007 session.
18	**Seek New Opportunities:** Maintain the Agency's flexibility in responding to emerging topics that are core to VHFA's mission. Integral to this is efficiently managing resources needed to ensure continuity of core business activities while pursuing new opportunities.		
19	VHFA staff is working to merge the work of VHCB's Hard to House group, the VT Interagency Council on Homelessness, and various other supportive housing efforts in the state to create a comprehensive approach to increasing supportive housing in Vermont.	Dec-07	By the due date, VHFA staff will have worked to create a plan of action for dedicating resources to supportive housing specifically, which will need support from housing managers, funders, service providers, and the Agency of Human Services

#	Item Description	Date Due	Comments and Updates
20	VHFA will support the work of the DAIL Housing Group, offering information, assistance, and respond to recommendations from that group accordingly.	Dec-07	
21	Require developers to include broadband internet access in housing projects going forward and work with managers of existing housing to help them offer high speed internet that is easy to maintain and inexpensive for tenants.	Mar-08	The Consolidated Plan and QAP have been amended to encouraging wiring of high speed Internet in all future projects. Staff is partnering with ACCD to launch a pilot project to create different models of agreements between managers and ISPs to offer low-cost Internet service.
22	**Information Resource:** Promote the Agency as the primary source for housing data/information. This includes ongoing management of the Housing Data Website and regular enhancements.		
23	Determine the feasibility of conducting an annual statewide rental survey.	Jun-07	Staff has completed initial brainstorming and an internal memo to Executive Management will be completed by the end of February. The Board will get a memo with recommendations by May.
24	Research potential costs and benefits of offering housing data research work for a fee. This includes conducting local housing needs assessments.	Jun-07	Staff has completed initial brainstorming and an internal memo to Executive Management will be completed by the end of February. The Board will get a memo with recommendations by May.
25	Research cost and potential benefits of internally conducting Market Studies for multifamily applicants.	Jun-07	Staff has completed initial brainstorming and an internal memo to Executive Management will be completed by the end of February. The Board will get a memo with recommendations by May.
26	**Communication and Education:** Raise the profile of VHFA and housing issues in the public mind; "brand" VHFA with the media, community leaders, businesspeople, policymakers, elected officials and others in the housing industry as a primary source for information and a leading advocate on housing. This includes media outreach, producing Housing Matters regularly, utilizing paid media, hosting occasional public forums, mini-conferences and similar events with community leaders, develop and implement annual strategic communications plan, and lead the biannual statewide housing conference.		
27	Partner with the VT Children's Forum on a report outlining the unique needs of children who are homeless and what policies can help them.	Jun-07	
28	Write an issue paper on the connection our aging population will have on housing demographics and need.	Jun-07	
29	**Finance:**		

Vermont Housing Finance Agency Strategic Plan

#	Item Description	Date Due	Comments and Updates
30	**Stewardship:** Safeguard financial assets and provide ongoing education to staff and Board, including regularly conducted financial studies. Benchmark 1% of loan balances to fund surplus – and maximize fund balances/net assets to provide program support.		
31	Examine the cost structures of Multifamily and Homeownership departments including examining the economies of large vs. small projects for Multifamily. This will include an analysis of the agency's cost per loan and per bond issuance. This should also include an analysis of construction v. permanent loans.	Jun-07	This doesn't include staff time but cost of issuance.
32	Better understand the cost of origination and overhead including the % of the Agency that's non-revenue producing vs. revenue producing.	Jun-07	
33	**Financial Business Development:** Seek to provide housing services through new loan products and initiatives while utilizing Agency resources to generate new revenue sources.		
34	Evaluate multi-class structure of bonds to save cost of bond insurance. If so, achieve the highest quality of rating compared to investment.	Jun-07	This process has been started and the plan is to issue in May or June.
35	**Capital Generation Capacity:** Create additional capital generation capacity while continuing to work with financial institutions to utilize additional sources of capital for loan programs. This includes partnering with Freddie Mac and Fannie Mae and other institutions on bond purchase and other credit facilities.		
36	No activities at this time.		
37	**Automation and Electronic Integration:** Automate financial reporting and servicing processes. Transfer data from our mortgage servicers for reporting, remitting, and reconciliation processes.		
38	Expand Extranet to include the Loan Accounting and Reporting Guide.	Jun-07	Pat and Dave have reviewed the draft and provided lots of comments so this will become a full guide re-write. Sue is working on it.
39	**Operations:** Coordinate evaluation and implementation with production departments		
40	Draft an RFP for trustees.	Mar-07	Depending on the results, a new trustee may be selected only for the new resolution or for all trustee work.
41	**Homeownership:**		

#	Item Description	Date Due	Comments and Updates
42	**Origination:** The Agency will offer homeownership products and services designed to meet the intent of the Agency's Mission and Vision while maintaining a balance with our financial objectives that insure the long-term financial viability of the Agency. VHFA will continue its reliance on outside lending partners for production, until such time as this no longer delivers our products effectively. We will continually evaluate alternative methods for originating VHFA loans for future consideration with primary focus given to underserved areas of the state. The Agency will increase its potential market by maximizing purchase price limits in accordance with income limits. Also, VHFA will continue to rely on and support Homeownership Centers (HOC) for homebuyer education and credit counseling while also evaluating their effectiveness. The Agency will work to facilitate partnerships between VHFA origination lenders and the HOCs to improve access to VHFA financing.		
43	Consider other financing models for Homeownership loans, including Mortgage Backed Securities	Jun-07	
44	**Servicing:** VHFA will manage its single family mortgage portfolio to ensure the Agency's long-term financial viability, to minimize loan losses, create efficiencies wherever possible while working with customers to find ways to keep them in their homes. The Agency will look to consolidate servicers whenever appropriate as well as facilitate partnerships with the HOCs and VHFA's servicers to provide delinquency intervention counseling for VHFA borrowers.		
45	Conduct some research around VHFA's loans: How long loans need to stay in VHFA's portfolio before the Agency breaks even; what are the prepay rates of servicing released loans vs. servicing retained.	Jun-07	Maura ran an initial report on the prepay rates of loans with servicing released vs. retained. Piper Jaffray will be asked for existing data to determine the "break even" point.
46	Explore costs of reducing the servicing fee from .375% to .25% as well as increasing the service release premium. This would encourage more lenders to sell the Agency its servicing, which is financially beneficial to VHFA although it might impact the number of loans VHFA purchases from community banks and/or credit unions.	Jun-07	A board memo will be drafted regarding this not being a prudent option at this point in time (more political than financial.) We will revisit in 18 months.
47	**Outreach:** VHFA will proactively seek out customer needs and demands and provide delivery mechanisms which deliver products, programs and services to meet those needs effectively and efficiently. The Agency will actively partner with HOCs, lenders, VBA, VMBA, sister funding agencies, and others as appropriate to keep in touch with their needs and the needs of their customers that can be met by VHFA.		
48	Work with current HECM counselors and HUD to find a source of funding for the counseling provided. Originating lenders can pay for this counseling, but borrowers themselves are not allowed to under HUD rules.	Dec-07	This will be completed after we know which agencies (HOCs or AAAs) will be conducting this counseling.

Vermont Housing Finance Agency Strategic Plan

#	Item Description	Date Due	Comments and Updates
49	**Multifamily Development & Asset Mgmt**		
50	**Program Development:** VHFA will strive to be the lender of choice for customers.		
51	Review the use of the Risk Share Program in conjunction with the new bond resolution.	Jun-07	Staff will confirm if there is still a need for this. If MF bonds must be backed by this, it will push the issue.
52	Explore feasibility of becoming an FHA Multifamily Accelerated Process (MAP) lender and/or a Fannie Mae Delegated Underwriting Servicing (DUS) lender. This includes researching the benefits, applying, training, and implementing processes.	Dec-07	Once the HUD/FHA Risk Share program is in place, staff will work to research and implement this task.
53	**Underwriting:** Balance sound underwriting standards and long-term financial feasibility while staying flexible to customer needs. We will be prepared to take on new/additional underwriting and program administration as opportunities come up.		
54	Create and implement appraisal standards.	Jun-07	
55	Develop minimum standards for capital needs assessments.	Jun-07	Sam is working on a draft now that the Compass study has been released.
56	Develop purchase price policy to address year 15 LIHTC issues, and in conjunction present the 15 year compliance policy, which is completed.	Mar-07	Cindy wrote a draft and is working on a Board memo by March.
57	Model how VHFA can work efficiently with other state agencies in underwriting projects applying for multiple funding streams.	Mar-07	The common application is done, and VHFA has finished its appendix but other agencies have not yet. DHCA is working on web enabling this. VHFA wills start using the new application by March regardless of if other agencies have as well.
58	**Tax Credits:** Efficiently administer the State and Federal Housing Credit programs in a manner that is usable by the development community and which results in the creation of housing consistent with the State's Consolidated Plan priorities.		
59	No activities at this time.		
60	**Asset Management:** Stabilize, preserve and pursue new lending opportunities with current multifamily clients or new ownership structures. This includes proactively seeking financing opportunities for tax credit projects approaching the end of their 15-year compliance period. It also requires ongoing management of portfolio to ensure program compliance and securing preservation lock-in agreements. This work assumes an ongoing review of monitoring responsibilities and coordination of responsibilities among other agencies.		
61	No activities at this time.		
62	**Operations/Systems:** Improve overall operating efficiencies and access to data using internal and external systems on the website, proprietary software and through the design of programs, services and reports. Increase utilization of the Mitas software features and options.		

#	Item Description	Date Due	Comments and Updates
63	Explore opportunities for the Agency's extranet website for MF/Dev products, programs and/or services.	Jun-08	This will be part of the core application software decision.
64	**Risk Management:**		
65	**Multifamily:** Monitor and mange our multifamily loan portfolio to identify areas of risk and take actions to minimize risk of financial loss while preser enhancing the stock of affordable housing projects financed by the Agency consistent with the mission and vision of the Agency.		
66	No activities at this time.		
67	**Finance:** Review and access, on an ongoing basis, the various financial risks that the Agency faces and to promote a process of cost justified in controls that will minimize the occurrence of loss.		
68	Assist Risk/Audit Committee in determining a direction and approach for an internal audit function.	Jun-07	Clarify the approach VHFA takes to internal audits. The end prod be a written policy on internal audits.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Director of Homeownership Programs

DATE: January 29, 2007

RE: Summary of Homeownership Activities

PRODUCTION

Attached are FY 2007 year to date and 2006 calendar year production reports. In calendar year 2006, VHFA purchased 934 loans for a total amount of $129.6 million. This represents an increase of 37%! VHFA's current pipeline is approximately $23 million in loans in various stages of processing.

COLLECTIONS

Delinquency reports as of December 31, 2007 are attached. As of December 31, 2006, VHFA owned 2 properties; one is under contract and expected to close in February.

If you have any questions please do not hesitate to call me at 652-3442 or email me at pcrady@vhfa.org.

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EQUAL HOUSING OPPORTUNITY

CY06 Production Summary

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	Total
MOVE	5,747,307	5,115,359	6,723,853	7,002,262	8,709,255	14,414,830	12,358,137	16,354,977	14,702,565	9,391,304	11,050,470	12,027,936	**123,598,255**
HOUSE	257,220		565,314	440,420	379,400	608,070	170,654	640,120	267,939	264,000	387,900	722,916	**4,703,953**
RURAL DEV.	32,000					25,460			26,500	28,500			**112,460**
LIMITED REFI			31,950	55,000	164,820					113,953			**365,723**
FIXED35										422,000	220,000	189,050	**831,050**
Total	**6,036,527**	**5,115,359**	**7,321,117**	**7,497,682**	**9,253,475**	**15,048,360**	**12,528,791**	**16,995,097**	**14,997,004**	**10,219,757**	**11,658,370**	**12,939,902**	**129,611,441**

MOBILE HOME	905,200	577,811	396,190	707,480	972,825	1,809,676	1,505,907	1,043,436	392,800	1,336,196	1,151,800	1,279,875	**12,079,196**

CY05 Production Summary

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	Total
MOVE	4,154,669	3,521,604	3,393,791	5,768,587	5,564,630	6,461,409	9,369,277	6,572,803	9,805,306	6,903,022	5,274,920	9,356,725	**76,146,743**
HOUSE	181,475	101,750	499,785	1,292,535	964,450	281,450	424,415	265,900	180,610	923,600	115,000	158,900	**5,389,870**
RURAL DEV.			73,200	50,300	25,000	65,800		78,300	43,350		29,600		**365,550**
LIMITED REFI					30,400		47,200				34,200		**111,800**
													0
Total	**4,336,144**	**3,623,354**	**3,966,776**	**7,111,422**	**6,584,480**	**6,808,659**	**9,840,892**	**6,917,003**	**10,029,266**	**7,826,622**	**5,453,720**	**9,515,625**	**82,013,963**

MOBILE HOME	504,880	680,776	563,623	748,263	854,280	1,022,980	992,692	707,650	1,124,450	1,040,471	1,064,087	129,715	**9,433,867**

CY06 Number of loans

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	YTD TOTAL
NEFCU (New England Fed CU)	8	6	8	3	10	18	16	18	15	11	16	18	**147**
MTG SVC CENTER	2	7	6	7	6	22	14	18	21	5	12	14	**134**
UNIVERSAL	5	4	4	6	8	12	7	15	14	7	3	6	**91**
COMMUNITY	4	2	3	3	6	9	4	8	3	4	13	5	**64**
MTG FINANCIAL SRV	1	1	4	3	3	8	2	10	5	6	6	5	**54**
NORTHFIELD	1	3	2	3	2	3	2	8	4	4	3	7	**42**
SUMMIT			3	2	4	1	9	3	3	4	5	3	**37**
UNION	2	2	2	5	4	3	2	3	4	4		2	**33**
N.E. HOME LOAN	4	1	1		4	3	6	4	2	3		3	**31**
GMAC	2	2	1	2	1	2	3	8	3	2	1	1	**28**
HERITAGE FCU		1	3	2	3	3	1	2	4	2	5		**26**
LIBERTYQUEST	2		1	3	2	4	2	3	3	1	2	2	**25**
VT STATE ECU	2	1	2	1	1	2	3	1	1	3	4	2	**23**
PEOPLES TRUST	2	1	3		2			2	4	3	1	2	**20**
BANKNORTH			4	2	2	1	2	2	4	2			**19**
OPPORTUNITIES CU (VDCU)		1	4	2	3	5				4			**19**
BRATTLEBORO	2	1		2	2	1	2		1		2	4	**17**
FACTORY PT			1			2	3	4			2	2	**14**
NCFCU (North Country Fed CU)	1	2		1	1	2	1		2	1	2	1	**14**
VT FEDERAL CU	1	1		2		1	3	2	1	2	1		**14**
BANK OF BENN	2	2		2	2		1		1			2	**12**
CTX		1		1	1	2	2	2	1	1	1		**12**
MASCOMA			1		2		1	2	2	1		3	**12**
CT RIVER	3		1			2		2	1	1			**10**
FIRST COMMUNITY				1		1		3	1			3	**9**
COUNTRYWIDE HOME LOANS									2	1	3	1	**7**
NAT'L BNK MIDDLE						1			1			4	**6**
VHFA (RD)	1				1	1			1	1			**5**
KEYBANK		2			1								**3**
RIVER VALLEY CU							1	1		1			**3**
LYNDONVILLE	1							1					**2**
CCO MORTGAGE										1			**1**
TOTAL	46	41	54	53	71	109	87	122	104	75	82	90	**934**

No longer participating:

Kittredge Mortgage
Wells Fargo

Re-Activated:
CCO Mortgage (Charter One)

CY06 Dollar Volume by Lender

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	YTD TOTAL
NEFCU (New England Fed CU)	1,367,775	871,700	1,109,564	549,918	1,560,143	3,140,815	2,873,839	2,839,824	2,717,501	1,695,597	2,747,670	3,058,643	24,532,989
MTG SVC CENTER	236,840	950,593	843,903	1,030,900	958,460	3,166,594	1,835,886	2,460,407	3,107,879	557,681	1,671,306	2,056,070	18,876,519
UNIVERSAL	700,765	607,905	656,000	872,444	1,196,330	1,954,065	1,008,812	2,268,098	2,430,432	1,244,269	466,400	845,490	14,251,010
MTG FINANCIAL	156,500	131,120	530,800	499,020	396,700	1,181,067	337,756	1,633,156	630,897	935,621	951,004	932,534	8,316,175
COMMUNITY	474,400	224,805	419,100	236,500	687,552	948,306	478,815	871,590	364,080	351,677	1,670,045	694,138	7,421,008
SUMMIT			446,400	298,500	582,400	193,500	1,544,444	471,000	364,900	687,564	857,219	541,241	5,987,168
NORTHFIELD	100,000	393,000	269,450	453,305	225,803	368,400	269,000	987,970	553,885	663,750	384,200	732,253	5,401,016
UNION	358,100	188,375	245,149	715,325	414,750	300,625	259,000	360,500	458,113	449,450		241,075	3,990,462
LIBERTYQUEST	342,500		149,600	466,800	154,125	648,900	213,000	542,775	296,817	160,000	282,314	289,648	3,546,479
N.E. HOME LOAN	434,700	129,050	71,600		430,040	300,000	605,060	477,100	172,850	401,800		344,190	3,366,390
GMAC	186,140	292,450	94,090	242,500	183,500	253,377	343,900	975,350	336,300	201,000	87,000	115,000	3,310,607
HERITAGE FCU		112,200	328,600	244,150	314,700	393,790	169,702	242,417	575,600	262,900	520,000		3,164,059
VT STATE ECU	259,000	52,000	320,800	159,500	106,700	265,400	377,500	137,819	130,000	481,000	480,345	231,700	3,001,764
PEOPLES TRUST	286,750	82,450	518,200		248,820			174,750	596,700	354,900	150,000	305,700	2,718,270
BANKNORTH			571,900	227,750	275,102	47,000	212,150	330,310	539,800	130,000			2,334,012
BRATTLEBORO	257,220	148,900		344,000	290,800	130,150	252,800		34,300		126,955	519,850	2,104,975
VT FEDERAL CU	124,587	162,000		238,000		75,000	563,632	301,922	182,320	184,073	144,000		1,975,534
NCFCU (North Country Fed CU)	111,550	208,000		187,000	192,500	199,000	138,500		260,000	120,000	285,000	122,320	1,823,870
CTX		152,186		135,000	135,000	233,625	357,795	281,934	120,000	190,272	215,491		1,821,303
FACTORY PT			115,000			239,750	374,500	599,750			172,200	276,000	1,777,200
OPPORTUNITIES CU (VDCU)		53,325	365,867	137,000	190,800	577,436				434,653			1,759,081
MASCOMA			143,000		256,500		160,000	214,900	296,280	200,000		405,110	1,675,790
BANK OF BENN	111,000	116,300		313,600	309,750		110,000		164,050			207,940	1,332,640
FIRST COMMUNITY				146,470		64,000		372,025	140,000			467,000	1,189,495
CT RIVER	391,700		122,094			217,100		258,700	70,800	96,000			1,156,394
COUNTRYWIDE HOME LOANS									279,000	171,000	447,221	144,000	1,041,221
NAT'L BNK MIDDLE						125,000			148,000			410,000	683,000
KEYBANK		239,000			143,000								382,000
LYNDONVILLE	105,000							159,500					264,500
CCO MORTGAGE										155,000			155,000
RIVER VALLEY CU							42,700	33,300		63,050			139,050
VHFA (RD)	32,000					25,460			26,500	28,500			112,460
TOTAL	$6,036,527	$5,115,359	$7,321,117	$7,497,682	$9,253,475	$15,048,360	$12,528,791	$16,995,097	$14,997,004	$10,219,757	$11,658,370	$12,939,902	129,611,441

Kittredge & Wells Fargo are no longer participating lenders

FY07 Production Summary

July 1, 2006 - June 30, 2007

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total
MOVE	12,358,137	16,354,977	14,702,565	9,391,304	11,050,470	12,027,936							**75,885,389**
HOUSE	170,654	640,120	267,939	264,000	387,900	722,916							**2,453,529**
RURAL DEV.			26,500	28,500									**55,000**
LIMITED REFI				113,953									
FIXED35				422,000	220,000	189,050							
Dollar Total	**12,528,791**	**16,995,097**	**14,997,004**	**10,219,757**	**11,658,370**	**12,939,902**							**79,338,921**
Total # of Loans	**87**	**122**	**104**	**75**	**82**	**90**							**560**
MOBILE HOME	1,505,907	1,043,436	392,800	1,336,196	1,151,800	1,279,875							**6,710,014**
Total # of MH*	**15**	**13**	**5**	**14**	**13**	**13**							**73**

*The Mobile Home # is included in the above line item titled "Total # of Loans"

FY06 Production Summary

July 1, 2005 - June 30, 2006

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total
MOVE	9,369,277	6,572,803	9,805,306	6,903,022	5,274,920	9,356,725	5,747,307	5,115,359	6,723,853	7,002,262	8,709,255	14,414,830	**94,994,919**
HOUSE	424,415	265,900	180,610	923,600	115,000	158,900	257,220		565,314	440,420	379,400	608,070	**4,318,849**
RURAL DEV.	30,020	78,300	43,350		29,600		32,000				27,000	25,460	**265,730**
LIMITED REFI	47,200				34,200				31,950	55,000	164,820		**333,170**
Dollar Total	**9,870,912**	**6,917,003**	**10,029,266**	**7,826,622**	**5,453,720**	**9,515,625**	**6,036,527**	**5,115,359**	**7,321,117**	**7,497,682**	**9,280,475**	**15,048,360**	**99,912,668**
Total # of Loans	**81**	**59**	**82**	**61**	**51**	**71**	**46**	**41**	**54**	**53**	**70**	**109**	**778**
MOBILE HOME	992,692	707,650	1,124,450	1,040,471	1,064,087	1,294,715	905,200	577,811	396,190	707,480	972,825	1,809,676	**11,593,247**
Total # of MH*	**14**	**9**	**12**	**11**	**14**	**13**	**9**	**6**	**5**	**6**	**10**	**19**	**128**

*The Mobile Home # is included in the above line item titled "Total # of Loans"

FY07 Dollar Volume by Lender

July 1, 2006- June 30, 2007

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD TOTAL
NEFCU(NewEnglandFedCU)	2,873,839	2,839,824	2,717,501	1,695,597	2,747,670	3,058,643							$15,933,074
MTG SVC CENTER	1,835,886	2,460,407	3,107,879	557,681	1,671,306	2,056,070							$11,689,229
UNIVERSAL	1,008,812	2,268,098	2,430,432	1,244,269	466,400	845,490							$8,263,501
MTG FINANCIAL	337,756	1,633,156	630,897	935,621	951,004	932,534							$5,420,968
SUMMIT	1,544,444	471,000	364,900	687,564	857,219	541,241							$4,466,368
COMMUNITY	478,815	871,590	364,080	351,677	1,670,045	694,138							$4,430,345
NORTHFIELD	269,000	987,970	553,885	663,750	384,200	732,253							$3,591,058
GMAC	343,900	975,350	336,300	201,000	87,000	115,000							$2,058,550
N.E. HOME LOAN	605,060	477,100	172,850	401,800		344,190							$2,001,000
LIBERTYQUEST	213,000	542,775	296,817	160,000	282,314	289,648							$1,784,554
HERITAGE FCU	169,702	242,417	575,600	262,900	520,000								$1,770,619
UNION	259,000	360,500	458,113	449,450		241,075							$1,768,138
VT FEDERAL CU	563,632	301,922	182,320	184,073	144,000	231,700							$1,607,647
PEOPLES TRUST		174,750	596,700	354,900	150,000	305,700							$1,582,050
FACTORY PT	374,500	599,750			172,200	276,000							$1,422,450
MASCOMA	160,000	214,900	296,280	200,000		405,110							$1,276,290
BANKNORTH	212,150	330,310	539,800	130,000									$1,212,260
CTX	357,795	281,934	120,000	190,272	215,491								$1,165,492
COUNTRYWIDE HOME LOANS			279,000	171,000	447,221	144,000							$1,041,221
FIRST COMMUNITY		372,025	140,000			467,000							$979,025
BRATTLEBORO	252,800		34,300		126,955	519,850							$933,905
NCFCU(NorthCountryFedCU)	138,500		$260,000	120,000	285,000	122,320							$925,820
NAT'L BNK MIDDLE			148,000	0		410,000							$558,000
BANK OF BENN	110,000		164,050			207,940							$481,990
OPPORTUNITIES CU(VDCU)				434,653									$434,653
CT RIVER		258,700	70,800	96,000									$425,500
LYNDONVILLE		159,500											$159,500
CCO MORTGAGE				155,000									$155,000
RIVER VALLE CU	42,700	33,300		63,050									$139,050
VHFA (RD)			26,500	28,500									$55,000
VT STATE ECU	377,500	137,819	130,000	481,000	480,345								$1,606,664
TOTAL	$12,528,791	$16,995,097	$14,997,004	$10,219,757	$11,658,370	$12,939,902							$79,338,921

Removed Keybank- no longer participating lender

Removed Kittredge -no longer participating lender

Removed Wells Fargo - no longer participating lender

FY07 Loan Volume by Lender

July 1, 2006 - June 30, 2007

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD TOTAL
NEFCU (New England Fed CU)	16	18	15	11	16	18							94
MTG SVC CENTER	14	18	21	5	12	14							84
UNIVERSAL	7	15	14	7	3	6							52
COMMUNITY	4	8	3	4	13	5							37
MTG FINANCIAL SRV	2	10	5	6	6	5							34
NORTHFIELD	2	8	4	4	3	7							28
SUMMIT	9	3	3	4	5	3							27
GMAC	3	8	3	2	1	1							18
N.E. HOME LOAN	6	4	2	3		3							18
UNION	2	3	4	4		2							15
HERITAGE FCU	1	2	4	2	5								14
VT STATE ECU	3	1	1	3	4	2							14
LIBERTYQUEST	2	3	3	1	2	2							13
PEOPLES TRUST		2	4	3	1	2							12
FACTORY PT	3	4			2	2							11
BANKNORTH	2	2	4	2									10
BRATTLEBORO	2		1		2	4							9
MASCOMA	1	2	2	1		3							9
VT FEDERAL CU	3	2	1	2	1								9
COUNTRYWIDE HOME LOANS			2	1	3	1							7
CTX	2	2	1	1	1								7
FIRST COMMUNITY		3	1			3							7
NCFCU (North Country Fed CU)	1		2	1	2	1							7
NAT'L BNK MIDDLE			1			4							5
BANK OF BENN	1		1			2							4
CT RIVER		2	1	1									4
OPPORTUNITIES CU (VDCU)				4									4
RIVER VALLEY CU	1	1		1									3
VHFA (RD)			1	1									2
CCO MORTGAGE				1									1
LYNDONVILLE		1											1
TOTAL	87	122	104	75	82	90							560

Removed Keybank- no longer participating lender

Removed Kittredge -no longer participating lender

Removed Wells Fargo - no longer participating lender

VERMONT HOUSING FINANCE AGENCY
HOMEOWNERSHIP PROGRAM MONTHLY DELINQUENCY REPORT
December 31, 2006

Lenders	Total Loans	30 Days		60 Days		90+ Days		In Foreclosure		Total Delinquent		REO	
Chittenden Mortgage Services	1218	85	6.98%	30	2.46%	8	0.66%	12	0.99%	135	11.08%	1	0.08%
Brattleboro Savings & Loan	89	5	5.62%	1	1.12%	1	1.12%	0	0.00%	7	7.87%	0	0.00%
Graystone Mortgage Company	2078	95	4.57%	34	1.64%	10	0.48%	20	0.96%	159	7.65%	1	0.05%
Community National Bank	318	20	6.29%	2	0.63%	1	0.31%	0	0.00%	23	7.23%	0	0.00%
Mascoma Savings Bank	44	3	6.82%	0	0.00%	0	0.00%	0	0.00%	3	6.82%	0	0.00%
Union Bank	326	13	3.99%	6	1.84%	0	0.00%	1	0.31%	20	6.13%	0	0.00%
Opportunities CU	140	3	2.14%	0	0.00%	2	1.43%	1	0.71%	6	4.29%	0	0.00%
Peoples Trust Co.	106	1	0.94%	2	1.89%	1	0.94%	0	0.00%	4	3.77%	0	0.00%
Connecticut River Bank	55	2	3.64%	0	0.00%	0	0.00%	0	0.00%	2	3.64%	0	0.00%
Bank of Bennington	68	2	2.94%	0	0.00%	0	0.00%	0	0.00%	2	2.94%	0	0.00%
Heritage Family Credit Union	126	0	0.00%	3	2.38%	0	0.00%	0	0.00%	3	2.38%	0	0.00%
New England Federal CU	406	3	0.74%	0	0.00%	0	0.00%	0	0.00%	3	0.74%	0	0.00%
Randolph National Bank	4	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Factory Point Nat. Bank	62	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
CitiMortgage	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Totals	**5041**	**232**	**4.60%**	**78**	**1.55%**	**23**	**0.46%**	**34**	**0.67%**	**367**	**7.28%**	**2**	**0.04%**
Totals Previous Month	**4988**	**224**	**4.49%**	**55**	**1.10%**	**19**	**0.38%**	**39**	**0.78%**	**337**	**6.76%**	**3**	**0.06%**
Totals Same Mo. Last Yr.	**4602**	**225**	**4.89%**	**62**	**1.35%**	**33**	**0.72%**	**33**	**0.72%**	**353**	**7.67%**	**3**	**0.07%**

Note: Of the loans in foreclosure, a total of 17 are under a Chapter l3 Bankruptcy Plan

Monthly Delinquency by Servicer

Lenders	Dec 2005	Jan 2006	Feb 2006	March 2006	April 2006	May 2006	June 2006	July 2006	Aug 2006	Sept 2006	Oct 2006	Nov 2006	Dec 2006
Bank of Bennington	5.17%	1.67%	3.23%	3.23%	3.13%	3.08%	1.54%	1.52%	4.55%	1.52%	0.00%	4.55%	2.94%
Brattleboro Savings & Loan	2.50%	2.44%	2.41%	2.44%	0.00%	1.20%	3.57%	2.35%	3.53%	3.53%	3.57%	5.81%	7.87%
Chittenden Mortgage Services	11.75%	11.27%	9.88%	8.29%	10.36%	9.09%	9.08%	9.38%	8.39%	9.04%	8.08%	9.97%	1.08%
CitiMortgage	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Community National Bank	4.33%	5.00%	3.90%	3.52%	2.83%	4.51%	3.06%	5.72%	4.29%	6.27%	5.92%	5.70%	7.23%
Connecticut River Bank	0.00%	1.89%	1.96%	1.96%	2.00%	4.00%	1.92%	3.85%	3.70%	0.00%	0.00%	0.00%	3.64%
Factory Point Nat. Bank	3.51%	3.51%	0.00%	0.00%	0.00%	3.51%	3.45%	5.00%	1.56%	3.17%	1.67%	0.00%	0.00%
Graystone	8.36%	7.80%	8.10%	6.48%	7.45%	6.58%	6.21%	6.84%	6.38%	7.34%	6.75%	7.54%	7.65%
Heritage Family CU	0.00%	1.80%	0.00%	0.00%	0.88%	0.86%	1.71%	1.72%	2.56%	3.36%	3.31%	2.38%	2.38%
Mascoma Savings Bank	0.00%	0.00%	0.00%	2.86%	2.94%	0.00%	0.00%	2.70%	0.00%	2.50%	2.44%	2.44%	6.82%
New England Federal CU	1.08%	0.35%	0.70%	0.68%	0.34%	0.33%	0.62%	0.59%	0.56%	0.27%	0.26%	0.00%	0.74%
Opportunites CU	5.76%	6.47%	5.71%	7.04%	7.75%	6.29%	6.80%	8.28%	7.64%	6.34%	5.59%	6.38%	4.29%
Peoples Trust Co.	3.13%	3.09%	3.06%	3.00%	2.02%	2.04%	4.12%	3.09%	3.06%	3.92%	4.81%	4.76%	3.77%
Randolph National Bank	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Union Bank	6.21%	5.86%	5.26%	4.95%	4.63%	5.21%	4.89%	3.07%	4.32%	4.01%	3.06%	5.25%	6.13%

HOMEOWNERSHIP DELINQUENCY REPORT
FISCAL YEAR 2007

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
Total Portfolio #	4799	4876	4932	4946	4988	5041							4930
Total Portfolio $	388.6	401.9	412.7	417.9	426.3	436.9							414.1

NUMBER OF DELINQUENT LOANS

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	199	187	223	194	224	232							210
60 Days	50	41	42	44	55	78							52
90 Days	13	16	15	14	19	23							17
Foreclosure	41	41	37	35	39	34							38
Total Delq FY 07	303	285	317	287	337	367	0	0	0	0	0	0	316
Total Delq FY 06	331	315	323	288	347	353	338	319	271	310	286	280	313

PERCENT BY NUMBER OF DELINQUENT LOANS

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	4.15%	3.84%	4.52%	3.92%	4.49%	4.60%							4.25%
60 Days	1.04%	0.84%	0.85%	0.89%	1.00%	1.55%							1.03%
90 Days	0.27%	0.33%	0.30%	0.28%	0.38%	0.46%							0.34%
Foreclosure	0.85%	0.84%	0.75%	0.71%	0.78%	0.67%							0.77%
Total Delq FY 07	6.31%	5.85%	6.42%	5.80%	6.65%	7.28%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	6.39%
Total Delq FY 06	7.21%	6.89%	7.05%	6.30%	7.60%	7.68%	7.31%	6.88%	5.81%	6.65%	6.09%	5.87%	6.78%

DOLLAR AMOUNT OF DELINQUENT LOANS

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	$11.2	$11.2	$13.2	$12.9	$13.7	$14.6							$12.8
60 Days	$2.9	$2.3	$2.5	$2.7	$3.2	$4.6							$3.0
90+ Days	$3.1	$3.2	$3.1	$2.9	$3.7	$3.8							$3.3
Total Delq FY 07	$17.2	$16.7	$18.8	$18.5	$20.6	$23.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$19.1
Total Delq FY 06	$19.4	$17.6	$18.9	$16.8	$20.2	$20.3	$20.2	$18.9	$15.8	$17.6	$16.5	$16.2	$18.2

REO INVENTORY REPORT
As of December 31, 2006

Mortgagor	REO Date	City/Town	Princ. Bal.	Interest	Expenses	Receipts (1)	Total Cost Basis	Valuation Allowance	List Amount (2)	Current Appraisal	Date Last Appraised	Original Appraisal	Loan Date	Type	Comments
Hogan	**8/1/2006**	**East Barre**	**$ 85,803**	**$ 3,189**	**$ 9,745**	**$ 26,450**	**$ 72,287**	**$ -**	**$ 79,000**	**$ 81,000**	**5/18/06**	**$ 91,000**	**10/24/03**	**SF**	**Under Contract $70,000; closing 2/28/07**
Goble	10/12/2006	Roxbury	$ 50,542	$ 4,340	$ 6,144	$ -	$ 61,026		$ 99,900	$ 106,000	3/23/06	$ 60,000	10/06/97	MH	VHFA was high bidder at public sale
2			**$ 136,345**	**$ 7,529**	**$ 15,889**	**$ 26,450**	**$ 133,313**	**$ -**	**$ 178,900**	**$ 187,000**		**$ 151,000**			

REOS that are under deposit

(1) Receipts column represents actual and projected/estimated mortgage insurance claim payments

(2) If Property is under deposit the List Price is the actual sale price.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director

DATE: January 30, 2007

RE: **EXECUTIVE DIRECTOR'S REPORT**

Administration

The Agency had its annual Health Awareness Day on January 17th. The Wellness Awareness Foundation sponsors free programs for work environments. Our day consisted of healthy breakfast and snack foods, stretching class, stress management for the spine seminar, chair massages and numerous pamphlets/books on healthy living. Network Chiropractic of Vermont, which organized the day on behalf of Wellness Awareness Foundation, also offered free spinal screening sessions at its office in Shelburne for staff and their family members.

Rick Jean and Chris MacAskill conducted a test at the SunGard backup facility on January 18th in Massachusetts. They successfully conducted a remote test utilizing a firewall, which confirmed the Agency's ability to connect remotely from Vermont should a disaster occur. They were, however, not able to restore the Mitas system as the tape drive used to restore the system malfunctioned once the Agency tape was inserted into the machine. Another test will be scheduled in the next few months. Though the Mitas system was not restored, the tests continue to provide great experience for the types of things that can occur when needing to restore the system at a remote facility. For the next test, staff will bring two tapes with them!

The process of replacing our expired HUD software reporting system has started. The kickoff meeting was held January 22nd and it's expected that we will be live with the new HDS software by the end of April (at the latest). We were forced to a new software system when the current vendor stopped supporting the product.

Elizabeth has completed a review of the Agency's ongoing legal needs with Senior Management. There is a staff preference to work with in house counsel rather than bringing outside counsel up to speed as projects/issues arise. In reviewing Elizabeth's schedule and workload, it was determined that it would make sense to offload from Elizabeth the many tasks that could be handled by a Legal Coordinator in order to free Elizabeth's time for the higher level legal needs.

The Legal Coordinator position will be funded with approximately 20 hours from the Multifamily Operations Specialist position as the multifamily closings will move to this new position. The remaining 17.5 hours will be new hours to the Agency; however, they will be offset with direct legal fees from outside law firms, primarily for multifamily closings. With Erin Philbrick moving to the Management Officer position (see below), we will hold off

replacement of her position (Multifamily Operations Specialist) until we can identify the fallout of moving the legal responsibilities as well as other responsibilities that were shifted to the Asset Management department.

Development

Development staff has been busy setting up files and making initial construction disbursements on the loans closed in December, including Middlebury South Village, Bemis Block in Hardwick, and Hardwick Family. Staff has also been working on closing Whitney Hill in Williston, Esteyville in Brattleboro, and the Butterfield Common Condominium project in West Dover. In the meantime, staff is working on assembling the IRS annual tax credit transmittal, the Form 8610 (due in February).

Joe recently attended an NCSHA conference on tax credits. And, Cindy and I attended a meeting in Washington, DC at the offices of AAHSA (American Association of Homes and Services for the Aging). AAHSA has a 2-year contract with HUD to develop recommendations for improving the HUD 202 program (and the HUD 811 program) and gathered a panel of experts to begin the process. The meeting resulted, primarily, in a recommendation to delegate the underwriting of such projects to State HFAs. We will continue to be involved in this effort.

Cindy, Maura and I have been attending meetings convened by the Department of Aging & Independent Living (DAIL), along with other housing funders, to discuss the issues around combining housing with services, and to work toward a long term plan of getting more supportive housing developed. These meetings are ongoing.

Liza, working closely with Dave Anderson, has been doing research for a draft of proposed building standards for all VHFA funded projects. The intent is to put in one place the various standards we have adopted over the years. A draft proposal will likely be presented to the Board in March or April.

Staff made visits to projects in Burlington, Bennington, Shoreham, Brandon and Middlebury and have had discussions with developers about upcoming applications from Manchester, Bennington, St Albans and Vergennes.

Erin Philbrick, having accepted the new Multifamily Management Officer position, where her many talents will be put to great use, will very much be missed in Development!

Multifamily

Erin Philbrick has been promoted to Management Officer I and will be taking on asset management and tax credit responsibility for a portion of the multifamily portfolio as part of Kim Roy being appointed Assistant Director of Multifamily Programs. Kim's move is working out very well. Erin has served as Multifamily Operations Specialist since joining VHFA in 2001.

The 2007 budget approval progress continues and 2006 audit confirmation work is now in high gear. We have put owners, managers and accountants on notice that the 2006 audited financial statements are due at VHFA by March 1st and that work related to the new multi-class bond resolution and Audit

Risk Management activity is dependent on receiving audits in a timely manner. The March 1st deadline is a condition in the Regulatory Agreement for all projects with a December 31 fiscal year. Increasingly, receipt of these financial statements has stretched out into May and beyond and this is problematic given the timing of upcoming bond issues and our Risk Management Committee schedule.

Energy audits are now underway on the 14 properties that were selected to participate in the joint VHCB/VHFA energy program. Efficiency Vermont and the Burlington Electric Department have committed to completing these detailed energy audits by the middle of February.

Homeownership

2006 was a record year for production! VHFA purchased a total of 934 loans for approximately $130 million, compared to 700 loans for approximately $82.0 million in 2005. This increase in business is due to aggressive outreach with lenders and real estate brokers, competitive interest rates throughout the year, and the introduction of additional affordable mortgage insurance options. Staff will continue to identify and implement changes to improve the process for lenders.

VHFA will have an aggressive marketing campaign this spring and will participate in a number of events sponsored by our partners over the next several months including a Home Buyer Fair sponsored by affiliate members of the Rutland County Board of Realtors. VHFA will also market to specific groups about the Veteran Exemption which eliminates the first-time home buyer requirement in those areas where it normally applies (Addison, Bennington, Chittenden, Grand Isle, and Windsor counties). This exemption was passed by Congress and applies to any loan originated with Mortgage Revenue Bonds issued in 2007. Realtor trainings continue to be popular – in fact 60 brokers attended a training session in Rutland!

Public Affairs

VHFA's new issue paper, analyzing the impact new housing development has on school enrollments in Vermont, was released January 8th, and it was a major success. The paper was the product of several months of work, with Leslie Black-Plumeau taking the major responsibility for research and writing, with support from John and Maura. It was also reviewed by experts outside the Agency. Craig once again came up with a very good design.

In the wake of its release, the paper has received glowing reviews from those who have read it, and we were successful in getting stories about it from the *Burlington Free Press*, the Vermont Press Bureau, television station WPTZ, and radio stations WDEV and WTSA. We have distributed electronic and hard copies widely across the state, including to all state legislators, the Governor and Lt. Governor, several other elected and appointed officials, to the Vermont Housing Council, to the membership of the Vermont School Boards' Association, the Vermont Superintendents' Association, the Vermont Principals' Association, the Vermont League of Cities and Towns, the Vermont Planners' Association, regional planning commissions, and the Vermont Housing Awareness Campaign network. The new paper is available online on the Agency website, www.vhfa.org, and a hard copy has been included with your packet. Please contact John if you would like more.

Work on the 2007 edition of the popular "Between A Rock and A Hard Place: Housing and Wages in Vermont" report series is well under way. Leslie and Maura have completed their data collection and analysis; John is writing the paper; and Craig will be responsible for design. This year's report is scheduled for release at a press conference on Monday, March 12th, at 10:30 a.m. in Room 11 of the Statehouse.

Speaking of the Statehouse, John and I have been active there since the opening of the new session. I have testified before two committees—Senate Finance and House General, Housing and Military Affairs—and we have attended several other hearings where other housing organizations have been testifying. After the Board approved a legislative agenda at the January meeting, we have talked to legislators about increasing the Property Transfer Tax exemption for VHFA borrowers, about creating a new tax credit for homeownership, about funding for the Vermont Housing and Conservation Board, and about the administration's New Neighborhoods Initiative. We have also worked to educate legislators about Vermont's housing delivery system and financing mechanisms. I have been asked to return to Senate Finance the week of February 6th to discuss VHFA's priorities in greater detail, and we will be appearing before the House Ways and Means Committee in the near future.

Additionally, John and I are preparing for NCSHA's annual Legislative Conference in Washington, D.C., March 5th – 7th.

We have been active with public outreach, as well. John attended legislative breakfast events hosted by the Lake Champlain Chamber of Commerce/GBIC and the Central Vermont Chamber of Commerce. John will be attending a similar event in White River Junction February 12th, and I am scheduled to appear on a panel at a Lake Champlain Chamber/GBIC breakfast event discussing workforce housing on March 12th.

Finance

The Finance Team completed the Quarter 1 financial statements (distributed at the January Board Meeting) and immediately started working on the Quarter 2 close. The Q1 close took approximately 90 days, due to the challenges of the trustee transition from TD Banknorth to Bank of New York (BoNY). We expect the Q2 close to take approximately 45 days with financial statements published in mid-February. The goal for the Q3 close is to get back to a 30-day close, which the team had worked so hard to achieve in Q3 of last year. We have been conducting regular status meetings to make sure the close stays on track.

Scott and Tom have been busy working on three bond issues. The Keybank Series 1 pooled multi-family bond issue closed on January 25th. This is a $15 million revolving facility for permanent multifamily loans. We packaged up $4 million of existing permanent loans under this facility. Key Bank is selling variable rate bonds using their rating and selling as KeyBank paper. This issue includes three series (Series A-1 tax-exempt AMT, Series B-1 tax-exempt non-AMT and Series C-1 taxable).

In addition, we are working on the Series 27 Single Family bond issue under the existing resolution, which we expect to close in early March. At the same time we have also started meeting with the working group on a new multi-purpose resolution to meet future needs for both

single family and multifamily bonds. We expect this to close in the late spring. Although things have settled down with the BoNY trustee services, we are planning to go out with an RFP in conjunction with the new multi-purpose bond resolution to solicit a new trustee for that resolution. We plan to remove the domicile requirement that exists in older resolutions to give us more options for working with trustees outside the State of Vermont.

The team has also been meeting to re-allocate workload to prepare for the upcoming systems conversion. We have been revisiting processes to see where they can be streamlined and will continue the process improvement activities as part of the conversion to the new software.

Other

I look forward to seeing you on the 5th.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

To: VHFA Board of Commissioners

From: Maura Collins, Policy and Planning Coordinator

Date: January 29, 2007

Re: Strategic Planning

Halfway through the Fiscal Year, staff has completed 16 tasks from the Strategic Plan. Those items and associated outcomes are provided in the attached sheet titled "Completed Tasks FY07."

The most encompassing task staff plans to undertake during 2007 is implementation of new core software program(s), if the Board directs staff to do so. Staff recommendations to the Board will be presented at the February Board meeting. If approved, the expectation of management and staff is that during the next 12-24 months a considerable amount of staff resources will be dedicated to this conversion and there may be limited capacity for new strategic plan items.

Another 34 items are still on the Strategic Plan, with varying due dates for the coming year and beyond. The full list of these tasks is also attached as "Vermont Housing Finance Agency Strategic Plan." New items to the Strategic Plan since the Board last reviewed it include:

- ★ VHFA staff is working to merge the work of VHCB's Hard to House group, the VT Interagency Council on Homelessness, and various other supportive housing efforts in the state to create a comprehensive approach to increasing supportive housing in Vermont.
- ★ VHFA will support the work of the DAIL Housing Group, offering information, assistance, and respond to recommendations from that group accordingly.
- ★ Staff will advocate in the Legislature for a $100,000 tax credit for homeownership development. Ideally this will mirror many policies of the existing rental tax credit, but geared towards owned homes.
- ★ Consider other financing models for Homeownership loans, including Mortgage Backed Securities.

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EQUAL HOUSING OPPORTUNITY

Completed Tasks FY2007

Completed Item Description	Completion Notes
Administration:	
Modify the current appraisal forms to include a section for staff development goals. Train supervisors on its use.	A revised form was distributed in August and staff's annual retreat was focused on performance indicators and management.
Develop a plan for evaluating the replacement of the Mitas system. Develop requirements, remit RFPs and perform due diligence. Finalize recommendation for the Board.	Staff sent out an RFP in July, with responses due mid August. Staff did due diligence with dozens of meetings including demonstrations, and recommendations are being sent to the Board in February 2007. Pending Board approval, implementation and roll out would be decided in early 2007.
Research feasibility of establishing Agency Intranet.	Imaging software has replaced the need for a separate intranet.
Public Affairs and Planning:	
Work with the Agency of Human Services and other housing partners in Hard to House proposals	This has become an ongoing project for the Policy and Planning Department, under the work done for homeless groups. More information is posted online at www.helpingtohouse.org.
Study Employer Assisted Housing	A study was completed with ACCD, the Tax Department, VT Affordable Housing Coalition and VHFA.
Research housing's "multiplier effect" of bringing in school-aged children, and the costs or benefits to local schools as a result.	A final draft of this issue paper was released in early January. A copy of the report is available at http://www.vhfa.org/documents/housing_education.pdf.
Finance:	
Discuss the potential to sell multifamily loans directly to Fannie Mae. These would need to be serviced, and VHFA could take a servicing fee.	The Keybank Line of Credit has given the same result. This may also be accomplished through the multipurpose bond resolution. Instead of using the GSE's the Agency has gone these other routes.
Homeownership:	
Have discussion about expanding acquisition/repair loan program beyond current system	Staff has taken the interim step to buy loans before construction is completed with oversight by the lenders. We are not expecting a large increase in volume due to this because of the marginal benefit to lenders. Staff does not currently have capacity to monitor escrows or construction oversight. One potential outcome might be to encourage HomeOwnership Centers to provide that in conjunction with existing rehab programs.

Completed Tasks FY2007

Completed Item Description	Completion Notes
Research 1031 exchanges and compare pros and cons of REITs to these. Is there a potential market for investing in housing development?	Sam will draft a memo to the Board based on the recent VHMA conference and other things learned from Boston expert. As for using 1031s for Homeownership puposes, it is very rarely done and does not offer a new business opportunity for VHFA.
Find a funding source to possibly provide funding for HOCs to participate in national HECM counselor trainings.	Pat C talked with the HOCs and there's little interest in expanding their counseling because these positions have high turnover and so training is sometimes wasted. Staff would like to encourage HOCs to work on public education through web, etc and suggest the AAoAs take the lead on training counselors.
Finalize the 0% program for the Middlebury cottages	An agreement with Neighborworks of Western VT is finalized. A meeting was held so they fully understand Agency expectations.
Staff is working hard to reduce the number of forms originators must complete. This will consolidate the number of borrower signatures.	5 or 6 forms were eliminated. Origination forms were cut by 50%.
Multifamily Development & Asset Mgmt	
Work with Efficiency Vermont to flag multifamily projects in need of energy upgrades to maximize cost savings.	233 properties were surveyed as to their needs, and 14 projects were selected for Efficiency VT to work with.
Explore and decide on a new software product for HUD TRACS processing of HAP payments. VSHA has decided to use the IPS TRACS system.	Staff held meetings with several vendors and selected HDS as the new software. This implementation is now underway.
Explore ways to import audit/budget data.	This will change with the new core software to be implemented. If a new software is not implemented, then this task will return to the list of items to work on.
Risk Management:	
Create policies on how to preserve housing while not limiting the agency and losing loans.	A workshop at the VT Housing Managers Association conference in November 2006 explored owner's options of "buy, swap, or sell."

Vermont Housing Finance Agency Strategic Plan

#	Item Description	Date Due	Comments and Updates
1	**Administration:**		
2	**Employee Relations:** Create and sustain a workplace conductive to attracting and retaining a quality staff. Secure benefits that meet staff needs and are financially feasible for the Agency. Encourage and provide for staff's professional development		
3	Conduct formal review and update of employee manual.	Jun-07	
4	Identify key staff positions and ensure adequate planning for key staff turnover and retirement.	Jun-07	
5	**Technology:** Ensure that adequate network and software systems are in place to support the business requirements of the Agency and maintain integrity and security. These systems will support the needs of the staff, be secure from internal and external security threats and will be efficiently maintained. Also, the Agency will ensure maximization of the Mitas system and ensure training of staff to maximize the use of technology appropriate to their position.		
6	The Agency has drafted recommendations to the Board, which will be presented at the February meeting. Upon Board decision, the staff will create a plan of implementation as necessary.	Dec-09	
7	**Legal:** Provide competent legal services that maximize efficiency to all departments to ensure compliance and appropriate risk management while ensuring that the Agency's interests are adequately protected in all its endeavors. This includes acting as a resource to each department for evaluating policies and new initiatives, as well as a means for implementation. Also will ensure adequate resources for timely and efficient loan closings and modifications, and review and recommend changes to VHFA statutes and rules as needed.		
8	Create a formal document retention policy (including discussion of when document destruction is appropriate).	Jun-07	
9	**Office Management:** Provide support services and coordinate Agency initiatives that support Agency goals and objectives. This includes ensuring facilities are well maintained and space is efficiently utilized.		
10	Develop and implement an Agency Business Continuity Plan to include short-term and long-term department plans, documentation of entire process and testing at the Agency's backup facility. This includes developing a process for recovering all computer systems required to continue VHFA business processes.	Jun-07	Another test was completed in January 2007 which was successful in some areas, but some glitches made it another learning experience. A re-test is scheduled for June.
11	**Public Affairs and Planning:**		

Vermont Housing Finance Agency Strategic Plan

#	Item Description	Date Due	Comments and Updates
12	**Build Partnerships:** Strengthen partnerships and participate with other agencies and organizations, both public and private, to promote housing opportunities and to maintain housing policies and programs across the State. This includes continuing leading the Housing Awareness Campaign, supporting the Responsible Lending Initiative and working with partners to promote housing development in community forums and in the media, and producing the annual Housing and Wages report. As well as being a leader for the VT Housing Managers Association and New England Regional Service Coordinators.		
13	Review Agency programs, practices, and agreements to ensure inclusion of Fair Housing protections. Targeted projects are tax credit only deals where the there is no other federal monitoring taking place.	Mar-07	The QAP will be updated in winter 2006 and at that time clearer more stringent requirements will be put in place for tax credit properties.
14	**Advocacy:** Work with our congressional delegation, state agencies and state and local elected officials, HUD, NCSHA, and other local, state and national housing organizations on the development of housing policies and the passage of legislation and regulations affecting housing.		
15	Advocate in the Legislature for a $100,000 tax credit for homeownership development. Ideally this will mirror many policies of the existing rental tax credit, but geared towards owned homes.	Jun-07	
16	AHS invited many partners to participate in a new work group to look at the ESD General Assistance rules especially around housing.	Jun-07	Monthly meetings began in June 2006 and will ideally complete proposed rules for submission to the next legislative assembly.
17	Work with Legislators on expanding the VHFA-borrower exemption beyond the first $100,000 of a home from the property transfer tax.	Jun-07	The 2006 Legislature requested a summer study of the issue, in conjunction with other housing issues. This study was completed with VHFA's help and a bill will be introduced again in the 2007 session.
18	**Seek New Opportunities:** Maintain the Agency's flexibility in responding to emerging topics that are core to VHFA's mission. Integral to this is efficiently managing resources needed to ensure continuity of core business activities while pursuing new opportunities.		
19	VHFA staff is working to merge the work of VHCB's Hard to House group, the VT Interagency Council on Homelessness, and various other supportive housing efforts in the state to create a comprehensive approach to increasing supportive housing in Vermont.	Dec-07	By the due date, VHFA staff will have worked to create a plan of action for dedicating resources to supportive housing specifically, which will need support from housing managers, funders, service providers, and the Agency of Human Services

#	Item Description	Date Due	Comments and Updates
20	VHFA will support the work of the DAIL Housing Group, offering information, assistance, and respond to recommendations from that group accordingly.	Dec-07	
21	Require developers to include broadband internet access in housing projects going forward and work with managers of existing housing to help them offer high speed internet that is easy to maintain and inexpensive for tenants.	Mar-08	The Consolidated Plan and QAP have been amended to encouraging wiring of high speed Internet in all future projects. Staff is partnering with ACCD to launch a pilot project to create different models of agreements between managers and ISPs to offer low-cost Internet service.
22	**Information Resource:** Promote the Agency as the primary source for housing data/information. This includes ongoing management of the Housing Data Website and regular enhancements.		
23	Determine the feasibility of conducting an annual statewide rental survey.	Jun-07	Staff has completed initial brainstorming and an internal memo to Executive Management will be completed by the end of February. The Board will get a memo with recommendations by May.
24	Research potential costs and benefits of offering housing data research work for a fee. This includes conducting local housing needs assessments.	Jun-07	Staff has completed initial brainstorming and an internal memo to Executive Management will be completed by the end of February. The Board will get a memo with recommendations by May.
25	Research cost and potential benefits of internally conducting Market Studies for multifamily applicants.	Jun-07	Staff has completed initial brainstorming and an internal memo to Executive Management will be completed by the end of February. The Board will get a memo with recommendations by May.
26	**Communication and Education:** Raise the profile of VHFA and housing issues in the public mind; "brand" VHFA with the media, community leaders, businesspeople, policymakers, elected officials and others in the housing industry as a primary source for information and a leading advocate on housing. This includes media outreach, producing Housing Matters regularly, utilizing paid media, hosting occasional public forums, mini-conferences and similar events with community leaders, develop and implement annual strategic communications plan, and lead the biannual statewide housing conference.		
27	Partner with the VT Children's Forum on a report outlining the unique needs of children who are homeless and what policies can help them.	Jun-07	
28	Write an issue paper on the connection our aging population will have on housing demographics and need.	Jun-07	
29	**Finance:**		

Vermont Housing Finance Agency Strategic Plan

#	Item Description	Date Due	Comments and Updates
30	**Stewardship:** Safeguard financial assets and provide ongoing education to staff and Board, including regularly conducted financial studies. Benchmark 1% of loan balances to fund surplus – and maximize fund balances/net assets to provide program support.		
31	Examine the cost structures of Multifamily and Homeownership departments including examining the economies of large vs. small projects for Multifamily. This will include an analysis of the agency's cost per loan and per bond issuance. This should also include an analysis of construction v. permanent loans.	Jun-07	This doesn't include staff time but cost of issuance.
32	Better understand the cost of origination and overhead including the % of the Agency that's non-revenue producing vs. revenue producing.	Jun-07	
33	**Financial Business Development:** Seek to provide housing services through new loan products and initiatives while utilizing Agency resources to generate new revenue sources.		
34	Evaluate multi-class structure of bonds to save cost of bond insurance. If so, achieve the highest quality of rating compared to investment.	Jun-07	This process has been started and the plan is to issue in May or June.
35	**Capital Generation Capacity:** Create additional capital generation capacity while continuing to work with financial institutions to utilize additional sources of capital for loan programs. This includes partnering with Freddie Mac and Fannie Mae and other institutions on bond purchase and other credit facilities.		
36	No activities at this time.		
37	**Automation and Electronic Integration:** Automate financial reporting and servicing processes. Transfer data from our mortgage servicers for reporting, remitting, and reconciliation processes.		
38	Expand Extranet to include the Loan Accounting and Reporting Guide.	Jun-07	Pat and Dave have reviewed the draft and provided lots of comments so this will become a full guide re-write. Sue is working on it.
39	**Operations:** Coordinate evaluation and implementation with production departments		
40	Draft an RFP for trustees.	Mar-07	Depending on the results, a new trustee may be selected only for the new resolution or for all trustee work.
41	**Homeownership:**		

#	Item Description	Date Due	Comments and Updates
42	**Origination:** The Agency will offer homeownership products and services designed to meet the intent of the Agency's Mission and Vision while maintaining a balance with our financial objectives that insure the long-term financial viability of the Agency. VHFA will continue its reliance on outside lending partners for production, until such time as this no longer delivers our products effectively. We will continually evaluate alternative methods for originating VHFA loans for future consideration with primary focus given to underserved areas of the state. The Agency will increase its potential market by maximizing purchase price limits in accordance with income limits. Also, VHFA will continue to rely on and support Homeownership Centers (HOC) for homebuyer education and credit counseling while also evaluating their effectiveness. The Agency will work to facilitate partnerships between VHFA origination lenders and the HOCs to improve access to VHFA financing.		
43	Consider other financing models for Homeownership loans, including Mortgage Backed Securities	Jun-07	
44	**Servicing:** VHFA will manage its single family mortgage portfolio to ensure the Agency's long-term financial viability, to minimize loan losses, create efficiencies wherever possible while working with customers to find ways to keep them in their homes. The Agency will look to consolidate servicers whenever appropriate as well as facilitate partnerships with the HOCs and VHFA's servicers to provide delinquency intervention counseling for VHFA borrowers.		
45	Conduct some research around VHFA's loans: How long loans need to stay in VHFA's portfolio before the Agency breaks even; what are the prepay rates of servicing released loans vs. servicing retained.	Jun-07	Maura ran an initial report on the prepay rates of loans with servicing released vs. retained. Piper Jaffray will be asked for existing data to determine the "break even" point.
46	Explore costs of reducing the servicing fee from .375% to .25% as well as increasing the service release premium. This would encourage more lenders to sell the Agency its servicing, which is financially beneficial to VHFA although it might impact the number of loans VHFA purchases from community banks and/or credit unions.	Jun-07	A board memo will be drafted regarding this not being a prudent option at this point in time (more political than financial.) We will revisit in 18 months.
47	**Outreach:** VHFA will proactively seek out customer needs and demands and provide delivery mechanisms which deliver products, programs and services to meet those needs effectively and efficiently. The Agency will actively partner with HOCs, lenders, VBA, VMBA, sister funding agencies, and others as appropriate to keep in touch with their needs and the needs of their customers that can be met by VHFA.		
48	Work with current HECM counselors and HUD to find a source of funding for the counseling provided. Originating lenders can pay for this counseling, but borrowers themselves are not allowed to under HUD rules.	Dec-07	This will be completed after we know which agencies (HOCs or AAAs) will be conducting this counseling.

Vermont Housing Finance Agency Strategic Plan

#	Item Description	Date Due	Comments and Updates
49	**Multifamily Development & Asset Mgmt**		
50	**Program Development:** VHFA will strive to be the lender of choice for customers.		
51	Review the use of the Risk Share Program in conjunction with the new bond resolution.	Jun-07	Staff will confirm if there is still a need for this. If MF bonds must be backed by this, it will push the issue.
52	Explore feasibility of becoming an FHA Multifamily Accelerated Process (MAP) lender and/or a Fannie Mae Delegated Underwriting Servicing (DUS) lender. This includes researching the benefits, applying, training, and implementing processes.	Dec-07	Once the HUD/FHA Risk Share program is in place, staff will work to research and implement this task.
53	**Underwriting:** Balance sound underwriting standards and long-term financial feasibility while staying flexible to customer needs. We will be prepared to take on new/additional underwriting and program administration as opportunities come up.		
54	Create and implement appraisal standards.	Jun-07	
55	Develop minimum standards for capital needs assessments.	Jun-07	Sam is working on a draft now that the Compass study has been released.
56	Develop purchase price policy to address year 15 LIHTC issues, and in conjunction present the 15 year compliance policy, which is completed.	Mar-07	Cindy wrote a draft and is working on a Board memo by March.
57	Model how VHFA can work efficiently with other state agencies in underwriting projects applying for multiple funding streams.	Mar-07	The common application is done, and VHFA has finished its appendix but other agencies have not yet. DHCA is working on web enabling this. VHFA wills start using the new application by March regardless of if other agencies have as well.
58	**Tax Credits:** Efficiently administer the State and Federal Housing Credit programs in a manner that is usable by the development community and which results in the creation of housing consistent with the State's Consolidated Plan priorities.		
59	No activities at this time.		
60	**Asset Management:** Stabilize, preserve and pursue new lending opportunities with current multifamily clients or new ownership structures. This includes proactively seeking financing opportunities for tax credit projects approaching the end of their 15-year compliance period. It also requires ongoing management of portfolio to ensure program compliance and securing preservation lock-in agreements. This work assumes an ongoing review of monitoring responsibilities and coordination of responsibilities among other agencies.		
61	No activities at this time.		
62	**Operations/Systems:** Improve overall operating efficiencies and access to data using internal and external systems on the website, proprietary software and through the design of programs, services and reports. Increase utilization of the Mitas software features and options.		

#	Item Description	Date Due	Comments and Updates
63	Explore opportunities for the Agency's extranet website for MF/Dev products, programs and/or services.	Jun-08	This will be part of the core application software decision.
64	**Risk Management:**		
65	**Multifamily:** Monitor and mange our multifamily loan portfolio to identify areas of risk and take actions to minimize risk of financial loss while preserving and enhancing the stock of affordable housing projects financed by the Agency consistent with the mission and vision of the Agency.		
66	No activities at this time.		
67	**Finance:** Review and access, on an ongoing basis, the various financial risks that the Agency faces and to promote a process of cost justified internal controls that will minimize the occurrence of loss.		
68	Assist Risk/Audit Committee in determining a direction and approach for an internal audit function.	Jun-07	Clarify the approach VHFA takes to internal audits. The end product would be a written policy on internal audits.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Director of Homeownership Programs

DATE: January 29, 2007

RE: Summary of Homeownership Activities

PRODUCTION

Attached are FY 2007 year to date and 2006 calendar year production reports. In calendar year 2006, VHFA purchased 934 loans for a total amount of $129.6 million. This represents an increase of 37%! VHFA's current pipeline is approximately $23 million in loans in various stages of processing.

COLLECTIONS

Delinquency reports as of December 31, 2007 are attached. As of December 31, 2006, VHFA owned 2 properties; one is under contract and expected to close in February.

If you have any questions please do not hesitate to call me at 652-3442 or email me at pcrady@vhfa.org.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

CY06 Production Summary

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	Total
MOVE	5,747,307	5,115,359	6,723,853	7,002,262	8,709,255	14,414,830	12,358,137	16,354,977	14,702,565	9,391,304	11,050,470	12,027,936	**123,598,255**
HOUSE	257,220		565,314	440,420	379,400	608,070	170,654	640,120	267,939	264,000	387,900	722,916	**4,703,953**
RURAL DEV.	32,000					25,460			26,500	28,500			**112,460**
LIMITED REFI			31,950	55,000	164,820					113,953			**365,723**
FIXED35										422,000	220,000	189,050	**831,050**
Total	**6,036,527**	**5,115,359**	**7,321,117**	**7,497,682**	**9,253,475**	**15,048,360**	**12,528,791**	**16,995,097**	**14,997,004**	**10,219,757**	**11,658,370**	**12,939,902**	**129,611,441**
MOBILE HOME	905,200	577,811	396,190	707,480	972,825	1,809,676	1,505,907	1,043,436	392,800	1,336,196	1,151,800	1,279,875	**12,079,196**

CY05 Production Summary

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	Total
MOVE	4,154,669	3,521,604	3,393,791	5,768,587	5,564,630	6,461,409	9,369,277	6,572,803	9,805,306	6,903,022	5,274,920	9,356,725	**76,146,743**
HOUSE	181,475	101,750	499,785	1,292,535	964,450	281,450	424,415	265,900	180,610	923,600	115,000	158,900	**5,389,870**
RURAL DEV.			73,200	50,300	25,000	65,800		78,300	43,350		29,600		**365,550**
LIMITED REFI					30,400		47,200				34,200		**111,800**
													0
Total	**4,336,144**	**3,623,354**	**3,966,776**	**7,111,422**	**6,584,480**	**6,808,659**	**9,840,892**	**6,917,003**	**10,029,266**	**7,826,622**	**5,453,720**	**9,515,625**	**82,013,963**
MOBILE HOME	504,880	680,776	563,623	748,263	854,280	1,022,980	992,692	707,650	1,124,450	1,040,471	1,064,087	129,715	**9,433,867**

CY06 Number of loans

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	YTD TOTAL
NEFCU (New England Fed CU)	8	6	8	3	10	18	16	18	15	11	16	18	**147**
MTG SVC CENTER	2	7	6	7	6	22	14	18	21	5	12	14	**134**
UNIVERSAL	5	4	4	6	8	12	7	15	14	7	3	6	**91**
COMMUNITY	4	2	3	3	6	9	4	8	3	4	13	5	**64**
MTG FINANCIAL SRV	1	1	4	3	3	8	2	10	5	6	6	5	**54**
NORTHFIELD	1	3	2	3	2	3	2	8	4	4	3	7	**42**
SUMMIT			3	2	4	1	9	3	3	4	5	3	**37**
UNION	2	2	2	5	4	3	2	3	4	4		2	**33**
N.E. HOME LOAN	4	1	1		4	3	6	4	2	3		3	**31**
GMAC	2	2	1	2	1	2	3	8	3	2	1	1	**28**
HERITAGE FCU		1	3	2	3	3	1	2	4	2	5		**26**
LIBERTYQUEST	2		1	3	2	4	2	3	3	1	2	2	**25**
VT STATE ECU	2	1	2	1	1	2	3	1	1	3	4	2	**23**
PEOPLES TRUST	2	1	3		2			2	4	3	1	2	**20**
BANKNORTH			4	2	2	1	2	2	4	2			**19**
OPPORTUNITIES CU (VDCU)		1	4	2	3	5				4			**19**
BRATTLEBORO	2	1		2	2	1	2		1		2	4	**17**
FACTORY PT			1			2	3	4			2	2	**14**
NCFCU (North Country Fed CU)	1	2		1	1	2	1		2	1	2	1	**14**
VT FEDERAL CU	1	1		2		1	3	2	1	2	1		**14**
BANK OF BENN	2	2		2	2		1		1			2	**12**
CTX		1		1	1	2	2	2	1	1	1		**12**
MASCOMA			1		2		1	2	2	1		3	**12**
CT RIVER	3		1			2		2	1	1			**10**
FIRST COMMUNITY				1		1		3	1			3	**9**
COUNTRYWIDE HOME LOANS									2	1	3	1	**7**
NAT'L BNK MIDDLE						1			1			4	**6**
VHFA (RD)	1				1	1			1	1			**5**
KEYBANK		2			1								**3**
RIVER VALLEY CU							1	1		1			**3**
LYNDONVILLE	1							1					**2**
CCO MORTGAGE										1			**1**
TOTAL	46	41	54	53	71	109	87	122	104	75	82	90	**934**

No longer participating:

Kittredge Mortgage
Wells Fargo

Re-Activated:
CCO Mortgage (Charter One)

CY06 Dollar Volume by Lender

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	YTD TOTAL
NEFCU (New England Fed CU)	1,367,775	871,700	1,109,564	549,918	1,560,143	3,140,815	2,873,839	2,839,824	2,717,501	1,695,597	2,747,670	3,058,643	24,532,989
MTG SVC CENTER	236,840	950,593	843,903	1,030,900	958,460	3,166,594	1,835,886	2,460,407	3,107,879	557,681	1,671,306	2,056,070	18,876,519
UNIVERSAL	700,765	607,905	656,000	872,444	1,196,330	1,954,065	1,008,812	2,268,098	2,430,432	1,244,269	466,400	845,490	14,251,010
MTG FINANCIAL	156,500	131,120	530,800	499,020	396,700	1,181,067	337,756	1,633,156	630,897	935,621	951,004	932,534	8,316,175
COMMUNITY	474,400	224,805	419,100	236,500	687,552	948,306	478,815	871,590	364,080	351,677	1,670,045	694,138	7,421,008
SUMMIT			446,400	298,500	582,400	193,500	1,544,444	471,000	364,900	687,564	857,219	541,241	5,987,168
NORTHFIELD	100,000	393,000	269,450	453,305	225,803	368,400	269,000	987,970	553,885	663,750	384,200	732,253	5,401,016
UNION	358,100	188,375	245,149	715,325	414,750	300,625	259,000	360,500	458,113	449,450		241,075	3,990,462
LIBERTYQUEST	342,500		149,600	466,800	154,125	648,900	213,000	542,775	296,817	160,000	282,314	289,648	3,546,479
N.E. HOME LOAN	434,700	129,050	71,600		430,040	300,000	605,060	477,100	172,850	401,800		344,190	3,366,390
GMAC	186,140	292,450	94,090	242,500	183,500	253,377	343,900	975,350	336,300	201,000	87,000	115,000	3,310,607
HERITAGE FCU		112,200	328,600	244,150	314,700	393,790	169,702	242,417	575,600	262,900	520,000		3,164,059
VT STATE ECU	259,000	52,000	320,800	159,500	106,700	265,400	377,500	137,819	130,000	481,000	480,345	231,700	3,001,764
PEOPLES TRUST	286,750	82,450	518,200		248,820			174,750	596,700	354,900	150,000	305,700	2,718,270
BANKNORTH			571,900	227,750	275,102	47,000	212,150	330,310	539,800	130,000			2,334,012
BRATTLEBORO	257,220	148,900		344,000	290,800	130,150	252,800		34,300		126,955	519,850	2,104,975
VT FEDERAL CU	124,587	162,000		238,000		75,000	563,632	301,922	182,320	184,073	144,000		1,975,534
NCFCU (North Country Fed CU)	111,550	208,000		187,000	192,500	199,000	138,500		260,000	120,000	285,000	122,320	1,823,870
CTX		152,186		135,000	135,000	233,625	357,795	281,934	120,000	190,272	215,491		1,821,303
FACTORY PT			115,000			239,750	374,500	599,750			172,200	276,000	1,777,200
OPPORTUNITIES CU (VDCU)		53,325	365,867	137,000	190,800	577,436				434,653			1,759,081
MASCOMA			143,000		256,500		160,000	214,900	296,280	200,000		405,110	1,675,790
BANK OF BENN	111,000	116,300		313,600	309,750		110,000		164,050			207,940	1,332,640
FIRST COMMUNITY				146,470		64,000		372,025	140,000			467,000	1,189,495
CT RIVER	391,700		122,094			217,100		258,700	70,800	96,000			1,156,394
COUNTRYWIDE HOME LOANS									279,000	171,000	447,221	144,000	1,041,221
NAT'L BNK MIDDLE						125,000			148,000			410,000	683,000
KEYBANK		239,000			143,000								382,000
LYNDONVILLE	105,000							159,500					264,500
CCO MORTGAGE										155,000			155,000
RIVER VALLEY CU							42,700	33,300		63,050			139,050
VHFA (RD)	32,000					25,460			26,500	28,500			112,460
TOTAL	$6,036,527	$5,115,359	$7,321,117	$7,497,682	$9,253,475	$15,048,360	$12,528,791	$16,995,097	$14,997,004	$10,219,757	$11,658,370	$12,939,902	129,611,441

Kittredge & Wells Fargo are no longer participating lenders

FY07 Production Summary

July 1, 2006 - June 30, 2007

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total
MOVE	12,358,137	16,354,977	14,702,565	9,391,304	11,050,470	12,027,936							**75,885,389**
HOUSE	170,654	640,120	267,939	264,000	387,900	722,916							**2,453,529**
RURAL DEV.			26,500	28,500									**55,000**
LIMITED REFI				113,953									
FIXED35				422,000	220,000	189,050							
Dollar Total	**12,528,791**	**16,995,097**	**14,997,004**	**10,219,757**	**11,658,370**	**12,939,902**							**79,338,921**
Total # of Loans	**87**	**122**	**104**	**75**	**82**	**90**							**560**
MOBILE HOME	1,505,907	1,043,436	392,800	1,336,196	1,151,800	1,279,875							**6,710,014**
Total # of MH*	**15**	**13**	**5**	**14**	**13**	**13**							**73**

*The Mobile Home # is included in the above line item titled "Total # of Loans"

FY06 Production Summary

July 1, 2005 - June 30, 2006

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total
MOVE	9,369,277	6,572,803	9,805,306	6,903,022	5,274,920	9,356,725	5,747,307	5,115,359	6,723,853	7,002,262	8,709,255	14,414,830	**94,994,919**
HOUSE	424,415	265,900	180,610	923,600	115,000	158,900	257,220		565,314	440,420	379,400	608,070	**4,318,849**
RURAL DEV.	30,020	78,300	43,350		29,600		32,000				27,000	25,460	**265,730**
LIMITED REFI	47,200				34,200				31,950	55,000	164,820		**333,170**
Dollar Total	**9,870,912**	**6,917,003**	**10,029,266**	**7,826,622**	**5,453,720**	**9,515,625**	**6,036,527**	**5,115,359**	**7,321,117**	**7,497,682**	**9,280,475**	**15,048,360**	**99,912,668**
Total # of Loans	**81**	**59**	**82**	**61**	**51**	**71**	**46**	**41**	**54**	**53**	**70**	**109**	**778**
MOBILE HOME	992,692	707,650	1,124,450	1,040,471	1,064,087	1,294,715	905,200	577,811	396,190	707,480	972,825	1,809,676	**11,593,247**
Total # of MH*	**14**	**9**	**12**	**11**	**14**	**13**	**9**	**6**	**5**	**6**	**10**	**19**	**128**

*The Mobile Home # is included in the above line item titled "Total # of Loans"

FY07 Dollar Volume by Lender

July 1, 2006- June 30, 2007

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD TOTAL
NEFCU(NewEnglandFedCU)	2,873,839	2,839,824	2,717,501	1,695,597	2,747,670	3,058,643							$15,933,074
MTG SVC CENTER	1,835,886	2,460,407	3,107,879	557,681	1,671,306	2,056,070							$11,689,229
UNIVERSAL	1,008,812	2,268,098	2,430,432	1,244,269	466,400	845,490							$8,263,501
MTG FINANCIAL	337,756	1,633,156	630,897	935,621	951,004	932,534							$5,420,968
SUMMIT	1,544,444	471,000	364,900	687,564	857,219	541,241							$4,466,368
COMMUNITY	478,815	871,590	364,080	351,677	1,670,045	694,138							$4,430,345
NORTHFIELD	269,000	987,970	553,885	663,750	384,200	732,253							$3,591,058
GMAC	343,900	975,350	336,300	201,000	87,000	115,000							$2,058,550
N.E. HOME LOAN	605,060	477,100	172,850	401,800		344,190							$2,001,000
LIBERTYQUEST	213,000	542,775	296,817	160,000	282,314	289,648							$1,784,554
HERITAGE FCU	169,702	242,417	575,600	262,900	520,000								$1,770,619
UNION	259,000	360,500	458,113	449,450		241,075							$1,768,138
VT FEDERAL CU	563,632	301,922	182,320	184,073	144,000	231,700							$1,607,647
PEOPLES TRUST		174,750	596,700	354,900	150,000	305,700							$1,582,050
FACTORY PT	374,500	599,750			172,200	276,000							$1,422,450
MASCOMA	160,000	214,900	296,280	200,000		405,110							$1,276,290
BANKNORTH	212,150	330,310	539,800	130,000									$1,212,260
CTX	357,795	281,934	120,000	190,272	215,491								$1,165,492
COUNTRYWIDE HOME LOANS			279,000	171,000	447,221	144,000							$1,041,221
FIRST COMMUNITY		372,025	140,000			467,000							$979,025
BRATTLEBORO	252,800		34,300		126,955	519,850							$933,905
NCFCU(NorthCountryFedCU)	138,500		$260,000	120,000	285,000	122,320							$925,820
NAT'L BNK MIDDLE			148,000	0		410,000							$558,000
BANK OF BENN	110,000		164,050			207,940							$481,990
OPPORTUNITIES CU(VDCU)				434,653									$434,653
CT RIVER		258,700	70,800	96,000									$425,500
LYNDONVILLE		159,500											$159,500
CCO MORTGAGE				155,000									$155,000
RIVER VALLE CU	42,700	33,300		63,050									$139,050
VHFA (RD)			26,500	28,500									$55,000
VT STATE ECU	377,500	137,819	130,000	481,000	480,345								$1,606,664
TOTAL	$12,528,791	$16,995,097	$14,997,004	$10,219,757	$11,658,370	$12,939,902							$79,338,921

Removed Keybank- no longer participating lender

Removed Kittredge -no longer participating lender

Removed Wells Fargo - no longer participating lender

FY07 Loan Volume by Lender

July 1, 2006 - June 30, 2007

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD TOTAL
NEFCU (New England Fed CU)	16	18	15	11	16	18							94
MTG SVC CENTER	14	18	21	5	12	14							84
UNIVERSAL	7	15	14	7	3	6							52
COMMUNITY	4	8	3	4	13	5							37
MTG FINANCIAL SRV	2	10	5	6	6	5							34
NORTHFIELD	2	8	4	4	3	7							28
SUMMIT	9	3	3	4	5	3							27
GMAC	3	8	3	2	1	1							18
N.E. HOME LOAN	6	4	2	3		3							18
UNION	2	3	4	4		2							15
HERITAGE FCU	1	2	4	2	5								14
VT STATE ECU	3	1	1	3	4	2							14
LIBERTYQUEST	2	3	3	1	2	2							13
PEOPLES TRUST		2	4	3	1	2							12
FACTORY PT	3	4			2	2							11
BANKNORTH	2	2	4	2									10
BRATTLEBORO	2		1		2	4							9
MASCOMA	1	2	2	1		3							9
VT FEDERAL CU	3	2	1	2	1								9
COUNTRYWIDE HOME LOANS			2	1	3	1							7
CTX	2	2	1	1	1								7
FIRST COMMUNITY		3	1			3							7
NCFCU (North Country Fed CU)	1		2	1	2	1							7
NAT'L BNK MIDDLE			1			4							5
BANK OF BENN	1		1			2							4
CT RIVER		2	1	1									4
OPPORTUNITIES CU (VDCU)				4									4
RIVER VALLEY CU	1	1		1									3
VHFA (RD)			1	1									2
CCO MORTGAGE				1									1
LYNDONVILLE		1											1
TOTAL	87	122	104	75	82	90							560

Removed Keybank- no longer participating lender

Removed Kittredge -no longer participating lender

Removed Wells Fargo - no longer participating lender

VERMONT HOUSING FINANCE AGENCY
HOMEOWNERSHIP PROGRAM MONTHLY DELINQUENCY REPORT
December 31, 2006

Lenders	Total Loans	30 Days		60 Days		90+ Days		In Foreclosure		Total Delinquent		REO	
Chittenden Mortgage Services	1218	85	6.98%	30	2.46%	8	0.66%	12	0.99%	135	11.08%	1	0.08%
Brattleboro Savings & Loan	89	5	5.62%	1	1.12%	1	1.12%	0	0.00%	7	7.87%	0	0.00%
Graystone Mortgage Company	2078	95	4.57%	34	1.64%	10	0.48%	20	0.96%	159	7.65%	1	0.05%
Community National Bank	318	20	6.29%	2	0.63%	1	0.31%	0	0.00%	23	7.23%	0	0.00%
Mascoma Savings Bank	44	3	6.82%	0	0.00%	0	0.00%	0	0.00%	3	6.82%	0	0.00%
Union Bank	326	13	3.99%	6	1.84%	0	0.00%	1	0.31%	20	6.13%	0	0.00%
Opportunities CU	140	3	2.14%	0	0.00%	2	1.43%	1	0.71%	6	4.29%	0	0.00%
Peoples Trust Co.	106	1	0.94%	2	1.89%	1	0.94%	0	0.00%	4	3.77%	0	0.00%
Connecticut River Bank	55	2	3.64%	0	0.00%	0	0.00%	0	0.00%	2	3.64%	0	0.00%
Bank of Bennington	68	2	2.94%	0	0.00%	0	0.00%	0	0.00%	2	2.94%	0	0.00%
Heritage Family Credit Union	126	0	0.00%	3	2.38%	0	0.00%	0	0.00%	3	2.38%	0	0.00%
New England Federal CU	406	3	0.74%	0	0.00%	0	0.00%	0	0.00%	3	0.74%	0	0.00%
Randolph National Bank	4	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Factory Point Nat. Bank	62	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
CitiMortgage	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Totals	**5041**	**232**	**4.60%**	**78**	**1.55%**	**23**	**0.46%**	**34**	**0.67%**	**367**	**7.28%**	**2**	**0.04%**
Totals Previous Month	**4988**	**224**	**4.49%**	**55**	**1.10%**	**19**	**0.38%**	**39**	**0.78%**	**337**	**6.76%**	**3**	**0.06%**
Totals Same Mo. Last Yr.	**4602**	**225**	**4.89%**	**62**	**1.35%**	**33**	**0.72%**	**33**	**0.72%**	**353**	**7.67%**	**3**	**0.07%**

Note: Of the loans in foreclosure, a total of 17 are under a Chapter l3 Bankruptcy Plan

Monthly Delinquency by Servicer

Lenders	Dec 2005	Jan 2006	Feb 2006	March 2006	April 2006	May 2006	June 2006	July 2006	Aug 2006	Sept 2006	Oct 2006	Nov 2006	Dec 2006
Bank of Bennington	5.17%	1.67%	3.23%	3.23%	3.13%	3.08%	1.54%	1.52%	4.55%	1.52%	0.00%	4.55%	2.94%
Brattleboro Savings & Loan	2.50%	2.44%	2.41%	2.44%	0.00%	1.20%	3.57%	2.35%	3.53%	3.53%	3.57%	5.81%	7.87%
Chittenden Mortgage Services	11.75%	11.27%	9.88%	8.29%	10.36%	9.09%	9.08%	9.38%	8.39%	9.04%	8.08%	9.97%	1.08%
CitiMortgage	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Community National Bank	4.33%	5.00%	3.90%	3.52%	2.83%	4.51%	3.06%	5.72%	4.29%	6.27%	5.92%	5.70%	7.23%
Connecticut River Bank	0.00%	1.89%	1.96%	1.96%	2.00%	4.00%	1.92%	3.85%	3.70%	0.00%	0.00%	0.00%	3.64%
Factory Point Nat. Bank	3.51%	3.51%	0.00%	0.00%	0.00%	3.51%	3.45%	5.00%	1.56%	3.17%	1.67%	0.00%	0.00%
Graystone	8.36%	7.80%	8.10%	6.48%	7.45%	6.58%	6.21%	6.84%	6.38%	7.34%	6.75%	7.54%	7.65%
Heritage Family CU	0.00%	1.80%	0.00%	0.00%	0.88%	0.86%	1.71%	1.72%	2.56%	3.36%	3.31%	2.38%	2.38%
Mascoma Savings Bank	0.00%	0.00%	0.00%	2.86%	2.94%	0.00%	0.00%	2.70%	0.00%	2.50%	2.44%	2.44%	6.82%
New England Federal CU	1.08%	0.35%	0.70%	0.68%	0.34%	0.33%	0.62%	0.59%	0.56%	0.27%	0.26%	0.00%	0.74%
Opportunites CU	5.76%	6.47%	5.71%	7.04%	7.75%	6.29%	6.80%	8.28%	7.64%	6.34%	5.59%	6.38%	4.29%
Peoples Trust Co.	3.13%	3.09%	3.06%	3.00%	2.02%	2.04%	4.12%	3.09%	3.06%	3.92%	4.81%	4.76%	3.77%
Randolph National Bank	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Union Bank	6.21%	5.86%	5.26%	4.95%	4.63%	5.21%	4.89%	3.07%	4.32%	4.01%	3.06%	5.25%	6.13%

HOMEOWNERSHIP DELINQUENCY REPORT
FISCAL YEAR 2007

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
Total Portfolio #	4799	4876	4932	4946	4988	5041							4930
Total Portfolio $	388.6	401.9	412.7	417.9	426.3	436.9							414.1

NUMBER OF DELINQUENT LOANS

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	199	187	223	194	224	232							210
60 Days	50	41	42	44	55	78							52
90 Days	13	16	15	14	19	23							17
Foreclosure	41	41	37	35	39	34							38
Total Delq FY 07	303	285	317	287	337	367	0	0	0	0	0	0	316
Total Delq FY 06	331	315	323	288	347	353	338	319	271	310	286	280	313

PERCENT BY NUMBER OF DELINQUENT LOANS

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	4.15%	3.84%	4.52%	3.92%	4.49%	4.60%							4.25%
60 Days	1.04%	0.84%	0.85%	0.89%	1.00%	1.55%							1.03%
90 Days	0.27%	0.33%	0.30%	0.28%	0.38%	0.46%							0.34%
Foreclosure	0.85%	0.84%	0.75%	0.71%	0.78%	0.67%							0.77%
Total Delq FY 07	6.31%	5.85%	6.42%	5.80%	6.65%	7.28%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	6.39%
Total Delq FY 06	7.21%	6.89%	7.05%	6.30%	7.60%	7.68%	7.31%	6.88%	5.81%	6.65%	6.09%	5.87%	6.78%

DOLLAR AMOUNT OF DELINQUENT LOANS

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	$11.2	$11.2	$13.2	$12.9	$13.7	$14.6							$12.8
60 Days	$2.9	$2.3	$2.5	$2.7	$3.2	$4.6							$3.0
90+ Days	$3.1	$3.2	$3.1	$2.9	$3.7	$3.8							$3.3
Total Delq FY 07	$17.2	$16.7	$18.8	$18.5	$20.6	$23.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$19.1
Total Delq FY 06	$19.4	$17.6	$18.9	$16.8	$20.2	$20.3	$20.2	$18.9	$15.8	$17.6	$16.5	$16.2	$18.2

REO INVENTORY REPORT
As of December 31, 2006

Mortgagor	REO Date	City/Town	Princ. Bal.	Interest	Expenses	Receipts (1)	Total Cost Basis	Valuation Allowance	List Amount (2)	Current Appraisal	Date Last Appraised	Original Appraisal	Loan Date	Type	Comments
Hogan	8/1/2006	East Barre	$ 85,803	$ 3,189	$ 9,745	$ 26,450	$ 72,287	$ -	$ 79,000	$ 81,000	5/18/06	$ 91,000	10/24/03	SF	Under Contract $70,000; closing 2/28/07
Goble	10/12/2006	Roxbury	$ 50,542	$ 4,340	$ 6,144	$ -	$ 61,026		$ 99,900	$ 106,000	3/23/06	$ 60,000	10/06/97	MH	VHFA was high bidder at public sale
2			**$ 136,345**	**$ 7,529**	**$ 15,889**	**$ 26,450**	**$ 133,313**	**$ -**	**$ 178,900**	**$ 187,000**		**$ 151,000**			

REOS that are under deposit

(1) Receipts column represents actual and projected/estimated mortgage insurance claim payments

(2) If Property is under deposit the List Price is the actual sale price.

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Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director

DATE: January 30, 2007

RE: **EXECUTIVE DIRECTOR'S REPORT**

Administration

The Agency had its annual Health Awareness Day on January 17th. The Wellness Awareness Foundation sponsors free programs for work environments. Our day consisted of healthy breakfast and snack foods, stretching class, stress management for the spine seminar, chair massages and numerous pamphlets/books on healthy living. Network Chiropractic of Vermont, which organized the day on behalf of Wellness Awareness Foundation, also offered free spinal screening sessions at its office in Shelburne for staff and their family members.

Rick Jean and Chris MacAskill conducted a test at the SunGard backup facility on January 18th in Massachusetts. They successfully conducted a remote test utilizing a firewall, which confirmed the Agency's ability to connect remotely from Vermont should a disaster occur. They were, however, not able to restore the Mitas system as the tape drive used to restore the system malfunctioned once the Agency tape was inserted into the machine. Another test will be scheduled in the next few months. Though the Mitas system was not restored, the tests continue to provide great experience for the types of things that can occur when needing to restore the system at a remote facility. For the next test, staff will bring two tapes with them!

The process of replacing our expired HUD software reporting system has started. The kickoff meeting was held January 22nd and it's expected that we will be live with the new HDS software by the end of April (at the latest). We were forced to a new software system when the current vendor stopped supporting the product.

Elizabeth has completed a review of the Agency's ongoing legal needs with Senior Management. There is a staff preference to work with in house counsel rather than bringing outside counsel up to speed as projects/issues arise. In reviewing Elizabeth's schedule and workload, it was determined that it would make sense to offload from Elizabeth the many tasks that could be handled by a Legal Coordinator in order to free Elizabeth's time for the higher level legal needs.

The Legal Coordinator position will be funded with approximately 20 hours from the Multifamily Operations Specialist position as the multifamily closings will move to this new position. The remaining 17.5 hours will be new hours to the Agency; however, they will be offset with direct legal fees from outside law firms, primarily for multifamily closings. With Erin Philbrick moving to the Management Officer position (see below), we will hold off

replacement of her position (Multifamily Operations Specialist) until we can identify the fallout of moving the legal responsibilities as well as other responsibilities that were shifted to the Asset Management department.

Development

Development staff has been busy setting up files and making initial construction disbursements on the loans closed in December, including Middlebury South Village, Bemis Block in Hardwick, and Hardwick Family. Staff has also been working on closing Whitney Hill in Williston, Esteyville in Brattleboro, and the Butterfield Common Condominium project in West Dover. In the meantime, staff is working on assembling the IRS annual tax credit transmittal, the Form 8610 (due in February).

Joe recently attended an NCSHA conference on tax credits. And, Cindy and I attended a meeting in Washington, DC at the offices of AAHSA (American Association of Homes and Services for the Aging). AAHSA has a 2-year contract with HUD to develop recommendations for improving the HUD 202 program (and the HUD 811 program) and gathered a panel of experts to begin the process. The meeting resulted, primarily, in a recommendation to delegate the underwriting of such projects to State HFAs. We will continue to be involved in this effort.

Cindy, Maura and I have been attending meetings convened by the Department of Aging & Independent Living (DAIL), along with other housing funders, to discuss the issues around combining housing with services, and to work toward a long term plan of getting more supportive housing developed. These meetings are ongoing.

Liza, working closely with Dave Anderson, has been doing research for a draft of proposed building standards for all VHFA funded projects. The intent is to put in one place the various standards we have adopted over the years. A draft proposal will likely be presented to the Board in March or April.

Staff made visits to projects in Burlington, Bennington, Shoreham, Brandon and Middlebury and have had discussions with developers about upcoming applications from Manchester, Bennington, St Albans and Vergennes.

Erin Philbrick, having accepted the new Multifamily Management Officer position, where her many talents will be put to great use, will very much be missed in Development!

Multifamily

Erin Philbrick has been promoted to Management Officer I and will be taking on asset management and tax credit responsibility for a portion of the multifamily portfolio as part of Kim Roy being appointed Assistant Director of Multifamily Programs. Kim's move is working out very well. Erin has served as Multifamily Operations Specialist since joining VHFA in 2001.

The 2007 budget approval progress continues and 2006 audit confirmation work is now in high gear. We have put owners, managers and accountants on notice that the 2006 audited financial statements are due at VHFA by March 1st and that work related to the new multi-class bond resolution and Audit

Risk Management activity is dependent on receiving audits in a timely manner. The March 1st deadline is a condition in the Regulatory Agreement for all projects with a December 31 fiscal year. Increasingly, receipt of these financial statements has stretched out into May and beyond and this is problematic given the timing of upcoming bond issues and our Risk Management Committee schedule.

Energy audits are now underway on the 14 properties that were selected to participate in the joint VHCB/VHFA energy program. Efficiency Vermont and the Burlington Electric Department have committed to completing these detailed energy audits by the middle of February.

Homeownership

2006 was a record year for production! VHFA purchased a total of 934 loans for approximately $130 million, compared to 700 loans for approximately $82.0 million in 2005. This increase in business is due to aggressive outreach with lenders and real estate brokers, competitive interest rates throughout the year, and the introduction of additional affordable mortgage insurance options. Staff will continue to identify and implement changes to improve the process for lenders.

VHFA will have an aggressive marketing campaign this spring and will participate in a number of events sponsored by our partners over the next several months including a Home Buyer Fair sponsored by affiliate members of the Rutland County Board of Realtors. VHFA will also market to specific groups about the Veteran Exemption which eliminates the first-time home buyer requirement in those areas where it normally applies (Addison, Bennington, Chittenden, Grand Isle, and Windsor counties). This exemption was passed by Congress and applies to any loan originated with Mortgage Revenue Bonds issued in 2007. Realtor trainings continue to be popular – in fact 60 brokers attended a training session in Rutland!

Public Affairs

VHFA's new issue paper, analyzing the impact new housing development has on school enrollments in Vermont, was released January 8th, and it was a major success. The paper was the product of several months of work, with Leslie Black-Plumeau taking the major responsibility for research and writing, with support from John and Maura. It was also reviewed by experts outside the Agency. Craig once again came up with a very good design.

In the wake of its release, the paper has received glowing reviews from those who have read it, and we were successful in getting stories about it from the *Burlington Free Press*, the Vermont Press Bureau, television station WPTZ, and radio stations WDEV and WTSA. We have distributed electronic and hard copies widely across the state, including to all state legislators, the Governor and Lt. Governor, several other elected and appointed officials, to the Vermont Housing Council, to the membership of the Vermont School Boards' Association, the Vermont Superintendents' Association, the Vermont Principals' Association, the Vermont League of Cities and Towns, the Vermont Planners' Association, regional planning commissions, and the Vermont Housing Awareness Campaign network. The new paper is available online on the Agency website, www.vhfa.org, and a hard copy has been included with your packet. Please contact John if you would like more.

Work on the 2007 edition of the popular "Between A Rock and A Hard Place: Housing and Wages in Vermont" report series is well under way. Leslie and Maura have completed their data collection and analysis; John is writing the paper; and Craig will be responsible for design. This year's report is scheduled for release at a press conference on Monday, March 12th, at 10:30 a.m. in Room 11 of the Statehouse.

Speaking of the Statehouse, John and I have been active there since the opening of the new session. I have testified before two committees—Senate Finance and House General, Housing and Military Affairs—and we have attended several other hearings where other housing organizations have been testifying. After the Board approved a legislative agenda at the January meeting, we have talked to legislators about increasing the Property Transfer Tax exemption for VHFA borrowers, about creating a new tax credit for homeownership, about funding for the Vermont Housing and Conservation Board, and about the administration's New Neighborhoods Initiative. We have also worked to educate legislators about Vermont's housing delivery system and financing mechanisms. I have been asked to return to Senate Finance the week of February 6th to discuss VHFA's priorities in greater detail, and we will be appearing before the House Ways and Means Committee in the near future.

Additionally, John and I are preparing for NCSHA's annual Legislative Conference in Washington, D.C., March 5th – 7th.

We have been active with public outreach, as well. John attended legislative breakfast events hosted by the Lake Champlain Chamber of Commerce/GBIC and the Central Vermont Chamber of Commerce. John will be attending a similar event in White River Junction February 12th, and I am scheduled to appear on a panel at a Lake Champlain Chamber/GBIC breakfast event discussing workforce housing on March 12th.

Finance

The Finance Team completed the Quarter 1 financial statements (distributed at the January Board Meeting) and immediately started working on the Quarter 2 close. The Q1 close took approximately 90 days, due to the challenges of the trustee transition from TD Banknorth to Bank of New York (BoNY). We expect the Q2 close to take approximately 45 days with financial statements published in mid-February. The goal for the Q3 close is to get back to a 30-day close, which the team had worked so hard to achieve in Q3 of last year. We have been conducting regular status meetings to make sure the close stays on track.

Scott and Tom have been busy working on three bond issues. The Keybank Series 1 pooled multi-family bond issue closed on January 25th. This is a $15 million revolving facility for permanent multifamily loans. We packaged up $4 million of existing permanent loans under this facility. Key Bank is selling variable rate bonds using their rating and selling as KeyBank paper. This issue includes three series (Series A-1 tax-exempt AMT, Series B-1 tax-exempt non-AMT and Series C-1 taxable).

In addition, we are working on the Series 27 Single Family bond issue under the existing resolution, which we expect to close in early March. At the same time we have also started meeting with the working group on a new multi-purpose resolution to meet future needs for both

single family and multifamily bonds. We expect this to close in the late spring. Although things have settled down with the BoNY trustee services, we are planning to go out with an RFP in conjunction with the new multi-purpose bond resolution to solicit a new trustee for that resolution. We plan to remove the domicile requirement that exists in older resolutions to give us more options for working with trustees outside the State of Vermont.

The team has also been meeting to re-allocate workload to prepare for the upcoming systems conversion. We have been revisiting processes to see where they can be streamlined and will continue the process improvement activities as part of the conversion to the new software.

Other

I look forward to seeing you on the 5th.

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Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director

DATE: March 6, 2007

RE: CONFIRMATION OF VHFA BOARD MEETING
BY CONFERENCE CALL

This is to notify you that the next meeting, to be held by conference call, of the Vermont Housing Finance Agency Board of Commissioners has been confirmed. The meeting will be held:

Monday, March 12, 2007
9:30 a.m. – 11:00 a.m.

Dial 1-888-387-8686 and Enter Password 616 9906#

A speakerphone will be setup in the Board Room at
Vermont Housing Finance Agency
164 St. Paul Street
Burlington, Vermont

Attached are the Agenda and Board packet. Please feel free to contact me should you have any questions prior. Please contact Renee Couture at rcouture@vhfa.org by noon on Friday, March 9th, if you wish to request that items be removed from the consent agenda.

Also attached is an updated 2007 VHFA Board of Commissioners directory. Items updated include Paul's term expiration date, Lisa's cell phone number and the BISHCA Commissioner.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

VHFA BOARD MEETING AGENDA
By Conference Call
Monday, March 12, 2007
9:30 a.m. – 11:00 a.m.

Review and Approval of February 5, 2007 Board Minutes — Enclosure

Consent Agenda: ***Action Requested****

- **Development - Loans and Tax Credits ("TC")**
  - Downtown Crossing, Bennington – Constr Loan and Alloc TC — Erdelyi/Enclosure
    - - Allocated Tax Credit Status Report included for your information only - -
  - Linden Terrace, Rutland (City) – Constr & Perm Loans and Bond TC — Reid/Enclosure

Development - Loans and Tax Credits ("TC")

- Green Mountain Mobile Home Park, Pownal — Erdelyi/Verbal Update
- Armory Square, Windsor — Reid/Verbal Update

Finance

- Renewal of KeyBank Lines of Credit — Connors/Enclosure
- RFP for New Trustee — Connors/to be emailed

Administration

- Annual Meeting — Mullikin Drake/Enclosure
- Development Department Staffing — Adams, Carpenter/Enclosure

Legislative Updates — Carpenter/Discussion

Other

Adjournment

Reports: ***FYI Only***

- Interesting Housing Fact — Collins/Enclosure
- Multifamily/Development – Report of Loans Closed FY07 YTD — Adams/Enclosure
- Summary of Homeownership Activities / Reports — Crady/Enclosure
- Interim General Fund Budget Report — Gutchell/Enclosure
- Quarterly Financial Statements — Connors/Enclosure
- Executive Director's Report — Carpenter/Enclosure

** Call Renée at 652-3417 or e-mail rcouture@vhfa.org by noon on Friday, March 9th to request items be removed from the Consent Agenda*

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Vermont Housing Finance Agency

VHFA Board of Commissioners Meeting Minutes
Agency of Commerce and Community Development
Calvin Coolidge Conference Room
National Life Building, 6th Floor, Montpelier
Monday, February 5, 2007 at 11:30 a.m.

VHFA Board Members Present:
Lisa Mitiguy Randall – Chair, Gus Seelig – Vice Chair, Robert Alberts, Paul Beaulieu, Thomas Candon (designee for Thabault), Dagyne Canney, Kevin Dorn, Bart Frisbie, Beth Pearce (designee for Spaulding)

Staff: Dave Adams, Scott Baker, Sarah Carpenter, Tom Connors, Renee Couture, Elizabeth Mullikin Drake, Joe Erdelyi, John Fairbanks, Sam Falzone, Rick Jean, Pat Loller

Guest: Polly Nichol (VHCB)

Chair Randall called the meeting to order at 11:45 a.m. A quorum of the Board was present. Ms. Randall announced a change in the Agenda of the meeting: Developer Fee Limits, on the Audit/Risk Management Committee Meeting (held just before this meeting) Agenda, but not covered, will be the first item of discussion at this meeting.

BOARD MINUTES
Mr. Alberts made a motion to approve the January 3, 2007 Board of Commissioners meeting minutes. Mr. Seelig seconded the motion which was approved by all except Ms. Canney who abstained.

CONSENT AGENDA
Ms. Pearce made a motion to approve the item on the Consent Agenda (restated here):
~ $150,000 zero percent loan to the VHCB Lead Based Paint Hazard Reduction Program
Ms. Canney seconded the motion which was unanimously approved.

DEVELOPMENT
Developer Fee Limits
Mr. Adams reviewed his memo regarding the Developer Fee Limits, including: the current fee policy; a comparison to other states' and NCSHA's recommended fees; actual fees taken compared to limits allowed by the policy (based on a sample of 41 projects); staff's recommendations regarding fee limits; and, an analysis of the financial statements of the multifamily housing project sponsors most active in the tax credit program.

Ms. Carpenter explained that Housing Vermont, involved in over half of the projects sampled, usually with a local partner, may play one or more of the following roles: developer, co-owner and syndicator (finding a buyer for the tax credits.) She further explained that national syndicators are often not interested in the small projects in question, which is, in part, why Housing Vermont was created. Mr. Erdelyi added that, when Housing Vermont plays the role of syndicator, its syndicator fee is included in the developer fee and is not in addition to it.

Ms. Randall explained that she and Ms. Pearce met with Mr. Adams and some staff members from VHCB and Housing Vermont to begin the review of Housing Vermont's financial statements. An additional meeting included Ms. Carpenter. Ms. Randall further explained that Ms. Pearce was very involved with the analysis and that both she and Ms. Pearce agree with the conclusions of staff regarding developer fee limits. Ms. Pearce added she is convinced that the fund balances of the sponsors reviewed, which are generated by developer fees, are being used judiciously; the funds are getting plowed back into the community.

Mr. Dorn asked whether other states have the equivalent of a Housing Vermont. Ms. Carpenter explained that there are about 30 state and local nonprofit equity funds. She added that Housing Vermont also maintains a role as a tax and finance co-general partner to protect the interest of investors. This is different than many equity funds. In Vermont, this has given a lot of confidence to local bank investors who otherwise might not choose to be involved. Generally, that has allowed for more favorable equity pricing. Housing Vermont provides development expertise to the local non-profits. If Housing Vermont pulled out of this role there would be a huge consultant gap. Because they split the development fee (that otherwise might go to consultants or in total to one developer) these joint ventures do not necessarily raise the fee expense.

Ms. Randall reminded the Board that it appoints six of the eleven Housing Vermont Board members and suggested that the VHFA Board could take a more active role in the future when making these appointments.

Mr. Seelig explained that, to Housing Vermont's credit, it involves local partners. He would like to see Housing Vermont use some of its fund balance to increase staff capacity in order to reach the southern part of the State.

Mr. Seelig, Ms. Pearce and Mr. Dorn thanked Mr. Adams for his work. This was echoed by all Board members. The Board concurred with the staff's recommendations not to make changes to the current Developer Fee Limits in the Qualified Allocation Plan (QAP) and to conduct an annual review of the financial statements of the top three tax credit sponsors.

ADMINISTRATION

Software Recommendations

Ms. Loller reviewed her memo regarding the process of vendor selection, recommendations for upgrading the Agency's core software applications and associated costs.

Mr. Beaulieu expressed concern about Mitas being a thin organization. Ms. Loller confirmed that it is a family run business, adding that HDS is as well. She reiterated that customer service will continue to be a concern, and VHFA staff will attempt to address this in the contract. Mr. Jean added that VHFA staff may need to conform to the functionality of the vendor's software so as to avoid customizations, which can create customer service issues.

Ms. Randall asked whether the cost of the recommended solution ($390,000) includes all conversion expenses. Ms. Loller said that it does include the cost of due diligence, data conversion and training, but does not include all the costs for staff backup. Ms. Carpenter added that this figure does have a contingency to accommodate additional needs which may become apparent during contract negotiations. The current purchase price and one time cost items actually totals about $321,000.

Ms. Randall asked what part of the cost is capital. Mr. Connors responded that most of the cost would be capitalized. However, staff still needs to review each component relative to accounting rules on software capitalization before being able to give a more specific answer. Software maintenance (not included in the above mentioned cost) is definitely not capitalized. Staff training is also not capitalized.

Ms. Randall asked whether the Agency could afford the recommended option. Mr. Connors replied that it could.

Ms. Randall asked whether staff foresees needing to expand the IS department. Mr. Jean does not anticipate the need for additional staff. Further, no additional hardware will be required.

Both Mr. Candon and Ms. Pearce asked whether staff knew of any successful implementations of the recommended software at other customer sites and whether these were beta sites. Both encouraged staff to contact/visit two to three sites at which the software has been successfully implemented and to learn about their processes of implementation, preferably without the vendor present, before signing the contract.

Mr. Frisbie asked how long this software would last. Ms. Loller expects that it will last a minimum of five years barring major changes in the market and/or technology.

Mr. Seelig moved that the Board adopt staff recommendations regarding the upgrade of the Agency's core software applications (as outlined on page 3 of Ms. Loller's memo.) Ms. Canney seconded the motion. Ms. Randall asked to see a more formal budget for the $390,000, and added that the 15% built-in contingency is small. The motion was then unanimously approved.

DEVELOPMENT

Compass Group Final Report

Mr. Erdelyi explained that the Compass Group Report originated as a result of the ICF Report, contained in the Audit/Risk Management Board Committee packet that was distributed with the Board packet. In his memo regarding the Compass Group Report, Mr. Erdelyi had referred to the ICF Report as "a review of the non-profit delivery system in Vermont."

Mr. Erdelyi reviewed his memo, explaining that the focus of the Compass Group Report was to ascertain how to make projects financially stronger, self-sustaining. The more capitalized a project is at the start, the less likely it will need restructuring or recapitalization in the future. The tradeoff is the development of fewer projects. Mr. Erdelyi is not in favor of increasing reserve deposits (he is not aware of any other housing finance agency with higher requirements) but suggested that the Board may want to have the discussion, perhaps with other boards. He believes the Agency has a strong portfolio of projects, even considering that some need recapitalizing after 15 or 20 years. Mr. Erdelyi added that the group working on the common underwriting standards, represented by all the funding agencies, will incorporate elements of the Compass Group Report.

Ms. Carpenter mentioned the two other reports in the packet: "Vermont Housing Budget and Investment Report" and "Vermont Affordable Housing Data Report." Questions on these can be answered at the March meeting.

AUDIT/RISK MANAGEMENT BOARD COMMITTEE MEETING UPDATE

Mr. Beaulieu updated the Board on the discussions of the Committee at its meeting just prior to this meeting (reference the January 5, 2007 VHFA Board Audit/Risk Management Committee Meeting Minutes.)

LEGISLATIVE UPDATE

2007 Legislative Session

Ms. Carpenter explained that she has been spending time re-educating legislators about VHFA and its interests. Housing has been less of a priority this session than in the last couple of years so there are not a lot of new proposals. The property tax issue is big this session. She provided the following updates on items discussed at the last Board meeting.

- Regarding the property transfer tax (PTT) exemption proposal, there has been good response from the Senate, but the House Committee on Ways and Means is hard to read. The housing community was taken aback by, and is not in favor of, the House Committee on Agriculture's proposal to temporarily increase the PTT to raise $4 million for relief for farmers. VHFA's position is that the PTT should be tied to development. Ms. Carpenter also noted that it appears that housing advocates have made a decision not to pursue an increase to the PTT this year because, in part, the Governor has recommended a 4.5% increase for VHCB, up from the level funding of the last few years.
- Regarding the $100,000 increase in the State Affordable Housing Tax Credit to be used to produce equity for homeownership, there seems to be support.

Ms. Canney asked whether the Agency would support the Governor's initiatives on education including consolidation of school districts. Ms. Carpenter explained that, in general, the Agency supports reducing property tax and that consolidating school districts may have this effect by reducing cost. She will try to bring more information to the March Board meeting about the direction this is taking.

Ms. Carpenter explained that a subcommittee of the Housing Council is looking more closely at a decision of the Vermont Supreme Court last fall which said that the State must do more around building code enforcement.

Ms. Carpenter explained that other issues surfacing this session are those of lead abatement and energy standards. She doesn't anticipate an impact on the multifamily side since the Agency's standards are already high.

Mr. Candon mentioned that the rewriting of titling statutes around mobile homes likely will not be done in time for this session as it is a complex issue and will take time. Ms. Carpenter added that the Agency and others may be asked for resources to hire an outside attorney for this rewrite.

OTHER

Mobile Home Portfolio

Mr. Adams mentioned that the concentration of delinquencies in the Agency's single family portfolio involving mobile homes is cause for concern and staff will be examining this more closely in the next few weeks.

Green Mountain Mobile Home Park, Pownal

Mr. Erdelyi explained that the Agency received notice that the Green Mountain Mobile Home Park in Pownal is for sale. The bank owns the park and has about $850,000 into it. They are asking $450,000. Mr. Erdelyi suggested that VHFA buy the 42-lot park and, concurrently, work with Regional Affordable Housing Corporation (RAHC) which would purchase it from VHFA within three years. Mr. Erdelyi fears that this rare opportunity to help the people in this park will be lost if the Agency adheres to the normal, lengthy process of encouraging a developer to purchase the park. Mr. Erdelyi asked the Board members for their feedback before he spends the considerable amount of time it will take to research the viability of such a bridge transaction. No Board member was opposed to the idea of purchasing the mobile home park and, therefore, to Mr. Erdelyi spending time researching the possibilities.

Accolades

Ms. Canney commended Erin Navin for her excellent job of teaching VHFA's continuing education course for Realtors last week.

Associations and Appraisers

Mr. Candon explained that the Vermont Association of Mortgage Brokers and the Vermont Mortgage Bankers Association are doing a lot of work to prevent fraudulent practices among appraisers and fraudulent appraisals in Vermont.

New BISHCA Commissioner

Mr. Candon announced that, effective a couple of weeks ago, Paulette Thabault is the new Commissioner of the Department of Banking, Insurance, Securities & Health Care Administration. Mr. Candon will continue to serve on the VHFA Board as her designee. Ms. Carpenter and Mr. Candon will be meeting with the new Commissioner later in the day.

Spinner Place, Winooski Redevelopment Project
Ms. Carpenter explained negotiations are continuing with Champlain College and she is hopeful that the College's leasing of Spinner Place will provide a short-term solution. UVM continues to demonstrate lack of ownership. (See previous Board Meeting minutes for context.)

Staffing Changes
Ms. Carpenter announced the following changes which will help streamline the Development/Multifamily and Legal Departments' operations:

- Kim Roy was promoted to the new Multifamily Assistant Director position (as discussed at the November 6, 2006 Board meeting.)
- Erin Philbrick, formerly Multifamily Operations Specialist, was promoted to the Management Officer I position.
- Renee Couture was promoted to the new Legal Coordinator position. She will assume some of the workload of the Multifamily Operations Specialist position vacated by Erin.
- The Agency will advertise to fill the Executive Assistant position.
- Staff will need to review the results of the staff changes above to determine resources needed to support Development operations.

ADJOURNMENT
Mr. Alberts made a motion to adjourn the meeting. Mr. Beaulieu seconded the motion and the Board unanimously approved to adjourn the meeting at 2:10 p.m.

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Director of Development

DATE: March 5, 2006

RE: Request for Allocated Credit and VHFA Construction Financing: Downtown Crossing, Bennington

Name:	Downtown Crossing	**Location:**	Bennington
Housing Type:	General Occupancy	**Unit Type:**	Townhouse & Flats
Unit Count:	12	**Unit Sizes:**	3 one-bedrooms, 510-695 sq. ft. 5 two-bedrooms, 640 - 780 sq. ft. 4 three-bedrooms, 1,100 sq. ft.
Total Cost:	$2,364,013 total $2,159,168 residential	**Per S.F. Acquisition & Construction Cost:**	$165.64
Housing Credits:	$143,000 (Ceiling "9%" Credits)	**Sponsor:**	Regional Affordable Housing Corporation (RAHC)
VHFA Financing:	$1.3 million; taxable construction loan		
Other Funding:	Debt Financing, VHCB, HOME, VCDP, Bennington Town Funds, REEP, Historic Tax Credits		

Recommendation: Staff recommends that the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board 1) authorize the Executive Director to issue a Letter of Interest and/or a Commitment Letter to finance this property upon satisfactory completion of staff underwriting and due diligence; and 2) authorize staff to issue the appropriate documentation according to the Qualified Allocation Plan.

Project Summary:
The development currently consists of eight existing units: two adjacent duplexes on School Street, and a four-unit building (that also houses RAHC's offices) on South Street. The South Street property was renovated by RAHC in 2000, and the duplexes are around 100 years old and in poor condition. RAHC owns all of these buildings and has financing on them from banks, VCLF, VHCB, and from RAHC's own reserves, totaling $596k. (This is shown in the attached proforma as the acquisition cost of the development to the new partnership.) In addition to the eight existing units, four units will be newly constructed on the South Street site in an adjacent but detached building. This project will be the first development undertaken by RAHC under its new executive director, Ed Bove. Ed has hired Housing Vermont to act as a financial consultant and to place the tax credit equity. Housing Vermont normally plays a greater role in their other projects, including construction oversight, asset manager, and general partner for tax and finance matters. They will not be doing these things in this development, but instead only act as a consultant to RAHC. As they do with all of the projects they own, RAHC will self-manage this development.

- - over - -

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EQUAL HOUSING OPPORTUNITY

The School Street duplexes are going to undergo a major rehab, inside and out, including: re-wiring, new porches, insulation, heating systems, replacement window sashes, kitchens, baths, and finishes. The South Street property needs much less work, mostly kitchen, bath, and finishes. The newly constructed building will house only four units and will not have an elevator. VHFA's construction inspector will do a site visit and will review the cost estimate, plans, and specs when they are prepared. The proposed renovation and restructuring is anticipated to address the buildings capital needs and reduce the amortizing debt on the units, setting the development on a more sure footing going forward. RAHC has applied for all other funding sources shown and will hear decisions on the current funding rounds by late March. Local approvals have been applied for and the two Development Review Board meetings required are to be scheduled for March. No Act 250 permit is required but a wastewater permit will be required for the new construction.

Tax Credit Discussion:

The sponsor has submitted a market study that meets the VHFA standards and that demonstrates the need for the development (only four new units are being added – were it not a statutory requirement, staff would have waived the market study requirement for this development).

The project meets four of the top tier priorities (rehab, or infill new construction; family housing; historic settlement patterns; designated downtown) and one of the second tier (mixed income). The credit request is relatively small and after the allocation VHFA would have $281,118 in 2006-2007 credit ceiling (see credit status report enclosed).

Staff recommends approval of the Housing Credit request for the project.

27-Feb-07 **South School, Bennington**

Total Residential Units:	12	Increase in Income from Rental Units:	1.50%
Housing Credit Restricted Units:	10	Increase in Income from Other Sources:	1.50%
Percent Restricted:	83.33%	Increase in Income from Commercial:	1.50%
Total Development Cost:	2,398,393	Expense increase:	3.00%
Total Development Cost per Unit:	199,866	Vacancy Rate:	5%
Total Development Cost Per SF:	212	Partner's Tax Rate:	35%
Credit Election:	40/60	Commercial Depreciation:	39 years
Max Credit Potential:	148,112	Long Depreciation Schedule:	27.5 years
Credit Amount Allocated:	143,000	Short Depreciation Schedule:	7 years
		Sponsor's Estimated Yield:	89.78%
LIHTC - 9%	8.15%	(Mar 2007)	
LIHTC - 4%	3.49%		

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage	240,000	10.01%	7.00%	30	30
HOME	100,000	4.17%	0.00%	30	30
VHCB	220,000	9.17%	5.00%	15	15
VHCB Lead	28,000	1.17%	0.00%	30	30
Old VHCB	46,000	1.92%	0.00%	20	20
VCDP	329,340	13.73%	5.00%	30	30
Town of Bennington	38,000	1.58%	4.00%	15	15
REEP	4,538	0.19%	0.00%		
Historic Equity	110,280	4.60%	N/A	N/A	
Tax Credit Equity	1,282,615	53.48%	N/A	N/A	
TOTAL SOURCES	2,398,773	100.02%			
VHFA Construction Loan	1,300,000				

USES

Acquisition	604,969	25.22%
Construction Hard Costs	1,270,895	52.99%
Soft Costs	522,529	21.79%
TOTAL USES	2,398,393	100%
Gap	(380)	

General Partner's Capital Contribution	1	0.10%
Limited Partner's Capital Contribution	1,282,614	99.90%
Total Equity	1,282,615	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	10
Total Units	12
Unit Fraction	83.33%
Tax Credit Square Footage	8,095
Total Residential Square Footage	9,890
Square Footage Fraction	81.85%
Applicable Fraction	81.85%

27-Feb-07 **South School, Bennington**		595,769	595,769	165.64
		Budget	Per Unit	Per s.f.
	ACQUISITION			
1	Land	118,463	9,872	10.46
2	Purchase of Building(s)	477,306	39,776	42.15
3	Demolition (without replacement)		0	0.00
4	Property Appraisal	3,000	250	0.26
5	Legal - Title and Recording	6,200	517	0.55
	Subtotal - Acquisition	604,969	50,414	53.42
	CONSTRUCTION HARD COSTS			
6	Rehabilitation	1,016,862	84,739	89.79
7	New Building(s)		0	0.00
8	Accessory Buildings		0	0.00
9	Sitework	72,440	6,037	6.40
10	Commercial Space Costs (if any)		0	0.00
11	General Requirements		0	0.00
12	Contractor Overhead		0	0.00
13	Contractor Profit		0	0.00
14	Construction Contingency	143,728	11,977	12.69
15	Construction Management		0	0.00
16	Construction Bond Fee		0	0.00
17	Hazardous Materials Abatement	28,000	2,333	2.47
18	Off-Site Improvements		0	0.00
19	Furnishings, Fixtures, & Equipment	9,865	822	0.87
20	Other (_____)		0	0.00
	Subtotal - Hard Costs	1,270,895	105,908	112.22
	SOFT COSTS			
21	Architectural	100,358	8,363	8.86
22	Engineering		0	0.00
23	Legal/Accounting	15,000	1,250	1.32
24	Relocation	20,000	1,667	1.77
25	Environmental Assessment	3,500	292	0.31
26	Energy Assessment		0	0.00
27	Permits/Fees	9,429	786	0.83
28	Independent Market Study	3,000	250	0.26
29	Construction Period Insurance		0	0.00
30	Construction Interest	57,000	4,750	5.03
31	Construction Loan Origination Fee		0	0.00
32	Taxes During Construction	7,500	625	0.66
33	Clerk of the Works		0	0.00
34	Marketing		0	0.00
35	Tax Credit Fees	5,930	494	0.52
36	Soft Cost Contingency	8,000	667	0.71
37	Permanent Loan Origination Fee	9,900	825	0.87
38	Lender's Counsel's Fee		0	0.00
39	Other (_____)		0	0.00
	SYNDICATION COSTS			
40	Organizational (Partnership)		0	0.00
41	Bridge Loan Fees and Expenses		0	0.00
42	Syndication Consultant		0	0.00
43	Tax Opinion		0	0.00
	DEVELOPER'S FEES			
44	Developer's Fees	200,361	16,697	17.69
45	Other Partnership Fees		0	0.00
46	Consultant Fees	35,000	2,917	3.09
	RESERVES			
47	Working Capital	42,551	3,546	3.76
48	Rent-up (Deficit Escrow) Reserve	5,000	417	0.44
49	Other Operating Reserves		0	0.00
50	Sinking Fund		0	0.00
51	Replacement Reserves		0	0.00
	Subtotal - Soft Costs	522,529	43,544	46.14
	TOTAL DEVELOPMENT COSTS	2,398,393	199,866	212

Feb-07 **South School, Bennington**

		Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Commercial Depr	
	ACQUISITION							
1	Land	118,463						
2	Purchase of Building(s)	477,306	477,306				116,391	
3	Demolition (without replacement)	0			360,915			
4	Property Appraisal	3,000	3,000		1,872	1,195	338	
5	Legal - Title and Recording	6,200	6,200		3,869		699	
	Subtotal - Acquisition	604,969						
	CONSTRUCTION HARD COSTS							
6	Rehabilitation	1,016,862		1,016,862	460,418	387,418	11,000	
7	New Building(s)	0						
8	Accessory Buildings	0						
9	Sitework	72,440		72,440	15,787	4,440		
10	Commercial Space Costs (if any)	0						
11	General Requirements	0						
12	Contractor Overhead	0						
13	Contractor Profit	0						
14	Construction Contingency	143,728		143,728	51,764	39,334	1,650	
15	Construction Management	0		0				
16	Construction Bond Fee	0		0				
17	Hazardous Materials Abatement	28,000		28,000	28,000	28,000		
18	Off-Site Improvements	0		0				
19	Furnishings, Fixtures, & Equipment	9,865		9,865				
20	Other (_____)	0		0				
	Subtotal - Hard Costs	1,270,895						
	SOFT COSTS							
21	Architectural	100,358		100,358	62,621	39,979	11,321	
22	Engineering	0						
23	Legal/Accounting	15,000		15,000	9,360	5,975	1,692	
24	Relocation	20,000		20,000	12,480	7,967	2,256	
25	Environmental Assessment	3,500		3,500	2,184	1,394	395	
26	Energy Assessment	0						
27	Permits/Fees	9,429		9,429	5,883	3,756	1,064	
28	Independent Market Study	3,000			2,110			
29	Construction Period Insurance	0						
30	Construction Interest	57,000		57,000	35,567	22,707	6,430	
31	Construction Loan Origination Fee	0		0	6,177	3,944	1,117	
32	Taxes During Construction	7,500		7,500	4,680	2,988	846	
33	Clerk of the Works	0						
34	Marketing	0						
35	Tax Credit Fees	5,930			4,171	2,663		
36	Soft Cost Contingency	8,000		8,000	4,992	3,187	902	
37	Permanent Loan Origination Fee	9,900						
38	Lender's Counsel's Fee	0						
39	Other (_____)	0						
	SYNDICATION COSTS							
40	Organizational (Partnership)	0						
41	Bridge Loan Fees and Expenses	0						
42	Syndication Consultant	0						
43	Tax Opinion	0						
	DEVELOPER'S FEES							
44	Developer's Fees	200,361		200,361	125,020	79,816	22,602	
45	Other Partnership Fees	0						
46	Consultant Fees	35,000			21,839	13,943	3,948	
	RESERVES							
47	Working Capital	42,551						
48	Rent-up (Deficit Escrow) Reserve	5,000						
49	Other Operating Reserves	0						
50	Sinking Fund	0						
51	Replacement Reserves	0						
	Subtotal - Soft Costs	522,529						
	TOTALS	2,398,393	486,506	1,692,043	1,219,709	648,706	182,651	
LESS:	Amount of Non-qualified Financing							
LESS:	Adjustment for per unit cost limits							
LESS:	Historic tax Credit (Residential Portion)			129,741	129,741	20%	Historic Credit Rate	
	Total Eligible Basis		486,506	1,562,302		129,741	Annual Historic Credit	
TIMES:	Adjusted for QCT/DDA	130.0%		2,030,992				
TIMES:	Applicable Fraction	81.85%	398,207	1,662,374				
	Total Qualified Basis		398,207	1,662,374	1,089,968	Long Term Depreciable Basis		
TIMES:	Applicable Percentage		3.49%	8.15%	27.5	Depreciation Schedule		
	Total Annual Credit Qualified		13,897	135,484	39,635	Annual Depreciation		148,112

Total Tax Credits Requested	143,000
Estimated Net Syndication Proceeds	
(excluding historic credit equity)	1,282,614
Estimated Yield - Housing Credit Syndication	89.78%
Equity Gap	1,282,235
Credits Needed to fill Equity Gap	142,958

9,865	Short Term Depreciable Basis
7	Depreciation Schedule
1,409	Annual Depreciation
182,651	
39	
4,683	

form revision date 2/27/97

27-Feb-07

South School, Bennington

	Check all Applicable									A					B						C					
Building #	Unit #	HOME Unit	Lead Paint Unit	Project Based Assistance	Tax Credit Unit	VHCB Restricted	Accessible	Adaptable	Unrestricted	Number of Bedrooms	Proposed Square Footage	Proposed Rent	Utility Allowance for Tenant-Paid Utilities	Gross Rent (Rent + Tenant-Paid Utilities)	OCCUPIED BY: Income level of residents to be served:						AFFORDABLE TO: Units affordable to residents at:					
															<30%	<50%	<60%	<80%	<100%	>100%	30%	50%	60%	65%	80%	100%+
302 South	1		1			1	1		1	1	695	625	40	665				1							1	
302 South	2		1		1	1				2	780	627	49	676			1						1			
302 South	3		1		1	1				2	780	627	49	676			1						1			
302 South	4		1		1	1				1	695	576	40	616			1						1			
302 South - New	1		1		1	1	1			1	510	522	40	562			1						1			
302 South - New	2		1		1	1				2	640	627	49	676			1						1			
302 South - New	3		1		1	1				2	640	627	49	676			1						1			
302 South - New	4	1	1		1	1				2	750	627	49	676			1						1			
343 School	1		1		1	1				3	1,100	724	56	780			1						1			
345 School	2	1	1		1	1				3	1,100	696	56	752			1						1			
347 School	1		1			1			1	3	1,100	680	56	736				1							1	
349 School	2		1		1	1				3	1,100	710	56	766			1						1			
302 South																										
Total # Units	12	2	12	0	10	12	2	0		Totals:	9,890	7,668		Total # Units:	0	0	10	2	0	0	0	0	10	0	2	0

form revision date: 2/27/97

27-Feb-07 **South School, Bennington**

HC Restricted Units Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br		603	2	549		13,176
2 Br		718	5	627		37,620
3 Br		1,100	3	710		25,560
4+ Br			0	0		0
	Totals	8,095	10			76,356

Non-HC Restricted Units Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br		695	1	625		7,500
2 Br			0	0		0
3 Br		1,100	1	680		8,160
4+ Br			0	0		0
	Totals	1,795	2			15,660
commercial space		1,435				
common areas		947				
All Units						
	Grand Totals	11,325	12			92,016

Less Vacancy	5.00%		(4,601)
		NET RENT	87,415
OTHER INCOME			
Laundry			0
Parking			0
Commercial Space Income			13,200
Commercial Vacancy			(1,320)
		TOTAL INCOME	99,295

27-Feb-07	**South School, Bennington**			
	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	8,640	720	60	8.7%
Supportive Services		0	0	
Audit/Accounting	3,024	252	21	
Legal	1,152	96	8	
Compliance Monitoring	576	48	4	
Marketing	1,224	102	9	
Other		0	0	
TOTAL ADMINISTRATIVE	14,616	1,218	102	
Utilities				
Electricity	1,152	96	8	
Fuel	10,800	900	75	
Water and Sewer	5,040	420	35	
Fire Alarm / Emergency	144	12	1	
Other		0	0	
TOTAL UTILITIES	17,136	1,428	119	
Maintenance				
Maintenance / Janitor Payroll	8,640	720	60	
Janitor Supplies	720	60	5	
Exterminating	144	12	1	
Trash Removal	3,024	252	21	
Snow Removal	2,592	216	18	
Grounds	864	72	6	
Repairs Material		0	0	
Repairs Contract		0	0	
HVAC Repairs / Maintenance	720	60	5	
Elevator Contract / Repairs		0	0	
Painting and Decorating	576	48	4	
Other		0	0	
TOTAL MAINTENANCE	17,280	1,440	120	
				per unit month
Real Estate Taxes	10,080	840	70	excl. ds & res.
Property Insurance	3,600	300	25	436
Replacement Reserves	6,048	504	42	
Primary Debt Service		0	0	
Other "must pay" debt service		0	0	
Other		0	0	
Total	68,760	5,730	478	11,460

27-Feb-07		South School, Bennington														
	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income																
Gross Rent		92,016	93,396	94,797	96,219	97,662	99,127	100,614	102,123	103,655	105,210	106,788	108,390	110,016	111,666	113,341
Other (Commercial) Income		13,200	13,398	13,599	13,803	14,010	14,220	14,433	14,650	14,870	15,093	15,319	15,549	15,782	16,019	16,259
Vacancy and other losses		(5,921)	(6,010)	(6,100)	(6,191)	(6,284)	(6,378)	(6,474)	(6,571)	(6,670)	(6,770)	(6,871)	(6,974)	(7,079)	(7,185)	(7,293)
Total Operating Income		99,295	100,785	102,296	103,831	105,388	106,969	108,574	110,202	111,855	113,533	115,236	116,965	118,719	120,500	122,307
Operating Expenses																
Total Expenses (excl. Reserves)		62,712	64,593	66,531	68,527	70,583	72,700	74,881	77,128	79,442	81,825	84,280	86,808	89,412	92,095	94,858
Reserves		6,048	6,139	6,231	6,324	6,419	6,515	6,613	6,712	6,813	6,915	7,019	7,124	7,231	7,340	7,450
Total Operating Expense		68,760	70,732	72,762	74,851	77,002	79,216	81,495	83,840	86,255	88,740	91,299	93,932	96,643	99,434	102,307
Net Operating Income		30,535	30,053	29,534	28,979	28,386	27,753	27,079	26,362	25,601	24,793	23,937	23,032	22,076	21,066	20,000
Less Primary Debt Service		19,161	19,161	19,161	19,161	19,161	19,161	19,161	19,161	19,161	19,161	19,161	19,161	19,161	19,161	19,161
Less Secondary Debt Service		3,373	3,373	3,373	3,373	3,373	3,373	3,373	3,373	3,373	3,373	3,373	3,373	3,373	3,373	3,373
Annual Cash Flow		8,002	7,519	7,001	6,446	5,853	5,220	4,545	3,828	3,067	2,259	1,404	499	(458)	(1,468)	(2,533)
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	0	0	0	458	1,468	2,533
Net Cash		8,002	7,519	7,001	6,446	5,853	5,220	4,545	3,828	3,067	2,259	1,404	499	0	0	0
DCR		135.51%	133.37%	131.07%	128.61%	125.97%	123.16%	120.17%	116.99%	113.61%	110.03%	106.23%	102.21%	97.97%	93.49%	88.76%
Cumulative Cash Flow																
Beginning Balance		0	8,082	15,840	23,232	30,212	36,734	42,749	48,204	53,044	57,214	60,652	63,295	65,078	65,930	65,782
Deposits		8,002	7,519	7,001	6,446	5,853	5,220	4,545	3,828	3,067	2,259	1,404	499	0	0	0
Interest	2.0%	81	239	391	534	669	795	910	1,012	1,103	1,179	1,239	1,284	1,310	1,320	1,328
Withdrawals:																
Project Operating Needs		0	0	0	0	0	0	0	0	0	0	0	0	(458)	(1,468)	(2,533)
Special LP or GP Fee		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Repayment of Deferred Devel. Fee		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Partnership Audit or K-1 Fee		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Distribution of Cash to Owner		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance		8,082	15,840	23,232	30,212	36,734	42,749	48,204	53,044	57,214	60,652	63,295	65,078	65,930	65,782	64,576
Cumulative Replacement Reserves																
Beginning Balance		0	6,108	12,433	18,978	25,749	(6,356)	225	6,910	13,830	20,991	(10,717)	(3,627)	3,569	10,945	18,580
Deposits		6,048	6,139	6,231	6,324	6,419	6,515	6,613	6,712	6,813	6,915	7,019	7,124	7,231	7,340	7,450
Interest	2.0%	60	185	314	447	836	66	71	207	348	737	71	72	145	295	684
Withdrawals	3,280	0	0	0	0	(39,360)	0	0	0	0	(39,360)	0	0	0	0	(39,360)
Ending Balance		6,108	12,433	18,978	25,749	(6,356)	225	6,910	13,830	20,991	(10,717)	(3,627)	3,569	10,945	18,580	(12,646)
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		30,535	30,053	29,534	28,979	28,386	27,753	27,079	26,362	25,601	24,793	23,937	23,032	22,076	21,066	20,000
Plus Reserves		6,048	6,139	6,231	6,324	6,419	6,515	6,613	6,712	6,813	6,915	7,019	7,124	7,231	7,340	7,450
Less Interest Expense		(45,675)	(46,796)	(47,969)	(49,197)	(50,483)	(51,829)	(53,238)	(54,713)	(56,256)	(57,871)	(59,561)	(61,330)	(63,179)	(65,114)	(67,138)
Less Long Depreciation		(39,635)	(39,635)	(39,635)	(39,635)	(39,635)	(39,635)	(39,635)	(39,635)	(39,635)	(39,635)	(39,635)	(39,635)	(39,635)	(39,635)	(39,635)
Less Commercial Depreciation		(4,683)	(4,683)	(4,683)	(4,683)	(4,683)	(4,683)	(4,683)	(4,683)	(4,683)	(4,683)	(4,683)	(4,683)	(4,683)	(4,683)	(4,683)
Less Short Depreciation		(1,409)	(1,409)	(1,409)	(1,409)	(1,409)	(1,409)	(1,409)	0	0	0	0	0	0	0	0
Taxable Income (Loss)		(54,820)	(56,332)	(57,931)	(59,621)	(61,405)	(63,288)	(65,273)	(65,957)	(68,161)	(70,482)	(72,924)	(75,492)	(78,191)	(81,028)	(84,007)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		19,187	19,716	20,276	20,867	21,492	22,151	22,846	23,085	23,856	24,669	25,523	26,422	27,367	28,360	29,402
Plus Historic Credit		129,741														
Plus Tax Credits		143,000	143,000	143,000	143,000	143,000	143,000	143,000	143,000	143,000	143,000					
After Tax Cash Flow		291,928	162,716	163,276	163,867	164,492	165,151	165,846	166,085	166,856	167,669	25,523	26,422	27,367	28,360	29,402
Total Years	15															
Reinvestment Rate	6.00%															
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Current After Tax Cash Flows		291,928	162,716	163,276	163,867	164,492	165,151	165,846	166,085	166,856	167,669	25,523	26,422	27,367	28,360	29,402
Future Value of Cash Flows at Yr 15:		699,623	367,886	348,256	329,733	312,255	295,760	280,193	264,714	250,890	237,841	34,156	33,357	32,594	31,865	31,167
Discount Rate:	3.00%															
Capital Contribution Number:	1	2	3													
Date of Capital Contribution:	01-Jul-07	01-Jan-08	01-Apr-08													
Amount of Capital Contribution.	100	975,027	417,769													
Present Value of Contributions:	100	960,191	408,304													
Cash Flows	(1,368,595)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3,550,290
IRR.	6.56%															
Equity Yield:	95.80%															

South School, Bennington

Construction Flow of Funds

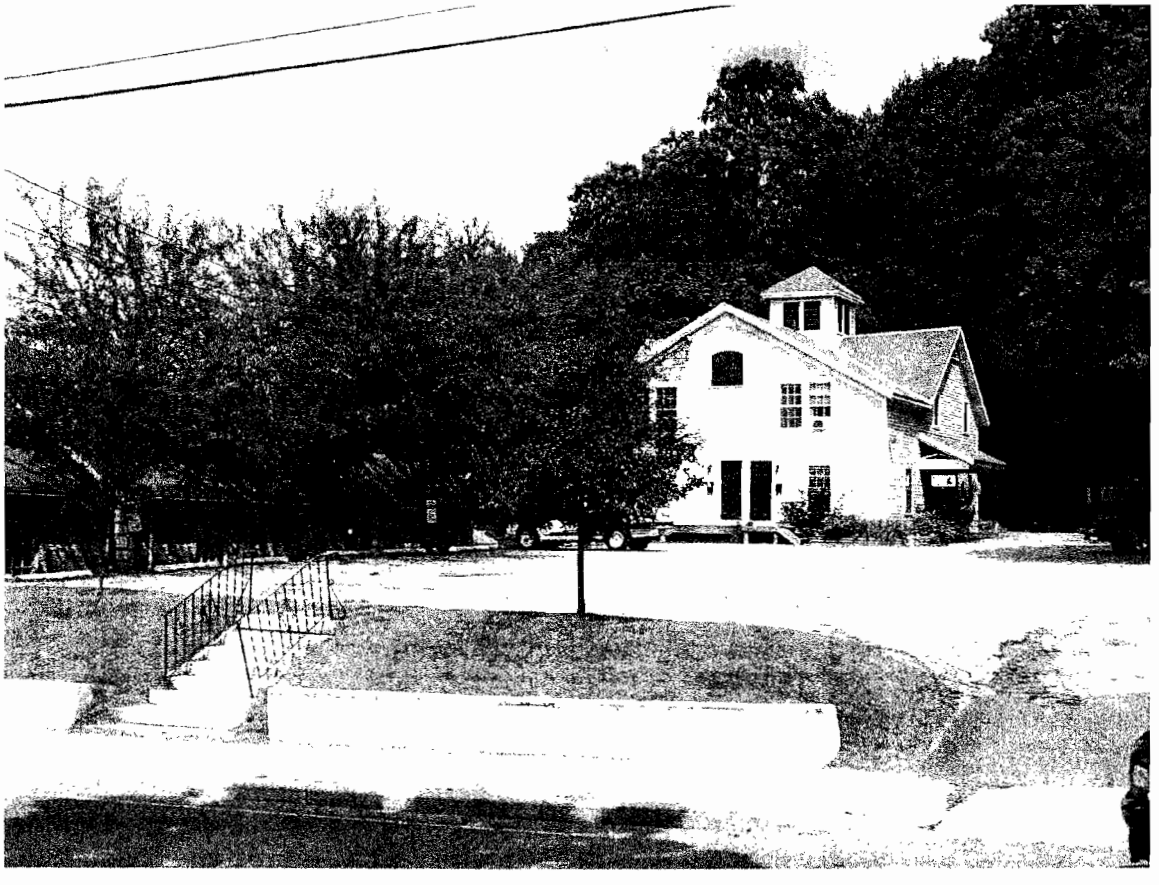
Sources:		Construction Closing July-07	Month: August-07	September-07	October-07	November-07	December-07	January-08	February-08	March-08	April-08	Permanent Closing May-08	June-08	July-08	Final Capital Contribution August-08	September-08
First Mortgage	240,000											240,000				
HOME	100,000	35,000			35,000					15,000		15,000				
VHCB	220,000	220,000														
VHCB Lead	28,000				11,854	16,146										
Old VHCB	46,000	46,000														
VCDP	329,340			100,000	100,000	100,000						29,340				
Town of Bennington	38,000	38,000														
REEP	4,538						4,538									
Historic Equity	110,280											105,143				
Tax Credit Equity	1,282,615	100										981,372			271,529	
VHFA Construction Loan	1,100,000	488,066	90,000	51,754	0	22,053	113,646	118,346	138,968	110,392	139,819	27,800	92,118	2,514	32,706	
TOTALS:	3,498,773	827,166	90,000	151,754	146,854	138,199	118,184	118,346	138,968	125,392	139,819	1,398,655	92,118	2,514	304,235	0
Uses:																
ACQUISITION																
Land	118,463	118,463														
Purchase of Building(s)	477,306	477,306														
Demolition (without replacement)	0															
Property Appraisal	3,000	3,000														
Legal - Title and Recording	6,200	6,200														
CONSTRUCTION HARD COSTS																
Rehabilitation	1,016,862		50,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	66,862			
New Building(s)	0															
Accessory Buildings	0															
Sitework	72,440		10,000	25,000	10,000						10,000	10,000	7,440			
Commercial Space Costs (if any)	0															
General Requirements	0															
Contractor Overhead	0															
Contractor Profit	0															
Construction Contingency	143,728		15,000	15,000	15,000	15,000	10,000	10,000	15,000	15,000	15,000	15,000	3,728			
Construction Management	0															
Construction Bond Fee	0															
Hazardous Materials Abatement	28,000				14,000	14,000										
Off-Site Improvements	0															
Furnishings, Fixtures, & Equipment	9,865								9,865							
Other (_____)	0															
SOFT COSTS																
Architectural	100,358	60,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	358			
Engineering	0															
Legal/Accounting	15,000	7,000	2,000										1,000		5,000	
Relocation	20,000	3,000	4,000	4,000							3,000	3,000	3,000			
Environmental Assessment	3,500	3,500														
Energy Assessment	0															
Permits/Fees	9,429	9,429														
Independent Market Study	3,000	3,000														
Construction Period Insurance	0															
Construction Interest	57,000			3,254	3,854	4,199	4,184	4,346	5,103	5,892	6,819	7,555	8,487	514	1,128	1,144
Construction Loan Origination Fee	0															
Taxes During Construction	7,500		3,500						3,500		500					
Clerk of the Works	0															
Marketing	0															
Tax Credit Fees	5,930	5,930														
Soft Cost Contingency	8,000	257	1,500	500		1,000			1,500	500	500	1,000	243	1,000		
Permanent Loan Origination Fee	9,900	9,900														
Lender's Counsel's Fee	0															
Other (_____)	0															
SYNDICATION COSTS																
Organizational (Partnership)	0															
Bridge Loan Fees and Expenses	0															
Syndication Consultant	0															
Tax Opinion	0															
DEVELOPER'S FEES																
Developer's Fees	200,361	100,181										50,090			50,090	
Other Partnership Fees	0															
Consultant Fees	35,000	20,000										10,000			5,000	
RESERVES																
Working Capital	42,551														42,551	
Rent-up (Deficit Escrow) Reserve	5,000											2,000	1,000	1,000	1,000	
Other Operating Reserves	0															
Sinking Fund	0															
Replacement Reserves	0															
Repay Construction Loan	1,300,000											1,196,010			199,466	
TOTAL DEVELOPMENT COSTS	3,698,393	827,166	90,000	151,754	146,854	138,199	118,184	118,346	138,968	125,392	139,819	1,398,655	92,118	2,514	304,235	1,144
surplus/(deficit)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,144
Construction Loan Balance		488,066	578,066	629,820	629,820	651,873	519	883,865	1,022,833	1,133,225	1,273,044	104,834	196,952	199,466	32,706	32,706
Construction Loan Interest 8.25%		0	3,355	3,974	4,330	4,330	82	5,263	6,077	7,032	7,791	8,752	721	1,354	1,371	225
58,832																

Revision date: 2-27-9"

REGIONAL AFFORDABLE HOUSING CORPORATION

P.O. Box 1247 BENNINGTON, VERMONT 05201 802-442-8139

302 SOUTH STREET

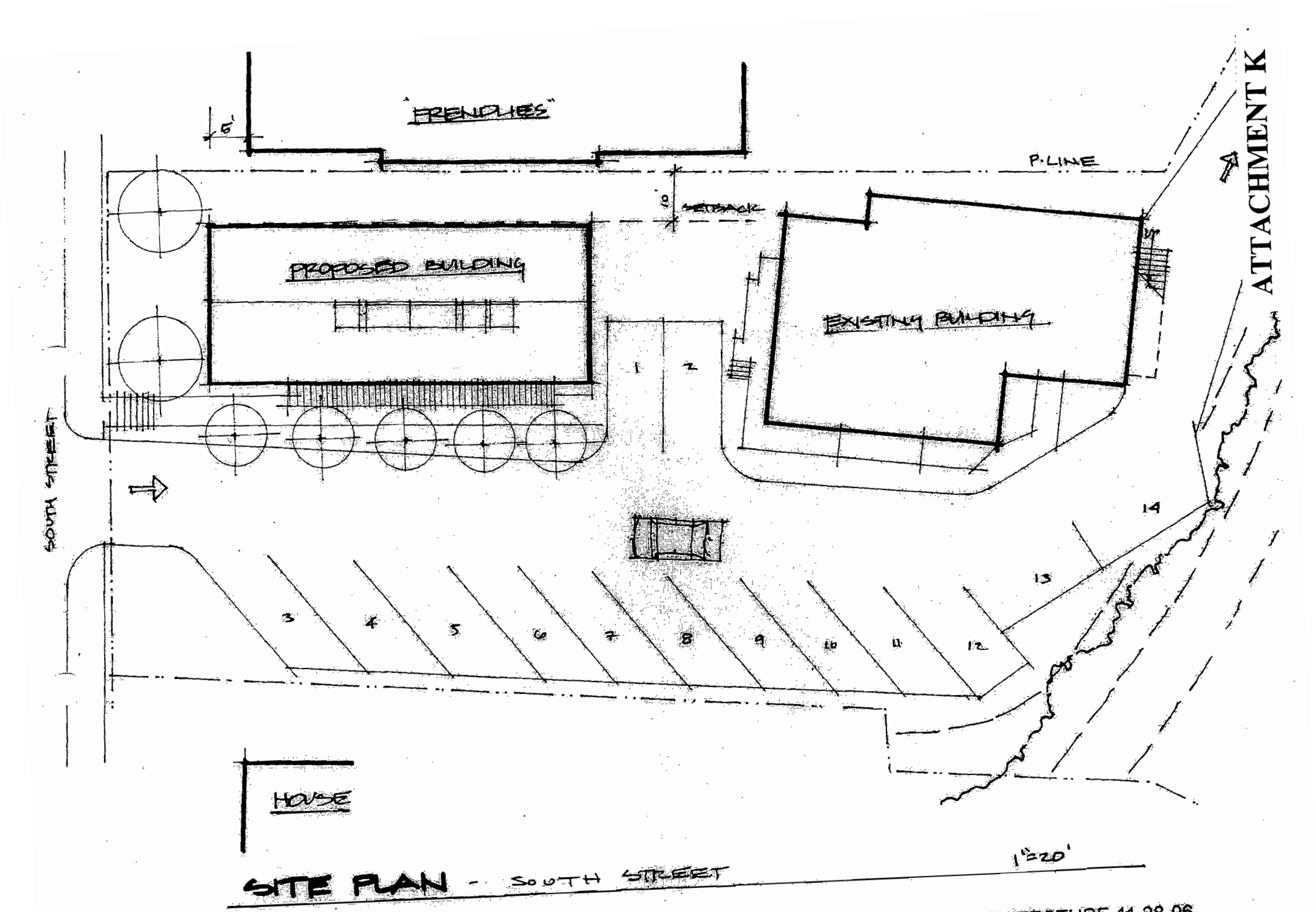


West Elevation and parking area where new building will be located

PERSPECTIVE - SOUTH STREET - NEW

RAHC South / School Street Housing Bennington, Vermont

KANE ARCHITECTURE 11-28-06


ATTACHMENT K
"FRIENDLIES"
6'
P. LINE
9' SETBACK
PROPOSED BUILDING
EXISTING BUILDING
SOUTH STREET
1
2
3
4
5
6
7
8
9
10
11
12
13
14
HOUSE
SITE PLAN - SOUTH STREET
1"=20'
RAHC South / School Street Housing Bennington, Vermont
KANE ARCHITECTURE 11-28-06

REGIONAL AFFORDABLE HOUSING CORPORATION

P.O. Box 1247 BENNINGTON, VERMONT 05201 802-442-8139

343-349 SCHOOL STREET

North and West Elevations

343-349 SCHOOL STREET

Filed at Mylar Slide #82 on 02/10/94

EXHIBIT B

1. THIS PLAT IS BASED ON DEED RESEARCH, FIELD EVIDENCE, AND A FIELD SURVEY CONDUCTED ON 31 JANUARY 1994. THE SURVEY, USING A TOPCON 2C TOTAL STATION, HAD A PRECISION OF 1/33,000 AFTER ANGLE BALANCING.

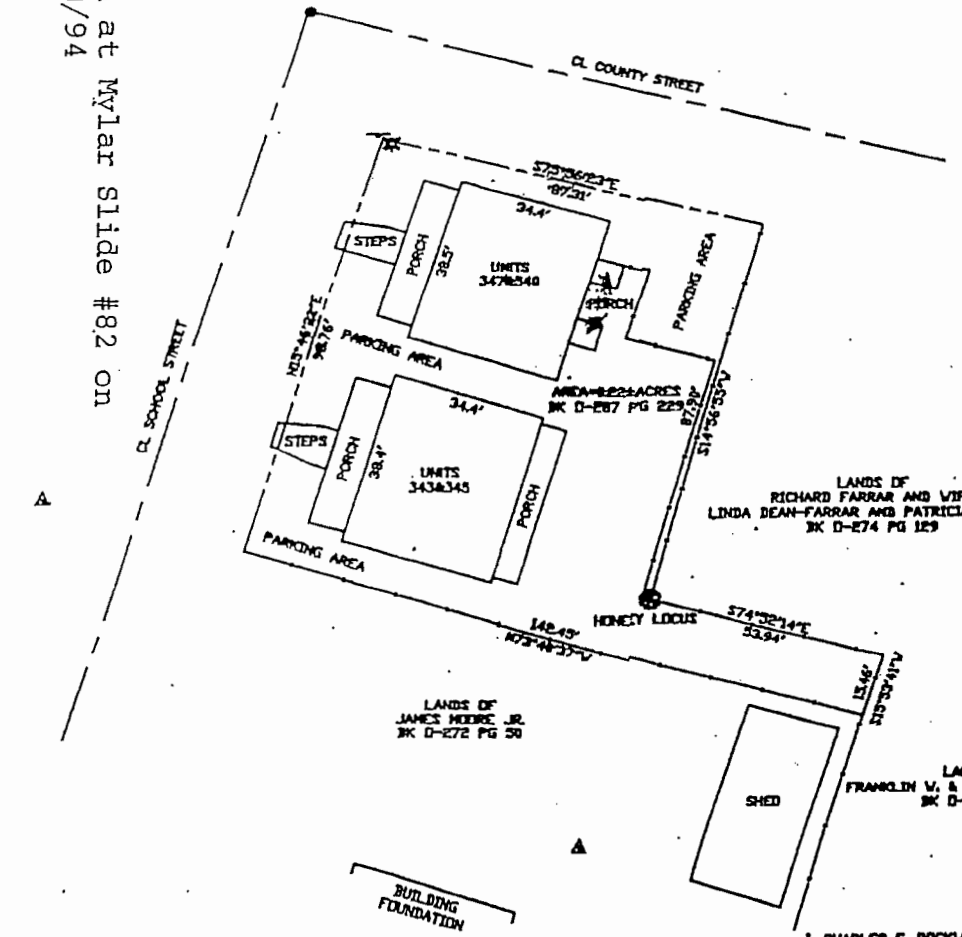
2. THE THIRD TRAVERSE POINT WAS ON THE NORTH SIDE OF COUNTY STREET NEAR THE BENNINGTON POTTERS BUILDING AND IS NOT SHOWN ON THIS PLAT.

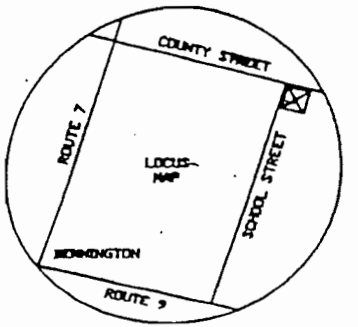
3. BEARINGS ARE MAGNETIC FROM A COMPASS ON THE DAY OF THE SURVEY STATION 2 TO STATION 1.

4. WE WERE UNABLE TO RECOVER ANY OF THE IRON PIPES THAT THE DEEDS REFERENCED, USING A METAL DETECTOR AND SHOVEL. THE GROUND WAS FROZEN TO THE EXTENT THAT DIGGING WAS IMPRACTICAL. THE FORMER DWELLING HOUSE OF WILLIAM MERCIER REFERENCED IN THE DEED IS NO LONGER THERE. THE ONLY PHYSICAL EVIDENCE OF THE PROPERTY LINES THAT WE FOUND WERE THE WIRE FENCES. THE TIE DISTANCES IN THE RICHARD FARRAR DEED AGREED WITH THE DISTANCES WE MEASURED (WITH A CHAIN) FROM THE NORTHWEST AND SOUTHWEST CORNERS OF THE FOUNDATION WALL TO AN OLD WIRE FENCE. WITHOUT THE FROZEN GROUND, IT MAY BE POSSIBLE TO RECOVER ANY IRON PIPES, IF ANY EXIST.

5. THE EXTENT OF FENCING AROUND THE PROPERTY CLEARLY INDICATES THAT THE PROPERTY OWNERS CONSIDER THEM TO BE THE PROPERTY LINES.

6. THE AREA OF THE TWO BUILDINGS IS 2640 SQUARE FEET NOT INCLUDING THE PORCHES. THE AREA OF THE PORCHES IS 888 SQUARE FEET.





NOT TO SCALE

LEGEND

- PAGE WIRE FENCE
- STOCKADE FENCE
- TRAVERSE POINT
- MANHOLE COVER
- STREET SIGN POST
- FIRE HYDRANT

GRAPHIC SCALE

(IN FEET)
1 inch = 20 ft.

STATE OF VERMONT
CHARLES E. ROCKWELL
No. 438
LICENSED LAND SURVEYOR

I, CHARLES E. ROCKWELL JR., LICENSED LAND SURVEYOR, HEREBY CERTIFY AND VERIFY, PURSUANT TO AND IN COMPLIANCE WITH 27 VSA 1403, THAT THE WITHIN LOT PLAN ACCURATELY DEPICTS THE LAYOUT AND BOUNDARIES OF THE LOT AND THE LAYOUT, LOCATION AND DIMENSIONS OF THE BUILDINGS AS BUILT, AND AS THE SAME ARE TO BE FILED WITH AND WHICH HAVE BEEN APPROVED BY THE MUNICIPALITY. THIS PLAT COMPLIES WITH VSA 27 1403.

CHARLES E. ROCKWELL JR. LS#441

DRAWN BY:	CER	DATE:	1 FEB 94
CHECKED BY:	PEH	DRAWING NO.:	94C-103
SCALE:	1"=20'	SHEET:	1 OF 1

BOUNDARY SURVEY
PREPARED FOR THE
REGIONAL AFFORDABLE HOUSING CORPORATION

BENNINGTON VERMONT

SITELINES

P.O. BOX 1818
RESOURCE PROFESSIONAL BUILDING
MANCHESTER CENTER, VT 05255
802 362-7322

SURVEYING, LANDSCAPE ARCHITECTURE & PLANNING

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: CONSTRUCTION FINANCING AND PROPOSED ALLOCATION OF ALLOCATED HOUSING CREDITS FOR DOWNTOWN CROSSING, BENNINGTON

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow monies and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, an application has been submitted to the Agency by Regional Affordable Housing Corporation (the "Sponsor") on behalf of a to be formed limited partnership in which the Sponsor or its subsidiary will be the general partner (the "Borrower") involving the acquisition, rehabilitation and construction of a total of twelve (12) units of general occupancy rental housing and one (1) commercial unit for Sponsor's office in the Town of Bennington (the "Development"); and

WHEREAS, the application contemplates a mortgage loan for construction financing for the Development with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds; and

WHEREAS, the Borrower 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

WHEREAS, the Agency administers the allocation of the federal Low Income Housing Tax Credits (both Allocated Housing Credits and Bond Housing Credits) and the State Housing Credits under the State's Qualified Allocation Plan; and

WHEREAS, the Governor of the State of Vermont has approved the 2005-2006 Qualified Allocation Plan; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi dated March 5, 2007, containing information and recommendations about the Development (the "Memorandum");

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 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 increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency 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 loan.

6. The Sponsor is financially responsible and is a qualified housing sponsor within the meaning of the Act. The Borrower will be required to qualify as a housing sponsor within the meaning of the Act.

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

8. The non-housing facilities to be acquired and/or rehabilitated or constructed in connection with the Development, and which are not designed primarily for the benefit of the occupants of the dwelling units, are necessary in order to render the lease of the dwelling units economically feasible for persons and families of low and moderate income.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsor for construction financing of the Development based on the recommendations in the attached Memorandum. 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 Sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the Borrower for construction financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsor as the representative of the Borrower. The Commitment Letter shall be 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.

3. The Executive Director and the Loan Review Committee will establish the final source and amount of the loan for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines, and the conditions, if any, described in the Memorandum.

4. The recommendations for the allocation of Allocated Housing Credits contained in the Memorandum which is attached and incorporated by this reference are hereby approved.

5. The Executive Director and the appropriate staff are hereby authorized to take such actions as are described in the 2005-2006 Qualified Allocation Plan regarding the proposed allocation of federal Allocated Housing Credits in the amount of $143,000.00 for the Downtown Crossing project in the Town of Bennington, Vermont.

2005 Carry Forward to 2006		-	
Total 2006 Available		2,190,000	
Total 2007 Available		2,275,000	
2005 National Pool		16,365	
2006 Returns		1,167	
2007 Returns		-	
Total 2006-07 Available:		4,482,532	
Less: LOI, Res, CA issued in 2006/07		4,054,414	
Remaining Available in 2006-07:			428,118

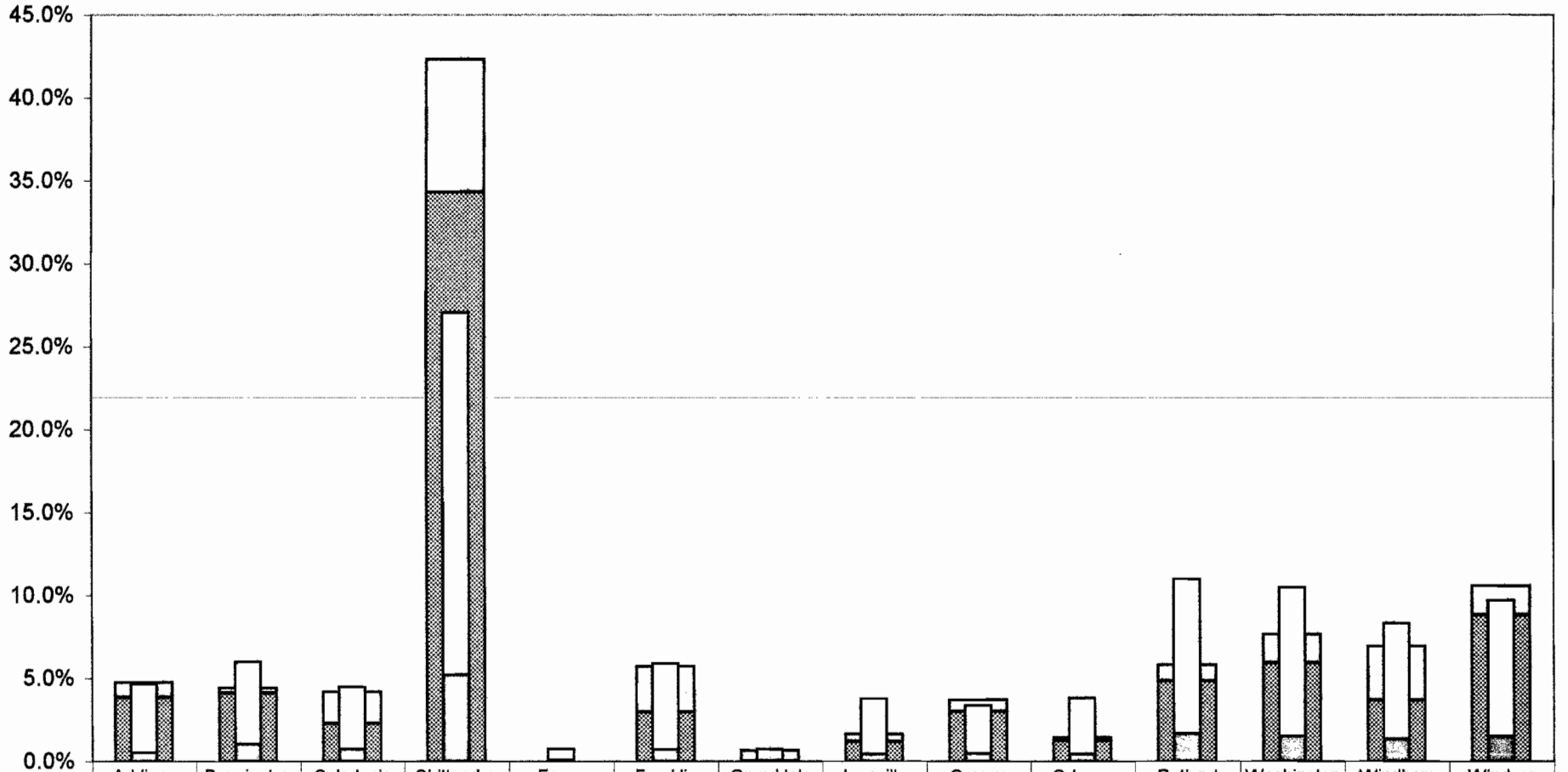
285,118 avail. After RAHC

Project Name	City	County	MSA / Non MSA	Total # of Units	# of LIHTC Units	Project Type	Housing Credit Allocation	Status
Pipeline								
New Construction - Family	Vergennes	Addison	Non MSA	40		New Construction	284,615	
Norwich	Norwich	Windsor	Non MSA			New Construction	330,769	
Warren	Warren	Washington	Non MSA	18	16	New Construction	238,500	
Woodstock	Woodstock	Windsor	Non MSA	26		New Construction	392,308	
Sports Arena Neighborhood	St Albans	Franklin	MSA			New Construction		Bove/Marcellino
Howard Bank Block	Burlington	Chittenden	MSA	20		New Construction	414,000	CHT, HVT, Redstone
Putney Village	Putney	Windham	Non MSA	35	29	New Construction	538,000	Ventures approved
Johnson Community Housing	Johnson	Lamoille	Non MSA	29	27	Rehab/New Construction	241,663	applying for VHCB 1/07
							2,439,855	
Pre-Applicaton Meetings								
Downtown Crossing, Bennington (RAHC)	Bennington	Bennington	Non MSA	12	10	Rehab/New Construction	143,000	to use 2007 credits
Letter of Intent, Reservation, or Carryover Allocation Issued								
Stonewall / Bianchi	Montpelier	Washington	Non MSA	18	17	Acq/Rehab	125,000	to use 2007 credits
Hardwick - Bemis Block	Hardwick	Caledonia	Non MSA	14	14	Acq/Rehab	98,000	to Board August 06, for 2007 credits
Willard Mill	St. Albans	Franklin	MSA	27	25	Acq/Rehab	432,662	to Board August 06, for 2007 credits
Birge & Worden	Brattleboro	Windham	Non MSA	17	14	Acq/Rehab	240,000	to Board July 06, for 2007 credits
Stowe	Stowe	Lamoille	Non MSA	28	22	New Construction	519,000	to use 2006 Credits
Village Housing	Middlebury	Addison	Non MSA	30	25	New Construction	531,000	to use 2006 credits
Rutland AFS	Rutland	Rutland	Non MSA	13	12	New Construction/Rehab	227,000	to use 2006 credits
Callahan Housing	Burlington	Chittenden	MSA	28	28	Acq/Rehab	267,750	Board Approved Dec-05; to use 2007 credits
Bradford	Bradford	Orange	Non MSA	32	27	Rehabilitation	434,375	Board Approved Dec-05
Enosburg Falls Downtown Redevelopment	Enosburg Falls	Franklin	Non MSA	28	25	New Construction/Rehab	509,250	Board Approved Nov-05
Main Street Mill Redevelopment	Richford	Franklin	Non MSA	12	12	Rehabilitation	162,500	Board Approved 9/22/05
Wilder Building	Brattleboro	Windham	Non MSA	8	8	Rehabilitation	118,500	Board Approved 9/22/05
West River Valley Senior Housing	Townshend	Windham	Non MSA	52	34	New Construction	473,000	Board Approved 6/9/05; to use 2007 credits
Southview Apartments	Springfield	Windsor	Non MSA	69	54	Acq/Rehab	360,000	Board Approved 6/9/05
Sadawga Springs Apartments	Whitingham	Windham	Non MSA	9	7	Acq/Rehab	112,350	Board Approved 5/19/05
Oak & Homestead	Brattleboro	Windham	Non MSA	16	15	Acq/Rehab	224,000	Board Approved 1/20/05; LOI issued
Dorset Housing	Dorset	Bennington	Non MSA	20	16	New Construction	273,000	Board Approved 12/04; 05 Res Cert Issued
Stone Hill	Middlebury	Addison	Non MSA	27	22	New Construction	378,000	Board Approved 12/04
Waugh Opera Block	St Albans	Franklin	MSA	20	16	Rehab	233,600	Has 2005 Reservation & Carryover
River Station	Montpelier	Washington	Non MSA	36	29	New Construction	465,000	Board Approval 4/29/04; 05 res cert issued
Barlow Square	Winooski	Chittenden	MSA	213	98	New Construction	2,214,260	Has 2005 Carryover

State Consolidated Plan Priorities / Other Priorities Table

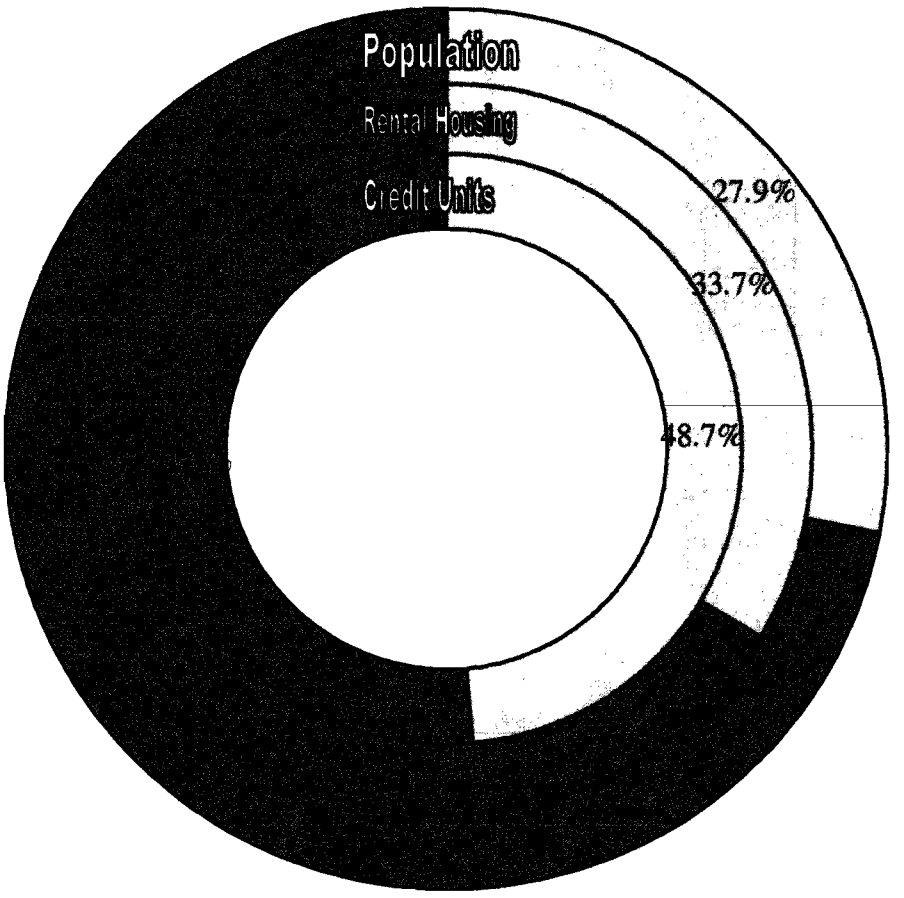
2006-2007	*First Tier*						*Second Tier*						
	Rehab or Vacancy <3.5%	**Family Housing**	**Settlement Pattern**	**Downtown or Village Center**	**Removal of Blight**	**Special Needs**	**Mixed Income**	**Unique Design**	**<30% or targets homeless**	**Public Housing**	**Eventual Tenant Ownership**	**Total**	**Housing Credit Amount**
Stonewall / Bianchi	XX	XX	XX	XX	XX		X		X			71%	$ 125,000
Downtown Crossing	XX	XX	XX	XX			X					53%	$ 143,000
Bemis Block	XX		XX	XX	XX				X			53%	$ 98,000
Willard Mill, St. Albans	XX	XX	XX	XX			X					53%	$ 459,000
Middlebury South Village (MF)	XX	XX	XX	XX								47%	$ 531,000
Birge & Worden, Brattleboro	XX		XX	XX			X		X			47%	$ 238,500
Rutland AFS	XX	XX	XX	XX								47%	$ 227,000
Bradford Scattered Sites	XX	XX	XX	XX								47%	$ 397,500
Main Street Mill Revelopmt Richford	XX		XX	XX	XX							47%	$ 162,500
West River Valley Senior			XX	XX		XX	X		X			47%	$ 430,000
Callahan	XX	XX	XX	XX								47%	$ 255,000
Stowe Family Housing	XX	XX	XX				X					41%	$ 495,000
Enosburg Falls Housing			XX	XX	XX			X				41%	$ 509,250
2005	*First Tier*						*Second Tier*						
Sadawga Springs Apartments	XX	XX	XX	XX	XX		X					65%	$ 112,350
Southview, Springfield	XX	XX	XX	XX			X		X			59%	$ 360,000
Oak & Homestead	XX	XX	XX	XX			X		X			59%	$ 224,000
Waugh Opera House	XX		XX	XX	XX		X	X				59%	$ 233,600
Barlow Square	XX	XX	XX	XX			X					53%	$ 2,214,260
River Station	XX	XX	XX	XX			X					53%	$ 460,000
Stone Hill	XX	XX	XX	XX			X					53%	$ 36,000
Wilder Block	XX		XX	XX	XX							47%	$ 118,500
Dorset Housing	XX	XX					X					33%	$ 273,000

Geographic Distribution



	Addison	Bennington	Caledonia	Chittenden	Essex	Franklin	Grand Isle	Lamoille	Orange	Orleans	Rutland	Washington	Windham	Windsor
units in process	0.9%	0.3%	1.9%	8.0%	0.0%	2.8%	0.7%	0.5%	0.7%	0.2%	1.0%	1.7%	3.3%	1.8%
units in service	3.8%	4.1%	2.3%	34.3%	0.0%	3.0%	0.0%	1.2%	3.0%	1.3%	4.8%	5.9%	3.7%	8.8%
all assisted units	0.56%	1.06%	0.74%	5.24%	0.11%	0.74%	0.07%	0.46%	0.50%	0.47%	1.67%	1.55%	1.34%	1.52%
all rental housing	4.6%	6.0%	4.5%	27.0%	0.8%	5.9%	0.7%	3.8%	3.4%	3.8%	11.0%	10.5%	8.3%	9.7%

MSA / Non MSA


Population
Rental Housing
Credit Units
27.9%
33.7%
48.7%
MSA
Non MSA

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Senior Development Underwriter CR

DATE: March 5, 2007

RE: Request for Construction & Permanent Financing: Linden Terrace, Rutland

Name:	Linden Terrace	**Location:**	Rutland
Housing Type:	Senior	**Unit Type:**	Flats
Unit Count:	21 units (plus a manager's unit)	**Unit Sizes:**	17 1-BR @ 632 s.f. 4 2-BR @ 1,069 s.f.
Total Cost:	$1,835,325	**Per S.F. Acquisition & Construction Cost:**	$84
Loans Requested:	$810,000 Construction/Permanent $475,000 Construction $ 75,000 0% Loan	**Sponsor:**	Housing Vermont
Other Funding:	VHCB, Efficiency Vermont, Historic Credit Equity, Housing Credit Equity, Reserves	**Housing Credits: (4%)**	$43,000

Recommendation: That the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board 1) authorize the Executive Director to issue a Letter of Interest and/or a Commitment Letter to finance this property upon satisfactory completion of staff underwriting and due diligence; and 2) authorize staff to issue the appropriate documentation according to the Qualified Allocation Plan.

Project Summary: Linden Terrace, a 21-unit senior housing development in Rutland, consists of a Main House (14 units), a Carriage House (six units) and a Cottage (manager's unit). It was constructed as an elegant residence in the early 1900s, converted to apartments in the 1970s, and became a Section 8 property in 1979. It was purchased by a wholly owned subsidiary of Housing Vermont (H.V. Linden Terrace Inc.) in 1993, and has been managed by Stewart Property Management. The property has been well maintained and has had a very low vacancy rate. However, in December 2005 a capital needs assessment was commissioned and concluded that certain capital improvements were needed in excess of the replacement reserves. These include: site improvements, new windows, foundation repair, slate roof repair, plaster repair, insulation, new sprinkler system, certain accessibility upgrades, and emergency lighting. In the Carriage House, an additional unit will be added through the conversion of a garage. Also, a recent Energy Assessment was performed and illustrated how the property could benefit from energy improvements (air sealing, improved mechanical systems and lighting and water conservation measures).

Housing Vermont (HVT) is proposing to refinance the first mortgage with VHFA (it is currently in the Agency's portfolio), and obtain tax-exempt construction financing, which will enable them to obtain 4% (bond) Housing Credits. This will be the first time Housing Credits are used in this development. HVT is also requesting a $75,000 0% loan from VHFA. A 0% loan of this amount was approved for the Bemis Block senior development in Hardwick, and not needed due to lower than budgeted construction costs.

HVT is requesting that the $75,000 commitment to Bemis Block be "returned" and committed instead to Linden Terrace; staff has discussed this and supports the request.

In addition HVT will obtain Historic Credit, Efficiency Vermont resources, and has applied for VHCB funding (March decision). The cost estimates have been completed by the architect. Wright Construction is the low bidder (they recently completed rehabilitation of Southview Apartments in Springfield and did a great job).

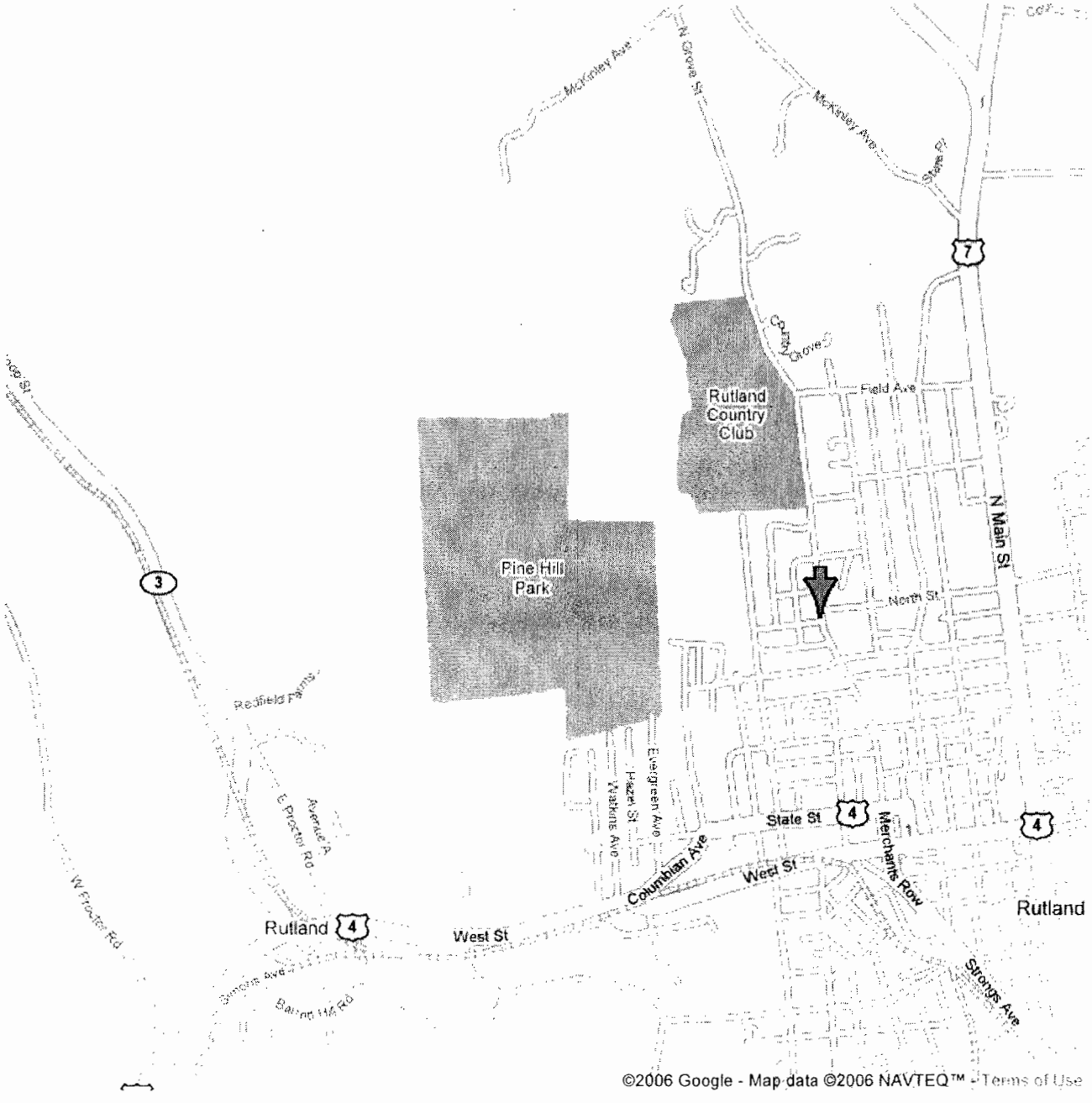
Currently there are 18 project based Section 8 units and three market units. In the re-development there will be 20 tax credit units, one market unit, and one manager's unit. There are 17 one-bedroom units, and four two-bedroom units. The Section 8 Contract goes to 2018.

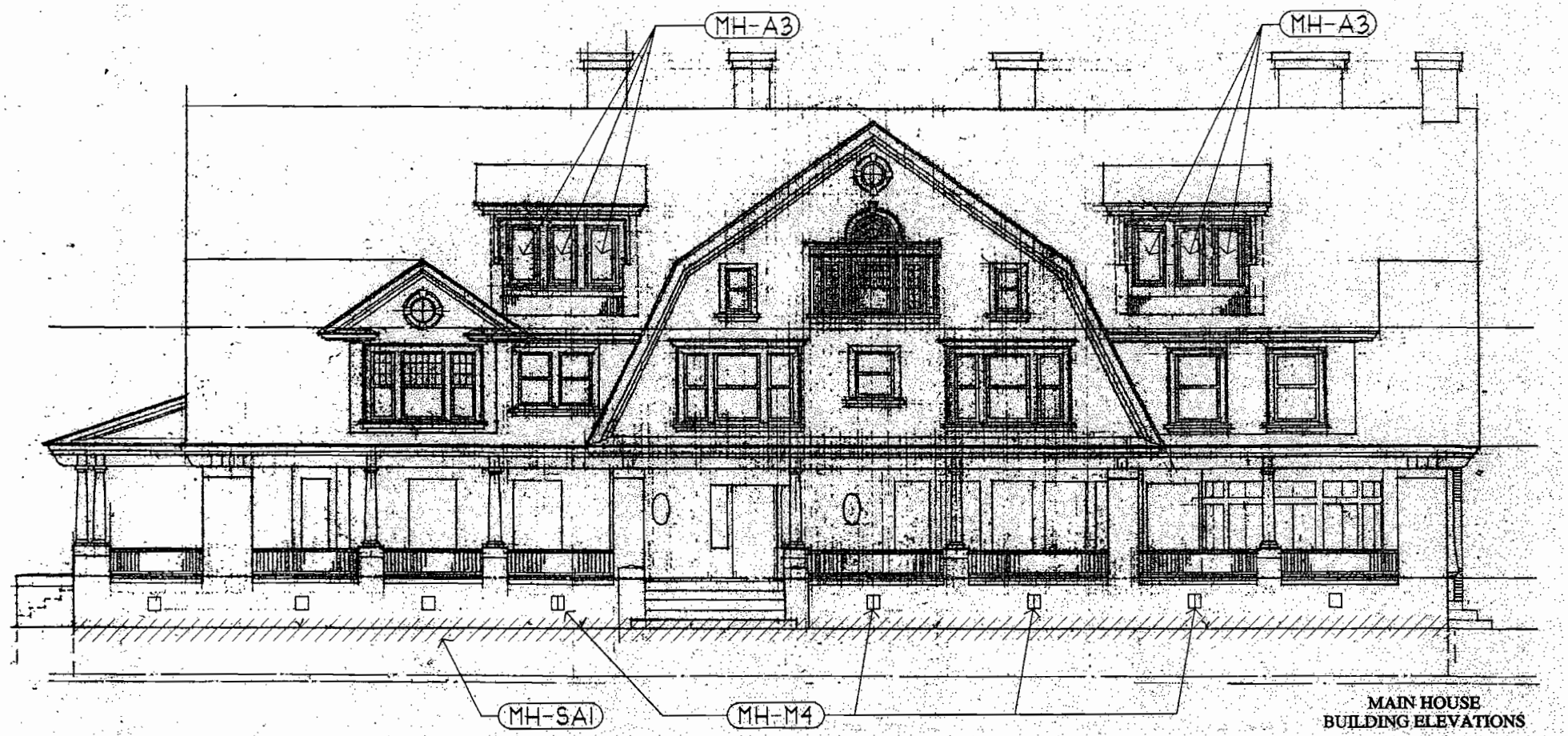
Construction is anticipated to start in April and be completed by November. Stewart will continue to manage the property.

Google Maps

Address **191 Grove St**
Rutland, VT 05701

Notes Linden Terrace Senior Housing
Housing Vermont





EAST ELEV.

LEGEND

MH-A1 REPAIR ITEM NUMBER (AS IDENTIFIED IN WRITTEN REPORT)

MAIN HOUSE
BUILDING ELEVATIONS

Facility Assessment

Linden Terrace Apartments for Elderly

191 Grove Street Rutland, Vermont

N·B·F
Nimtz • Berryhill • Figiel
ARCHITECTS P.C.

05-Mar-07 **Linden Terrace**

Total Residential Units:	21	Increase in Income from Rental Units:	1.00%
Housing Credit Restricted Units:	20	Increase in Income from Other Sources:	1.50%
Percent Restricted:	95.24%	Increase in Income from Commercial:	1.00%
Total Development Cost:	1,835,325	Expense increase:	2.50%
Total Development Cost per Unit:	87,396	Vacancy Rate:	1%
Total Development Cost Per SF:	108	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
Max Credit Potential:	43,782	Short Depreciation Schedule:	7 years
Credit Amount Allocated:	43,000	Sponsor's Estimated Yield:	95.80%

LIHTC - 9%	8.15%	March 2007
LIHTC - 4%	3.49%	

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term	
VHFA First Mortgage	810,000	44.13%	6.50%	30	30	118%
VHFA 0% Loan	75,000	4.09%	0.00%	30	30	
VHCB	280,000	15.26%	5.00%	30	30	
Efficiency Vermont	8,000	0.44%	0.00%	30	30	
Replacement Reserves	1,741	0.09%	N/A	N/A		
Deferred Developer Fee	64,664	3.52%	0.00%	15	15	
Historic Credit Equity	188,084	10.25%	N/A	N/A		
Tax Credit Equity	407,836	22.22%	N/A	N/A		678,987
TOTAL SOURCES	1,835,325	100.00%				
VHFA Construction Loan	**1,285,000**	**70.01%**			**6 mos**	

USES

Acquisition	650,446	35.44%
Construction Hard Costs	785,987	42.83%
Soft Costs	398,892	21.73%
TOTAL USES	1,835,325	100.00%
Gap	(0)	

General Partner's Capital Contribution	4,120	1.00%
Limited Partner's Capital Contribution	407,836	99.00%
Total Equity	411,956	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	20
Total Units	22
Unit Fraction	90.91%
Tax Credit Square Footage	12,790
Total Residential Square Footage	15,011
Square Footage Fraction	85.20%
Applicable Fraction	85.20%

05-Mar-07 **Linden Terrace** 84.44 774,487 116,173

		Budget	Per Unit	Per s.f.	Allocation of Sources: VHCB Terms:___	HOME Terms:___	VCDP Terms:___	Debt Terms:___	Equity Terms:___	Other Terms:___	TOTAL SOURCES	Main Bldg	Carriage
	ACQUISITION												
1	Land	76,950	3,498	4.52							0		
2	Purchase of Building(s)	564,296	25,650	33.17							0	432,130	114,870
3	Demolition (without replacement)		0	0.00							0		
4	Property Appraisal	3,000	136	0.18							0	2,371	629
5	Legal - Title and Recording	6,200	282	0.36							0	4,899	1,301
	Subtotal - Acquisition	650,446	29,566	38.24									
	CONSTRUCTION HARD COSTS												
6	Rehabilitation	690,000	31,364	40.56							0	545,266	144,734
7	New Building(s)		0	0.00							0		
8	Accessory Buildings		0	0.00							0		
9	Sitework	40,000	1,818	2.35							0	25,000	15,000
10	Commercial Space Costs (if any)		0	0.00							0		
11	General Requirements		0	0.00							0		
12	Contractor Overhead		0	0.00							0		
13	Contractor Profit		0	0.00							0		
14	Construction Contingency	44,487	2,022	2.62							0	28,513	15,973
15	Construction Management		0	0.00							0		
16	Construction Bond Fee		0	0.00							0		
17	Hazardous Materials Abatement		0	0.00							0		
18	Off-Site Improvements		0	0.00							0		
19	Furnishings, Fixtures, & Equipment	11,500	523	0.68							0	7,500	4,000
20	Other (_____)		0	0.00							0		
	Subtotal - Hard Costs	785,987	35,727	46.20									
	SOFT COSTS												
21	Architectural	73,000	3,318	4.29							0	57,688	15,312
22	Engineering		0	0.00							0		
23	Legal/Accounting	15,000	682	0.88							0	11,854	3,146
24	Relocation	50,000	2,273	2.94							0	39,512	10,488
25	Environmental Assessment		0	0.00							0		
26	Energy Assessment	3,500	159	0.21							0	2,766	734
27	Permits/Fees	9,138	415	0.54							0	7,222	1,917
28	Independent Market Study		0	0.00							0		
29	Construction Period Insurance	7,500	341	0.44							0	5,927	1,573
30	Construction Interest	40,000	1,818	2.35							0	31,610	8,390
31	Construction Loan Origination Fee	13,000	591	0.76							0	10,273	2,727
32	Taxes During Construction		0	0.00							0		
33	Clerk of the Works		0	0.00							0		
34	Marketing		0	0.00							0		
35	Tax Credit Fees	4,754	216	0.28							0	3,757	997
36	Soft Cost Contingency	8,000	364	0.47							0	6,322	1,678
37	Permanent Loan Origination Fee		0	0.00							0		
38	Lender's Counsel's Fee		0	0.00							0		
39	Other (_____)		0	0.00							0		
	SYNDICATION COSTS												
40	Organizational (Partnership)		0	0.00							0		
41	Bridge Loan Fees and Expenses		0	0.00							0		
42	Syndication Consultant		0	0.00							0		
43	Tax Opinion		0	0.00							0		
	DEVELOPER'S FEES												
44	Developer's Fees	115,000	5,227	6.76							0	90,878	24,122
45	Other Partnership Fees		0	0.00							0		
46	Consultant Fees		0	0.00							0		
	RESERVES												
47	Working Capital	5,000	227	0.29							0	3,951	1,049
48	Rent-up (Deficit Escrow) Reserve		0	0.00							0		
49	Other Operating Reserves	35,000	1,591	2.06							0	27,658	7,342
50	Sinking Fund		0	0.00							0		
51	Replacement Reserves	20,000	909	1.18							0	15,805	4,195
	Subtotal - Soft Costs	398,892	18,131	23.45									
	TOTAL DEVELOPMENT COSTS	1,835,325	83,424	108	0	0	0	0	0	0	0	1,360,902	380,177
													1,741,079

Item revision date 2/27/07

05-Mar-07 **Linden Terrace**

		Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other	Main Bldg	Carriage	
	ACQUISITION									
1	Land	76,950								
2	Purchase of Building(s)	564,296	564,296		564,296			432,130	114,870	
3	Demolition (without replacement)	0						0	0	
4	Property Appraisal	3,000	3,000		3,000	3,000		2,371	629	
5	Legal - Title and Recording	6,200	6,200		6,200			4,899	1,301	
	Subtotal - Acquisition	650,446								
	CONSTRUCTION HARD COSTS									
6	Rehabilitation	690,000		690,000	690,000	690,000		545,266	144,734	
7	New Building(s)	0						0	0	
8	Accessory Buildings	0						0	0	
9	Sitework	40,000		40,000	40,000	30,000		25,000	15,000	
10	Commercial Space Costs (if any)	0						0	0	
11	General Requirements	0						0	0	
12	Contractor Overhead	0						0	0	
13	Contractor Profit	0						0	0	
14	Construction Contingency	44,487		44,487	44,487	44,487		28,513	15,973	
15	Construction Management	0						0	0	
16	Construction Bond Fee	0						0	0	
17	Hazardous Materials Abatement	0						0	0	
18	Off-Site Improvements	0						0	0	
19	Furnishings, Fixtures, & Equipment	11,500		11,500				7,500	4,000	
20	Other (_____)	0						0	0	
	Subtotal - Hard Costs	785,987						0	0	
	SOFT COSTS							0	0	
21	Architectural	73,000		73,000	73,000	73,000		57,688	15,312	
22	Engineering	0						0	0	
23	Legal/Accounting	15,000		15,000	15,000	15,000		11,854	3,146	
24	Relocation	50,000		50,000	50,000	50,000		39,512	10,488	
25	Environmental Assessment	0						0	0	
26	Energy Assessment	3,500		3,500	3,500	3,500		2,766	734	
27	Permits/Fees	9,138		9,138	9,138	9,138		7,222	1,917	
28	Independent Market Study	0						0	0	
29	Construction Period Insurance	7,500		7,500	7,500	7,500		5,927	1,573	
30	Construction Interest	40,000		40,000	40,000	40,000		31,610	8,390	
31	Construction Loan Origination Fee	13,000		13,000	13,000	13,000		10,273	2,727	
32	Taxes During Construction	0						0	0	
33	Clerk of the Works	0						0	0	
34	Marketing	0						0	0	
35	Tax Credit Fees	4,754			4,754	4,754				
36	Soft Cost Contingency	8,000		8,000	8,000	8,000		6,322	1,678	
37	Permanent Loan Origination Fee	0						0	0	
38	Lender's Counsel's Fee	0						0	0	
39	Other (_____)	0						0	0	
	SYNDICATION COSTS							0	0	
40	Organizational (Partnership)	0						0	0	
41	Bridge Loan Fees and Expenses	0						0	0	
42	Syndication Consultant	0						0	0	
43	Tax Opinion	0						0	0	
	DEVELOPER'S FEES							0	0	
44	Developer's Fees	115,000		115,000	115,000	115,000		90,878	24,122	
45	Other Partnership Fees	0						0	0	
46	Consultant Fees	0						0	0	
	RESERVES							0	0	
47	Working Capital	5,000								
48	Rent-up (Deficit Escrow) Reserve	0								
49	Other Operating Reserves	35,000								
50	Sinking Fund	0						0	0	
51	Replacement Reserves	20,000								
	Subtotal - Soft Costs	398,892						0	0	
	TOTALS	1,835,325	573,496	1,120,125	1,686,875	1,106,379		870,331	249,794	
LESS:	Amount of Non-qualified Financing							(172,541)	(48,735)	less historic credit
LESS:	Adjustment for per unit cost limits	100						697,790	201,059	
LESS:	Historic tax Credit (Residential Portion)			221,276	221,276	20%	Historic Credit Rate			
	Total Eligible Basis		573,496	898,849		221,276	Annual Hist	80.44%	100%	applicable fraction
TIMES:	Adjusted for QCT/DDA	100.00%		0				561,302	201,059	
TIMES:	Applicable Fraction	85.20%	488,643	0				100%	100%	DDA
	Total Qualified Basis		488,643	765,857	1,465,599	Long Term Depreciable Ba		561,302	201,059	
TIMES	Applicable Percentage		3.49%	3.49%	27.5	Depreciation Schedule		3.49%	3.49%	
	Total Annual Credit Qualified		17,054	26,728	53,295	Annual Depreciation		19,589	7,017	

Total Tax Credits Requested	43,000	
Estimated Net Syndication Proceeds		
(excluding historic credit equity	407,836	
Estimated Yield - Housing Credit Syndicatior	95.80%	
Equity Gap	407,836	
Credits Needed to fill Equity Gap	43,000	

43,782	11,500	Short Term Depreciable Ba	ACQUISITION BASIS:	
	7	Depreciation Schedule		
	1.643	Annual Depreciation	439,400	116,800
			353,453	116,800
			12,336	4,076
			31,925	11,093
				43,018

05-Mar-07 **Linden Terrace**

HC Restricted Units Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br		0	0	0	0	0
1 Br		587	17	816	0	166,464
2 Br		937	3	752	0	27,072
3 Br		0	0	0	0	0
4+ Br		0	0	0	0	0
	Totals	12,790	20			193,536

Non-HC Restricted Units Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br		0	0	0	0	0
1 Br		757	1	898	0	10,776
2 Br		1,464	1	1,034	0	12,408
3 Br		0	0	0	0	0
4+ Br		0	0	0	0	0
	Totals	2,221	2			23,184
All Units	common	2,000				
	Grand Totals	17,011	22			216,720

Less Vacancy	historic		(2,500)
		NET RENT	214,220
OTHER INCOME			
Laundry			1,800
A/C installation			900
Commercial Space Income			
Other - rent increase effective 6/1			3,500
		TOTAL INCOME	220,420

05-Mar-07

Linden Terrace

	Check all Applicable									A					B							C					
Building #	Unit #	HOME Unit	Lead Paint Unit	Project Based Assistance	Tax Credit Unit	VHCB Restricted	Accessible	Adaptable	Unrestricted	Number of Bedrooms	Proposed Square Footage	Proposed Rent	Utility Allowance for Tenant-Paid Utilities	Gross Rent (Rent + Tenant-Paid Utilities)	OCCUPIED BY: Income level of residents to be served:							AFFORDABLE TO: Units affordable to residents at:					
															<30%	<50%	<60%	<80%	<100%	>100%		30%	50%	60%	65%	80%	100%+
Main	1			1	1					1	591	898	0	898			1					1					
	2			1	1					1	645	898	0	898			1					1					
	37			1	1					2	1,464	1,034	0	1,034			1					1					
	36			1	1					2	1,309	1,034	0	1,034			1					1					
	21			1	1					1	519	898	0	898			1					1					
	22				1					2	729	571	0	571			1					1					
	23				1					2	774	650	0	650			1					1					
	24			1	1		1			1	757	898	0	898			1					1					
	25			1			1			1	639	898	0	898				1				1					
	31			1	1					1	754	898	0	898			1					1					
	32			1	1					1	472	898	0	898			1					1					
	33			1	1					1	822	898	0	898			1					1					
	34			1	1					1	592	898	0	898			1					1					
	35			1	1					1	637	898	0	898			1					1					
Carriage	1			1	1					1	485	776	0	776			1					1					
	2			1	1					1	469	776	0	776			1					1					
	3			1	1					1	580	776	0	776			1					1					
	4			1	1					1	531	776	0	776			1					1					
	5			1	1					1	536	776	0	776			1					1					
	6			1	1					1	529	776	0	776			1					1					
	7				1		1			1	529	776	0	776			1					1					
manager	1									1	650	360	0	360													
Total # Units	**22**	**0**	**0**	**18**	**20**	**0**	**3**	**0**	**0**	**Totals:**	15,013	18,061		**Total # Units:**	0	0	20	1	0	0		21	0	0	0	0	0

		sf	avg sf		rent	avg rent
	17	1	10,737	632	13,514	845
	4	2	4,276	1,069	3,289	822
					898	mkt
					360	mngr
			216,732		18,061	
			3,500			
S8 rents	15,704	18	220,232			
Other	2,357	4				
	18,061					

05-Mar-07 **Linden Terrace**

	Proposed Annual	Monthly	Per Unit Per Month		current ~ approved 2007 budget		
Administration							
Management Fee	13,200	1,100	50		11,896		
Supportive Services	3,168	264	12		3,000		
Audit/Accounting	3,432	286	13		3,350		
Legal	528	44	2		300	training	
Compliance Monitoring	960	80	4	960	300	conferences	
Marketing		0	0		200	advertising	
Asset Management Fee	2,112	176	8		400	bad debt/other	
TOTAL ADMINISTRATIVE	23,400	1,950	89		19,446		74
Utilities							
Electricity	14,520	1,210	55		12,700		
Fuel	17,952	1,496	68		24,500		
Water and Sewer	3,432	286	13		4,000		
Fire Alarm / Emergency	1,320	110	5		1,200		
Other	792	66	3		720	cable	
TOTAL UTILITIES	38,016	3,168	144		43,120		163
Maintenance							
Maintenance / Janitor Payroll	10,560	880	40		11,380		
Janitor Supplies	3,168	264	12		600		
Exterminating	264	22	1		200		
Trash Removal	2,640	220	10		1,500		
Snow Removal	4,488	374	17		4,000		
Grounds	10,560	880	40		11,000		
Repairs Material	12,408	1,034	47		11,300		
Repairs Contract		0	0				
HVAC Repairs / Maintenance	1,320	110	5				
Elevator Contract / Repairs	3,432	286	13		3,100		
Painting and Decorating	1,056	88	4				
Other		0	0				
TOTAL MAINTENANCE	49,896	4,158	189	43,000	43,080		163
Real Estate Taxes	21,120	1,760	80		20,820		
Property Insurance	6,072	506	23		6,000		
Replacement Reserves	9,240	770	35		6,600		26
Primary Debt Service	61,437	5,120	233		71,643		
Other "must pay" debt service		0	0				
Other - State tax		0	0		250		
Total	209,181	17,432	792		210,959		799
	147,744		525				

05-Mar-07		**Linden Terrace**														
	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Operating Income																
Gross Rent - Section 8 Units		193,536	195,471	197,426	199,400	201,394	203,408	205,442	207,497	209,572	211,667	213,784	215,922	218,081	220,262	222,465
Other rents		23,184	23,416	23,650	23,886	24,125	24,367	24,610	24,856	25,105	25,356	25,610	25,866	26,124	26,386	26,649
Other Income		6,200	6,262	6,325	6,388	6,452	6,516	6,581	6,647	6,714	6,781	6,849	6,917	6,986	7,056	7,127
Vacancy and other losses		(2,500)	(2,639)	(2,665)	(2,692)	(2,719)	(2,746)	(2,773)	(2,801)	(2,829)	(2,858)	(2,886)	(2,915)	(2,944)	(2,974)	(3,003)
Total Operating Income		220,420	222,510	224,735	226,983	229,253	231,545	233,861	236,199	238,561	240,947	243,356	245,790	248,248	250,730	253,238
Operating Expenses																
Total Expenses (excl. Reserves)		138,504	141,967	145,516	149,154	152,883	156,705	160,622	164,638	168,754	172,973	177,297	181,729	186,272	190,929	195,703
Reserves		9,240	9,332	9,426	9,520	9,615	9,711	9,808	9,907	10,006	10,106	10,207	10,309	10,412	10,516	10,621
Total Operating Expense		147,744	151,299	154,941	158,674	162,498	166,416	170,431	174,544	178,759	183,078	187,504	192,038	196,684	201,445	206,324
Net Operating Income		72,676	71,211	69,794	68,309	66,755	65,129	63,430	61,655	59,802	57,869	55,853	53,752	51,563	49,285	46,914
Less Primary Debt Service		61,437	61,437	61,437	61,437	61,437	61,437	61,437	61,437	61,437	61,437	61,437	61,437	61,437	61,437	61,437
Less Secondary Debt Service		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow		11,239	9,774	8,357	6,872	5,318	3,692	1,993	218	(1,635)	(3,568)	(5,584)	(7,685)	(9,874)	(12,152)	(14,523)
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	1,635	3,568	5,584	7,685	9,874	12,152	14,523
Net Cash		11,239	9,774	8,357	6,872	5,318	3,692	1,993	218	0	0	0	0	0	0	0
DCR		118.29%	115.91%	113.60%	111.19%	108.66%	106.01%	103.24%	100.35%	97.34%	94.19%	90.91%	87.49%	83.93%	80.22%	76.36%
Cumulative Cash Flow																
Beginning Balance		35,000	47,051	57,864	67,462	75,752	82,639	88,020	91,794	93,850	94,092	92,405	88,669	82,757	74,539	63,877
Deposits		11,239	9,774	8,357	6,872	5,318	3,692	1,993	218	0	0	0	0	0	0	0
Interest	2.0%	812	1,039	1,241	1,418	1,568	1,690	1,780	1,838	1,877	1,882	1,848	1,773	1,655	1,491	1,278
Withdrawals		0	0	0	0	0	0	0	0	(1,635)	(3,568)	(5,584)	(7,685)	(9,874)	(12,152)	(14,523)
Ending Balance		47,051	57,864	67,462	75,752	82,639	88,020	91,794	93,850	94,092	92,405	88,669	82,757	74,539	63,877	50,632
Cumulative Replacement Reserves																
Beginning Balance		20,000	29,732	39,753	50,068	60,684	29,609	40,010	50,717	61,737	73,077	32,245	43,199	54,475	66,080	78,023
Deposits		9,240	9,332	9,426	9,520	9,615	9,711	9,808	9,907	10,006	10,106	10,207	10,309	10,412	10,516	10,621
Interest	2.0%	492	688	889	1,097	1,310	689	898	1,113	1,335	1,563	747	967	1,194	1,427	1,667
Withdrawals		0	0	0	0	(42,000)	0	0	0	0	(52,500)	0	0	0	0	(52,500)
Ending Balance		29,732	39,753	50,068	60,684	29,609	40,010	50,717	61,737	73,077	32,245	43,199	54,475	66,080	78,023	37,811
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		72,676	71,211	69,794	68,309	66,755	65,129	63,430	61,655	59,802	57,869	55,853	53,752	51,563	49,285	46,914
Plus Reserves		9,240	9,332	9,426	9,520	9,615	9,711	9,808	9,907	10,006	10,106	10,207	10,309	10,412	10,516	10,621
Less Interest Expense		(66,383)	(66,477)	(66,565)	(66,647)	(66,720)	(66,786)	(66,840)	(66,884)	(66,914)	(66,930)	(66,929)	(66,910)	(66,870)	(66,808)	(66,719)
Less Long Depreciation		(53,295)	(53,295)	(53,295)	(53,295)	(53,295)	(53,295)	(53,295)	(53,295)	(53,295)	(53,295)	(53,295)	(53,295)	(53,295)	(53,295)	(53,295)
Less Short Depreciation		(1,643)	(1,643)	(1,643)	(1,643)	(1,643)	(1,643)	(1,643)	0	0	0	0	0	0	0	0
Taxable Income (Loss)		(39,405)	(40,871)	(42,283)	(43,755)	(45,288)	(46,882)	(48,539)	(48,617)	(50,401)	(52,250)	(54,165)	(56,144)	(58,190)	(60,301)	(62,479)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		13,792	14,305	14,799	15,314	15,851	16,409	16,989	17,016	17,640	18,288	18,958	19,650	20,366	21,105	21,868
Plus Tax Credits		264,276	43,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000					
After Tax Cash Flow		278,067	57,305	57,799	58,314	58,851	59,409	59,989	60,016	60,640	61,288	18,958	19,650	20,366	21,105	21,868
Total Years	15															
Reinvestment Rate	10.00%															
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Current After Tax Cash Flows		278,067	57,305	57,799	58,314	58,851	59,409	59,989	60,016	60,640	61,288	18,958	19,650	20,366	21,105	21,868
Future Value of Cash Flows at Yr 15:		1,161,557	217,615	199,538	183,015	167,908	154,091	141,450	128,649	118,171	108,575	30,531	28,770	27,108	25,538	24,054

Discount Rate:	6.00%								
Capital Contribution Number	1	2	3	4	5	6	7	8	
Date of Capital Contribution	15-Jan-07	30-Sep-07	15-Jan-08	05-Mar-07	05-Mar-07	05-Mar-07	05-Mar-07	05-Mar-07	
Amount of Capital Contribution	100	480,269	119,967	0	0	0	0	0	
Present Value of Contributions:	100	460,057	112,887	0					
Cash Flows	(573,044)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2,716,570

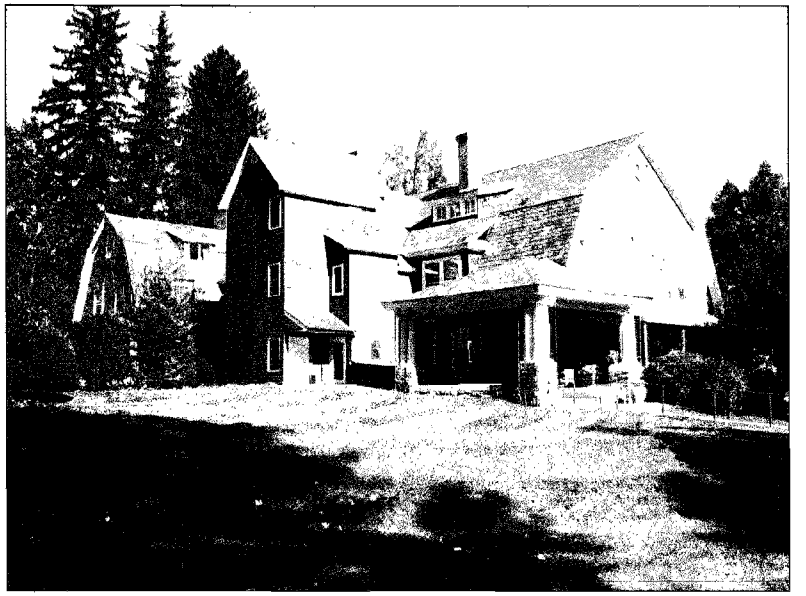
IRR: 10.93%
Equity Yield: 88.88%

Linden Terrace

Construction Flow of Funds			4,327	215	533	661	1,471	2,128	2,404				
	Cumulative Loan		40,331	99,831	123,690	275,421	398,298						
			1	2	3	4	5	6	7	8	9	10	
Sources			Construction Closing March-07	Month, April-07	May-07	June-07	July-07	August-07	September-07	October-07	November-07	December-07	Permanent Closing 10
VHFA Construction Loan	(	475,000	40,331	59,500	23,859	151,731	122,877	51,702					
VHFA First Mortgage	(P	810,000	810,000										
VHFA 0% Loan		75,000	0	75,000									
VHCB		250,000			210,000	70,000							
Efficiency Vermont		8,000	8,000										
Replacement Reserves		1,741						1,741					
Deferred Developer Fee		64,664						64,664					
Historic Credit Equity		185,084											
Tax Credit Equity		407,836	100					476,736				119,084	
TOTALS		1,835,325	858,431	134,500	233,859	221,731	122,877	594,843	0	0	0	119,084	0
	Uses ---		858,431	139,043	233,576	221,737	124,208	623,573	12,740	1,500	2,743	64,250	0
	Difference ---		0	(4,543)	283	(6)	(1,331)	(28,730)	(12,740)	(1,500)	(2,743)	54,834	0
Uses:													
ACQUISITION													
Land		76,950	76,950										
Purchase of Building(s)		564,296	564,296										
Demolition (without replacement)		0											
Property Appraisal		3,000	3,000										
Legal - Title and Recording		6,200	6,200										
CONSTRUCTION HARD COSTS													
Rehabilitation		690,000		100,000	200,000	200,000	100,000	90,000					
New Building(s)		0											
Accessory Buildings		0											
Sitework		40,000	40,000										
Commercial Space Costs (if any)		0											
General Requirements		0											
Contractor Overhead		0											
Contractor Profit		0											
Construction Contingency		44,487	10,000		10,000	10,000	10,000	4,487					
Construction Management		0											
Construction Bond Fee		0											
Hazardous Materials Abatement		0											
Off-Site Improvements		0											
Furnishings, Fixtures, & Equipment		11,500			11,500								
Other (_____)		0											
SOFT COSTS													
Architectural		73,000	52,000	13,000	2,000	2,000	2,000	2,000					
Engineering		0											
Legal Accounting		15,000	8,000	4,000				3,000					
Relocation		50,000	10,000	16,000	4,000	4,000	4,000	12,000					
Environmental Assessment		0											
Energy Assessment		3,500	3,500										
Permits Fees		9,138	9,138										
Independent Market Study		0											
Construction Period Insurance		7,500	7,000		500								
Construction Interest		40,000		4,543	5,076	5,737	7,208	9,336	11,740				
Construction Loan Origination Fee		13,000	13,000										
Taxes During Construction		0											
Clerk of the Works		0											
Marketing		0											
Tax Credit Fees		4,754	4,754										
Soft Cost Contingency		8,000	257	1,500	500		1,000	1,000	1,000	1,500	743	500	
Permanent Loan Origination Fee		0											
Lender's Counsel's Fee		0											
Other (_ _____)		0											
SYNDICATION COSTS													
Organizational (Partnership)		0											
Bridge Loan Fees and Expenses		0											
Syndication Consultant		0											
Tax Opinion		0											
DEVELOPER'S FEES													
Developer's Fees		115,000	50,336					28,750				28,750	
Other Partnership Fees		0											
Consultant Fees		0											
RESERVES													
Working Capital		5,000						3,000			2,000		
Rent-up (Deficit Escrow) Reserve		0											
Other Operating Reserves		35,000										35,000	
Sinking Fund		0											
Replacement Reserves		20,000						20,000					
Repay Construction Loan								450,000					
TOTAL DEVELOPMENT COSTS		1,835,325	858,431	139,043	233,576	221,737	124,208	623,573	12,740	1,500	2,743	64,250	0
Construction Loan Balance			810,000	810,000	810,000	810,000	810,000	360,000	360,000	360,000	360,000	360,000	360,000
Construction Loan Interest	9.0%		0	6,075	6,075	6,075	6,075	6,075	2,700	2,700	2,700	2,700	2,700
Bridge Interest (Cumulative)	9.0%												

forma revision date: 2/27/07

LINDEN TERRACE *191 Grove Street, Rutland (City)*



VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: CONSTRUCTION AND PERMANENT FINANCING AND PROPOSED USE OF BOND HOUSING CREDITS FOR LINDEN TERRACE, CITY OF RUTLAND

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow monies and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, an application has been submitted to the Agency by Housing Vermont (the "Sponsor") on behalf of a to be formed limited partnership in which the Sponsor or its subsidiary will be the general partner (the "Borrower") involving the acquisition and rehabilitation of a total of twenty-one (21) units of senior rental housing in the City of Rutland (the "Development"); and

WHEREAS, the application contemplates a mortgage loan for construction and permanent financing for the Development with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds; and

WHEREAS, the Borrower 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; and

WHEREAS, the Agency administers the allocation and use of the federal Low Income Housing Tax Credits (both Allocated Housing Credits and Bond Housing Credits) and the State Housing Credits under the State's Qualified Allocation Plan; and

WHEREAS, the Governor of the State of Vermont has approved the 2005-2006 Qualified Allocation Plan; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated March 5, 2006, containing information and recommendations about the Development (the "Memorandum");

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 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 increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency 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 loan.

6. The Sponsor is financially responsible and is a qualified housing sponsor within the meaning of the Act. The Borrower will be required to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsor for construction and permanent financing of the Development based on the recommendations in the attached Memorandum. 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 Sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the limited partnership to be created by the Sponsor for construction and permanent financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsor as the representative of the Borrower. The Commitment Letter shall be 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.

3. The Executive Director and the Loan Review Committee will establish the final source and amount of the loan for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines, and the conditions described in the Memorandum.

4. The recommendations for the use of Bond Housing Credits contained in the Memorandum which is attached and incorporated by this reference are hereby approved.

5. The Executive Director and the appropriate staff are hereby authorized to take such actions as are described in the 2005-2006 Qualified Allocation Plan regarding the use of Bond Housing Credits in an amount necessary for the Development's feasibility for the Linden Terrace project in the City of Rutland, Vermont.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Tom Connors, Chief Financial Officer

RE: **Renewal of KeyBank Lines of Credit**

DATE: March 6, 2007

Board Action Requested: Adoption of the attached resolution.

The Agency currently has three lines of credit with KeyBank, all of which expire at or near the end of March 2007. Staff is requesting the renewal of one of these, and the authority to open a new line of credit.

Existing Lines

A $10 million Revolving Line of Credit is currently in place with KeyBank, which is used to fund predevelopment and other related costs as well as for general working capital purposes. The Agency is asking the Board to approve the renewal of this credit facility at terms similar to the existing facility. This arrangement has been working well for the Agency and there is a need for this type of facility going forward.

The Agency also has a $10 million Non-Revolving Purpose and Ability Line of Credit with KeyBank that was initiated in March of 2005. This line has a remaining balance of less than $1.5 million, consisting of two loans that will be paid off before the end of June 2007. No new loans are being made against this facility. KeyBank will close out this line upon payoff of the last loan in June.

And, the Agency has an existing $35 million Non-Revolving Purpose and Ability Line of Credit with KeyBank that was initiated in May of 2006. Over $34 million in loan commitments have been made against this line; approximately $12 million have been drawn to date. No additional commitments will be made against this facility. Most of the loans are scheduled to be paid off by the end of 2007; the last loan will be paid off in April of 2009, at which point KeyBank will close down this line.

New Line

The Agency is asking the Board to approve authority for a new Non-Revolving Purpose and Ability Line of Credit with KeyBank for up to $30 million at terms similar to the existing facilities. KeyBank will initially open a new line for $15 million. As additional needs arise later in the year, the Agency will work with KeyBank to expand the line of credit up to, but not to exceed, the $30 million amount authorized by the Board.

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EQUAL HOUSING OPPORTUNITY

Please Note: This Resolution authorizes both the *Revolving Credit Facility* and the *2007 Credit Facility for Construction Loans* with KeyBank.

VERMONT HOUSING FINANCE AGENCY ("VHFA")

REGARDING KEYBANK BORROWINGS

WHEREAS, VHFA desires to renew an existing revolving line of credit and create a new 2007 purpose and ability line of credit with KeyBank National Association at the same or similar terms as those now in place and to extend and/or renew these credit facilities at similar terms in the future;

NOW, THEREFORE, the following resolutions are hereby unanimously adopted:

I. REGARDING $10,000,000 REVOLVING LINE OF CREDIT

RESOLVED: That, the Executive Director of VHFA or the Chief Financial Officer of VHFA be, and each hereby is, authorized for, in the name of, and on behalf of, VHFA (each acting singly) to renew and borrow the maximum principal amount of Ten Million Dollars ($10,000,000.00) under a revolving line of credit from the Bank and to extend and/or renew this facility at similar terms in the future to provide funds for costs associated with predevelopment and other related projects and for general working capital purposes.

RESOLVED: That, without limiting the generality of the above resolution, the Executive Director of VHFA or the Chief Financial Officer of VHFA be, and each hereby is, authorized to renew a line of credit facility in the maximum amount of Ten Million Dollars ($10,000,000.00) to be secured by a pledge of the general revenues of VHFA, on such terms and conditions deemed appropriate by the Executive Director of VHFA or the Chief Financial Officer of VHFA.

RESOLVED: That, in connection with the above resolutions, the Executive Director of VHFA or the Chief Financial Officer of VHFA or their designees be, and each hereby is, authorized, individually and without the concurrence of any other officer, to make, execute and deliver such loan agreements and promissory notes, security agreements, and any other notes, agreements, trusts, receipts, guarantees and any other evidences of VHFA's indebtedness and obligations to the Bank (collectively, the "Line of Credit Documents"); such Line of Credit Documents to contain such terms and conditions as the signing officer may approve, his or her signature being conclusive evidence of the authorization and approval thereof by VHFA.

RESOLVED: That, in connection with the above resolutions, any one of the following officers or employees of VHFA (each acting singly) be, and hereby are, authorized to, from time to time to prepare, execute and submit to the Bank requisitions and other requests for advances and disbursements of funds pursuant to or in connection with such line of credit facility: Executive Director, Chief Financial Officer or Chief of Program Operations or their designees, and to direct and instruct the Bank as to the payment or disbursement thereof, and to certify to the Bank from time to time the name(s) and title(s) of such officer(s) and employees, and to modify and amend such certifications from time to time.

II. REGARDING PURPOSE AND ABILITY LINE OF CREDIT (2007)

RESOLVED: That, the Executive Director of VHFA or the Chief Financial Officer of VHFA be, and each hereby is, authorized for, in the name of, and on behalf of, VHFA (each acting singly) to borrow the maximum principal amount of up to Thirty Million Dollars ($30,000,000.00) from the Bank and to extend and/or renew this facility at similar terms in the future (a) to provide short-term bridge financing for residential housing projects in anticipation of permanent take-out financing, (b) to provide for both taxable and tax-exempt advances at variable and fixed interest rates, and (c) to provide financing to complete site control, site due diligence, site acquisition, development, rehabilitation, and construction with respect to individual projects.

RESOLVED: That, without limiting the generality of the above resolution, the Executive Director of VHFA or the Chief Financial Officer of VHFA be, and each hereby is, authorized to obtain from the Bank a line of credit facility in the maximum amount of up to Thirty Million Dollars ($30,000,000.00) to be secured by a pledge of the general revenues of VHFA, on such terms and conditions deemed appropriate by the Executive Director of VHFA or the Chief Financial Officer of VHFA. In addition, VHFA is hereby authorized to provide or obtain a negative pledge for the real property and improvements for each project that is funded under this loan facility.

RESOLVED: That, in connection with the above resolutions, the Executive Director of VHFA or the Chief Financial Officer of VHFA or their designees be, and each hereby is, authorized, individually and without the concurrence of any other officer, to make, execute and deliver such loan agreements and promissory notes, security agreements, and any other notes, agreements, trusts, receipts, guarantees and any other evidences of VHFA's indebtedness and obligations to the Bank (collectively, the "Ability Line Documents"); such Ability Line Documents to contain such terms and conditions as the signing officer may approve, his or her signature being conclusive evidence of the authorization and approval thereof by VHFA.

RESOLVED: That, in connection with the above resolutions, any one of the following officers or employees of VHFA (each acting singly) be, and hereby are, authorized to, from time to time to prepare, execute and submit to the Bank requisitions and other requests for advances and disbursements of funds pursuant to or in connection with such credit facility: Executive Director, Chief Financial Officer or Chief of Program Operations or their designees, and to direct and instruct the Bank as to the payment or disbursement thereof, and to certify to the Bank from time to time the name(s) and title(s) of such officer(s) and employees, and to modify and amend such certifications from time to time.

III. REGARDING ALL RESOLUTIONS

RESOLVED: That the following resolutions shall apply to all Resolutions stated herein and, generally, to VHFA's relationship with the Bank.

RESOLVED: That each of the Executive Director of VHFA or the Chief Financial Officer of VHFA or their designees, is hereby authorized, acting singly or jointly, to do any and all other things and perform any and all other actions necessary to effectuate the issuance, execution and delivery of any and all additional agreements, documents, certificates, financing statements or other parts as may be necessary to effectuate any of the foregoing, and such execution and delivery shall be conclusive evidence of the authorization and approval thereof by VHFA.

RESOLVED: That the Secretary or the Treasurer of VHFA be, and hereby is, authorized and directed to certify, from time to time, to the Bank the contents of these Resolutions; to certify that the provisions hereof are in conformity with the Vermont Housing Finance Agency Act (Title 10 Chapter 25), By-Laws and other documents governing the conduct of the business of VHFA, all as amended; and to certify and attest to the names of the officers of VHFA and their respective specimen signatures.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Elizabeth Mullikin Drake

RE: Annual Meeting

DATE: March 6, 2007

Recommended Board Action: To adopt the attached resolution

As required by the Agency's Bylaws, this March 12, 2007 meeting will be considered the Agency's annual meeting. Each year the Board adopts a resolution in the form attached to accomplish the following:

1. Elect a Vice Chair;
2. Confirm CFO as the Treasurer;
3. Ratify the actions of the Agency's officers over the prior year;
4. Make any necessary changes to the Agency's organizational documents;
5. Confirm that authorizations done at prior years' annual meetings remain in full force and effect; and
6. Make any new authorizations.

The attached resolution for this year outlines the necessary actions to be taken at this year's annual meeting. A copy of the most recent resolution showing finance-related authorizations is attached for your reference.

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EQUAL HOUSING OPPORTUNITY

RESOLUTIONS ADOPTED AT THE ANNUAL MEETING OF VERMONT HOUSING FINANCE AGENCY, MARCH 12, 2007

RESOLVED, _____ is hereby elected to serve as Vice Chair of the Agency until ____ successor is elected and qualified.

RESOLVED, Thomas R. Connors is hereby elected to serve as Treasurer of the Agency until his successor is elected and qualified.

RESOLVED, that any and all prior actions of the officers of the Agency since the last annual meeting are hereby authorized, ratified and confirmed.

RESOLVED, all finance-related authorizations taken in the resolution entitled "Resolution Regarding the Appointment of New Treasurer and Authorizations" and adopted on September 6, 2006 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.

VERMONT HOUSING FINANCE AGENCY

RESOLUTION REGARDING THE APPOINTMENT OF NEW TREASURER AND AUTHORIZATIONS

RESOLVED, effective August 14, 2006, Thomas R. Connors, Chief Financial Officer, is hereby elected to serve as Treasurer of the Agency until his successor is elected and qualified.

RESOLVED, the following persons shall be authorized to sign checks drawn against any of the Agency's accounts:

Executive Director _____
(Signature)
Sarah E. Carpenter

Chief Financial Officer _____
(Signature)
Thomas R. Connors

Director of Administration _____
(Signature)
Patricia M. Loller

Chief of Program Operations _____
(Signature)
David S. Adams

Controller _____
(Signature)
Timothy M. Gutchell

Any check in an amount over $10,000 payable against any of the Agency's accounts 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, 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:

Chief Financial Officer

(Signature)
Thomas R. Connors

Controller

(Signature)
Timothy M. Gutchell

Lender Accounting Coordinator

(Signature)
Susan B. Joachim

Loan Portfolio Specialist

(Signature)
Martha G. Fleming

Financial Analyst

(Signature)
Lisa Clark

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 South Burlington, Vermont on September 6, 2006.

Sarah E. Carpenter
Executive Director and Secretary
Vermont Housing Finance Agency

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Tom Connors, Chief Financial Officer

RE: **RFP for Trustee Services – new Multipurpose Bond Resolution**

DATE: March 8, 2007

Board Action Requested: Approve attached Trustee RFP substantially in this form

The Agency is working on a new Multipurpose Bond Resolution to handle both single family and multifamily bond issues in the future. Considering TD Banknorth's recent sale of trustee services to Bank of New York, a decision was made by the Agency to issue a Request for Proposal for a new trustee for the new Multipurpose Bond Resolution. The current plan is to retain Bank of New York for the existing portfolio. Bank of New York will also be considered for the new resolution. However, if a different trustee is selected to manage the new resolution, we may consider converting the existing portfolio to the new trustee some time in the future. If we make a decision in the future to change the trustee of the existing portfolio, the Agency will issue a separate Request for Proposal for the Board's approval.

The attached document is essentially in its final form. Because the Agency has not quite completed its work on the new bond resolution, we have not attached a copy of it to the RFP document for your review. We will submit the new bond resolution to the Board for approval at the April Board meeting. In the meantime, due to time constraints, the Agency will need to distribute the RFP to the bidders with a draft version of the multipurpose resolution, to be followed by the final approved document.

Because of ongoing consolidation in the industry, the number of trustees who qualify to provide these services to VHFA is shrinking. The current plan is to distribute this Request for Proposal to the following:

- Bank of New York
- Wells Fargo
- Chittenden Bank (Vermont)
- US Bank

As always, please feel free to contact me if you have any questions after reading the document.

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EQUAL HOUSING OPPORTUNITY

Request for Proposal: Trustee Services

VERMONT HOUSING FINANCE AGENCY
164 Saint Paul Street
Burlington, Vermont 05401

March 13, 2007

Proposals must be submitted no later than 5:00 p.m., Eastern Daylight Time,
Friday, April 4, 2007

Section 1 — Guidelines for Request for Proposals

1.1 Introduction

Vermont Housing Finance Agency ("VHFA") is seeking proposals from a qualified corporate trustee, which may be a trust company or bank having the power of a trust company within or without the State of Vermont, to provide trustee services for the bond issues of the Agency as specified in this Request for Proposal ("RFP"). The trustee must be qualified and the trust services provided must be performed in accordance with a new trust indenture securing Multiple Purpose Bonds and the related supplemental resolutions "the Indenture". The Agency is not currently seeking a replacement for the trustee of its current bond portfolio.

VHFA intends to select a Trustee who will consult with VHFA staff, bond counsel, VHFA's underwriters and VHFA counsel and any other parties necessary to create, sell and service the Agency's bond issues. The period during which the selected institution will continue as Trustee is indefinite subject to the terms of the Indenture. A draft of the Indenture under which the selected institution will act as Trustee is set forth in Exhibit A. The Agency expects the resolution to be approved by its Board of Commissioners at their meeting on April 2, 2007 with minimal changes. Once the resolution is approved, the final document will be distributed to all bidders and also posted on the VHFA Web site.

1.2 Schedule of Events

VHFA has established the following schedule for selection of the Trustee:

Event	Date
RFP issuance date	March 13, 2007
Proposals due	April 4, 2007, 5:00 pm (EDT)
Completion of evaluations	April 18, 2007
Confirmed selection by VHFA Board	By May 7, 2007
Agreement for Services executed	May 11, 2007
Start date of Services	To be determined

The above schedule is subject to change upon written notice from VHFA to all firms to which VHFA has provided these materials.

1.3 Questions or Requests for Additional Information

VHFA will accept questions and inquiries from all potential applicants. Potential applicants may submit questions or inquiries via telephone, mail, fax, or email to:

Tom Connors
Chief Financial Officer
Vermont Housing Finance Agency
P.O. Box 408
Burlington, Vermont 05402-0408

Telephone: (802) 652-3436
Fax: (802) 864-5746
Email: FinRFP@VHFA.org

VHFA reserves the right to decline to respond to any question or inquiry that will cause an undue burden or expense for VHFA. VHFA will post all questions or inquiries with answers on its Web site at

www.VHFA.org/RFP. Any applicant that wishes to receive the questions and answers in any other manner must notify VHFA by email (FinRFP@vhfa.org) of its preferred method of delivery (email, fax or mail).

1.4 Submission of Proposals

Three original unbound written proposals in a sealed envelope or package must be received by 5:00 pm (EDT), Wednesday, April 4, 2007. Proposals will not be accepted by fax. Applicants may mail or hand-deliver proposals to Tom Connors, Chief Financial Officer of the Agency at the address set forth above.

Proposals received after the specified date and time will not be eligible for consideration. Any applicant wishing to confirm receipt of its proposal may contact Mr. Connors.

1.5 Right to Request Additional Information

VHFA reserves the right to request any additional information to assist in the review process, including requiring oral presentations of proposals to VHFA staff members, VHFA's selection committee and/or the VHFA Board of Commissioners.

1.6 Right to Reject Proposals and Cancel RFP

VHFA reserves the right to reject any and all proposals at any time. VHFA reserves the right to cancel, withdraw, modify or reissue this RFP at any time for any reason.

1.7 Award of RFP

The RFP will be awarded to the firm that gives VHFA the most effective combination of qualifications, services to be provided, understanding of the trust services needed, demonstration of the ability to identify and analyze key issues, experience with similar projects, proximity of corporate offices, assurances and availability of key personnel, benefits to the State of Vermont, and costs. VHFA will post on its Web site the firm selected to be awarded the contract after formal approval by May 10, 2007.

1.8 Engagement Letter

The firm selected to provide the Trust Services described in this RFP would be expected to complete and submit an agreed upon Engagement Letter covering the Scope and Terms of this RFP.

Section 2 — Scope of Services

VHFA is seeking a qualified financial institution to serve as the Trustee for bonds issued or to be issued by VHFA. The qualified institution will have extensive experience managing single family mortgage revenue bonds and multifamily housing bond issues, including the administration and accounting for multiple investments of such bond proceeds. In your response, describe your firm's ability to provide the services required in sections 2.1 to 2.5.

2.1 Traditional Trust Services

Describe your firm's ability to provide traditional trust services as they relate to instruments, such as, single family housing mortgage revenue bonds and multifamily housing bonds. Traditional trust services include, but are not limited to, the following:

A) Participate in any and all meetings, on an as needed basis, relating to the planning and structuring of new bond issues.

B) Review and provide input regarding all transaction documents, including, but not limited to, the Official Statement, General or Supplemental Indentures, Resolutions or Certificates, Bond Purchase Agreements, Mortgage Origination Agreements, Repurchase Agreements and other Investment Agreements, Master Servicer Agreements and Interest Rate Swap Agreements.

C) Provide day to day administration of the single family mortgage revenue bonds (i.e., how the firm communicates internally regarding the recordkeeping requirements for the bonds). Describe the various offices and functions regarding initial setup for a new issue, monitoring of key dates and compliance issues, procedures for accurate and timely debt service payments, and compliance with reporting requirements.

D) Institute procedures designed to ensure (i) funds are directed into accounts as described in the General or Supplemental Indentures, Resolutions or Certificates and any instructions of VHFA; and (ii) transactions are reconciled and monitored to ensure compliance with any General or Supplemental Indentures, Resolutions or Certificates and any VHFA instructions.

E) Provide information to bondholders regarding bond issues.

F) Comply with dissemination requirements set forth in the transaction documents.

2.2 Traditional Trust Services with VHFA Specific Requirements

Describe your firm's ability to customize your services to meet VHFA specific requirements including, but not limited to, the following:

Bonds

A) Ability to produce and submit single family mortgage revenue bond "Bond Call History" and "Flow of Funds" reports to meet VHFA's specifications on bond payment dates and on an as needed basis.

B) Submit redemption notices to VHFA for all bond calls.

C) Confirm your willingness to enter into or undertake duties under bond documents governed by Vermont law. **(All of VHFA's existing Trust Agreements and Bond Resolutions are governed by Vermont law.)**

Loans and Mortgage Backed Securities

A) Ability to provide Custodial Services for Whole Loan documents (mortgage loan notes and 2nd notes, if applicable).

B) Ability to work with VHFA and Master Servicer to purchase GNMA/Fannie Mae Mortgage Backed Securities (the "Certificates"). Ability to reconcile reports prepared by Master Servicer to ensure Certificates are purchased and principal and interest payments are recorded correctly.

C) Ability to review all documents relating to loans and Certificates for accuracy.

D) Process all documents related to Whole Loan payoffs and foreclosures.

E) Ability to provide principal and interest breakdown for all loan and Certificate receipts.

F) Ability to accept and report data from VHFA's single family participating lenders via "electronic data interface."

Investments

A) Describe your ability to determine the fair market value of the investments held by VHFA, either as whole investments or the subject of amounts held under repurchase agreements, on a daily, weekly or monthly basis.

B) Ability to provide interest rates to VHFA on a daily, weekly or monthly basis on all variable rate investments held in the trust accounts.

C) Ability to determine if investments meet permitted investment and quality requirements of Agency's enabling legislation and General or Supplemental Trust Agreements or Resolutions.

D) **This Request for Proposal is for a new trustee who would take responsibility for managing the new multipurpose (single and multifamily) resolution which would apply to future bond issues. There may be a future opportunity, if the Agency decides to transition its existing agreements to a new trustee. If that decision is made in the future, a new RFP will be issued for trustee services for the existing portfolio.**

However, given this assumption, please state your willingness to assume the obligations of the Trustee under the investment agreements, repurchase agreements and similar investment agreements the Agency's trustee previously has entered without any revisions, modifications or other amendments to the existing documents in the event that the Agency decides to replace its existing trustee. **Copies of all such agreements are available for inspection through Scott Baker, Investment Manager. The Agency reserves the right to retain its existing trustee for its existing obligations.**

E) Describe your monthly reconciliation procedures for investments.

2.3 Reporting Requirements

A) VHFA will require the selected trustee to provide trust statements on a monthly basis. Please state your ability to provide trust statements electronically. For purposes of this RFP, provide a printed copy of a sample trust statement and explain in detail the fields that are available for adaptation to VHFA specific needs. For example, describe the flexibility and characters available for descriptions of transactions.

B) Describe your ability to provide hard copy July 1 through June 30 year end recap statements to VHFA, VHFA auditors and bond counsel within five business days of the fiscal year end.

C) Describe your ability to provide other reports on an as needed basis.

D) State your firm's ability to provide an annual SAS 70 report as required by the Auditor of the State of Vermont. The inability to provide the SAS 70 on an annual basis will disqualify your firm from being appointed as trustee.

2.4 Electronic Capabilities

A) Describe your on-line reporting capabilities. If possible, provide a link to a site or a CD that VHFA can access to view your on-line reporting. Describe in detail the types of reports and information available from your on-line site and the ability for VHFA to download information and convert to a usable format (i.e., CSV, Excel).

B) Describe your system capabilities to provide VHFA current day and month-to-date information as it relates to fund balances, investment balances, investment types, and daily activity.

C) Describe availability of your on-line system; hours of availability, down time for maintenance or upgrades; multiple users and access from sites other than our main office.

D) VHFA currently receives a data file monthly, by the 2nd or 3rd business day after the end of the month, which is downloaded into the Agency's Mitas Cash Management System. The Agency currently has two key initiatives related to improving this process. In the next 4-6 months, we will be upgrading to the latest version of the Mitas software system. We are also currently looking at streamlining our processes to shorten our monthly financial close. One process change we are considering is changing from a monthly download to a daily download. This extract of data will include the daily transactions, cash balances, market rates and interest rate information by account. Describe the ability of your system to download information to VHFA. On a quarterly basis, the Agency requires an accrual file of the interest that posts the first of the month following the quarter. Please include any information that describes "best practice" experience with downloading to Mitas systems. Also, please include any past experience in guiding other HFA's through process improvement in this area, including specific recommendations for frequency of downloads. Exhibit B to this RFP details the fields that will be required for the trust information to feed into VHFA's current accounting system. As mentioned above, VHFA is in the process of upgrading its accounting system and, once that system is upgraded, additional formatting of the data may be necessary. In your response,

acknowledge your ability to provide the information in this requested format and the approximate amount of time needed to comply with this requirement.

E) Indicate your firm's ability to interface with the Depository Trust Company and utilize the Depository Trust Company's FAST procedures.

F) Indicate your firm's ability to wire funds and any related fees or costs.

G) Indicate your firm's ability to accept and process electronic data files containing posting instructions, transfers and other transactions requested by VHFA.

2.5 Other Services

A) Provide us with your turnaround time for processing disbursement requests. Describe the procedures in place for immediate access of funds and other time sensitive transactions.

B) VHFA currently uses trust services for certain funds and accounts not pledged to the bondholders. Explain your trust department's ability to maintain these accounts.

C) Provide information regarding your firm's utilization of any tracking mechanism on performance standards such as the Bank Administration Institute (BAI) Critical Quality Indicators and/or others. For each indicator measured, provide the tracking frequency, period covered and rates attained for the last 2 measurements.

D) Explain your ability and experience as successor of trust services for other comparable portfolios. Include in your explanation a project plan for how this procedure will work and an estimated time frame for completion. Include a list of documents you will need for the transition.

E) Describe any technical advancements you have made that can potentially improve trust operations with the Agency.

Section 3 — Required Information to be provided in Response to Proposal

3.1 Description of Firm

Please describe your firm's experience serving as the trustee for single family mortgage revenue bonds and multifamily housing bonds or similar instruments. In this description of your firm, include the following:

A) Number of years of operation of your corporate trust department.

B) Amount of assets held or administered by your corporate trust department.

C) Percentage of assets representing single family mortgage revenue bond and multifamily housing bonds assets.

D) The ratings of your financial institution by national rating agencies.

E) Trust department's organizational structure.

F) List the number and dollar volume of housing bonds your firm has serviced as the trustee for the last 3 years. Include the name of the issuer of the housing bonds, providing separate lists for single-family and multifamily bonds.

G) Describe the various types of bond structures your staff has administered and the number of issues for each type. The description requested should include, but is not limited to, whether the bond structures were variable rate, fixed rate, hedged, unhedged, taxable and/or tax exempt.

H) Provide a list of your existing State Housing Agency clients.

3.2 Firm References

Please provide 3 references from issuers that have utilized your firm to provide trust services for housing bonds in the past 3 years. If your firm has serviced less than 3 housing bond issuers, you may provide references from governmental issuers issuing bonds other than housing bonds.

3.3 Staff Qualifications

Identify the specific key individuals who would be assigned to work with VHFA and specify which person would be the primary contact person with VHFA. Describe the level of staffing and service that VHFA would receive, including the nature of the work that each person would perform and his/her related professional experience with housing issues.

3.4 Staff Resumes

Please furnish resumes for each individual identified in item 3.3.

3.5 Locations

Identify the location of all of your offices where the servicing of the VHFA accounts would take place.

3.6 Cost Proposal

Provide a proposal for how your institution proposes to charge the Agency for the services that it will provide. Provide detail as to how charges will be computed. Include any transition fees that you would propose to charge. **(While VHFA is conscious of costs and costs will be one of the factors VHFA will consider in its selection, VHFA reserves the right to award the engagement to a respondent that does not propose the lowest cost to the Agency if other factors override the higher costs).**

3.7 Implementation after Selection

If selected to be the Trustee, please estimate amount of time needed to become engaged in the first bond resolution.

3.8 Litigation, Administrative Proceedings, Investigations

Please describe any pending or resolved material litigation, administrative proceedings or investigations in which your corporate trust department has been involved in the previous five year period.

3.9 Defaulted or Defeased Bond Issues

Describe your procedures for handling defaults or defeasance. Provide a list of any defaulted or defeased bond issues your firm has participated in. For any defaults, describe the circumstances of the default. Describe a recent workout situation your firm has administered.

3.10 Additional Information

Include a copy of your latest annual audited financial statements and Community Reinvestment Act Examination document and SAS 70 Audit.

3.11 Other Qualifications

List any other qualifications that should be considered.

Section 4 — Evaluation Process

4.1 Minimum Evaluation Requirements

A Review Committee will evaluate the responses to this RFP. Each proposal will be evaluated to ensure that the applicant has complied with each section of this RFP and followed the formatting, organizational and submission requirements as described in this RFP.

The inability to provide the SAS 70 on an annual basis (Section 2.3.D) and/or the inability to provide the electronic extract in the required format (Section 2.4.D) will disqualify your proposal from being evaluated.

4.2 Determination Criteria

The selection will be made by VHFA based upon the input of the Review Committee, senior staff and the VHFA Board of Commissioners. The selection will be based upon the responses to this RFP, with the objective being for VHFA to receive the highest quality trust services at affordable prices.

The decision of VHFA as to the ultimate selection will be final.

Section 5 — Preparing and Submitting the Proposal

5.1 Proposal Organization and Format

VHFA requires the applicant to follow the formatting described below when submitting its proposal:

A) Proposals will be typed on standard 8.5x11 inch paper, single-spaced with one-inch margins and a 12-point font.

B) Proposals will be organized and presented in order with the section headings and numbers as assigned in the RFP. Each heading will be clearly labeled and separated by tabs.

C) Each response to this RFP will include as the second page a Table of Contents.

5.2 Submitting the Proposal

VHFA requires the applicant to submit three unbound copies of the proposal. Proposals must be mailed or hand delivered as further explained in Section 1.4, Submission of Proposal. By submitting a proposal, the applicant agrees to the following:

A) All materials submitted become the property of VHFA and shall be public information unless a statutory exception exists which would thereby determine that such information cannot be released to the public. If you have information in your proposal that you believe is an exemption to the Vermont Public Records Laws, you must identify each and every occurrence of the information in the proposal on a separate page titled "Exemptions to the Public Records Law".

B) Applicants will respond to all requirements in this RFP and comply with any terms and conditions outlined in the RFP. Failure to do so may result in disqualification of the proposal.

C) All costs incurred in preparation of a proposal shall be borne by the applicant. Proposal preparation costs are not recoverable under the Agreement for Services. VHFA shall not contribute in any way to recovering the cost of proposal preparation.

D) If during the evaluation process it becomes necessary to make further distinctions between certain applicants, VHFA may request certain applicants make oral presentations of proposals to VHFA staff members, and/or the VHFA Review Committee.

E) Proposals received after the deadline will not be reviewed. Applicants are advised that there will be no opportunity to correct mistakes or deficiencies in the proposals after the submission deadline. Proposals that are missing required information may not be evaluated. It is the sole responsibility of the applicant to ensure its proposal is complete, accurate, responsive to the requirements, and received on time. Proposals not complying with the requirements of the RFP may not be reviewed.

Exhibit B

Required Fields for Upload to VHFA's Current Accounting System

Field	Field Type	Field Length	Notes
Date	Numeric	8	yyyymmdd format
Description	String	50	
Income Amount	String	20	
Principal Amount	String	20	
Program	Numeric	4	
Issue	Numeric	4	
Fund	Numeric	4	
Debit – Cash Account	Numeric	4	
Credit - Offset Account	Numeric	4	
Cusip	String	9	
TXC	Numeric	3	
Cusip Description	String	50	

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: Dave Adams, Chief of Program Operations

DATE: for March 12th, 2007

RE: **Staffing Request – Development Department**

Board Action Requested

To authorize the replacement of one staff member to the Development Department.

Background:

Recently the Board was made aware of various staff changes and additions at the Agency as follows:

1) Assistant Director Multifamily Management – New Position Created: Kim Roy appointed.
2) Kim Roy's previous position as a Management Officer was filled via internal posting by Erin Philbrick. **Erin's position remains open and is the subject of this request.**
3) Legal Assistant/Coordinator – New Position Created: Posted and filled internally by Renee Couture, creating an open position for Executive Assistant.
4) Executive Assistant vacated by Renee has been posted internally and has been advertised with interviews in process.

The end result of the changes above is Erin's open position in the Development Department as one of two Multifamily Operations Specialist. We did not seek to fill Erin's position with all the other changes because some of the responsibilities performed by the two Multifamily Operations Specialists were moved to the Legal Assistant (including a portion of loan closing tasks) and some functions were moved to the Multifamily Management Officers (including monthly reporting to HUD via Tracs).

The Development Department performed a detailed review of time required to complete all remaining tasks assigned to the Operation Specialist to determine whether two FTE's were still required to meet the needs of the department. The results of our review confirmed this to be the case. In addition to quantifying timelines assigned to each task, we are also taking into account volume projections which are anticipated to continue at very high levels for the next twelve to eighteen months, and the software conversion projects that will begin shortly and will continue well into next year.

We believe that in order to support the needs of the Development Department we need to fill the vacant Operations Specialist position as soon as possible. We believe this can be accomplished by hiring a full time administrative assistant dedicated primarily to the Development Department while providing support to the Management Officers and other departments as needed.

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EQUAL HOUSING OPPORTUNITY

Interesting Housing Fact

March 2007 Board Meeting
Prepared by Maura Collins

To address how to best serve people in need of housing, we must quantify who needs assistance and the type of housing needed. When tackling an issue like homelessness, this quantification becomes much more difficult since people who are homeless are very hard to count on any given day, or track over the course of a year.

The state's two Continuums of Care (one for Chittenden and one for the remainder of the state) must count people who are living in shelters, on the streets, and other "places not meant for human habitation" every year for their HUD homeless assistance funding. This count is often seen as inadequate because people who are homeless:

- May be resistant to receiving services and therefore not engaged with any networks providers;
- May be survivors of domestic violence and therefore the agencies serving this population refuse to submit any identifying information on people for fear the information may become public;
- May utilize a non-HUD funded shelter or service agency that may not participate in the homeless count since they don't receive any funding for doing so;
- May be among the state's "hidden homeless" who are couch-surfing or doubled up in homes temporarily, but who would be on the streets without their safety net of family or friends;
- Some shelters are wary of the federal government's interest in tracking people who are homeless and therefore they don't like to report information on people utilizing their housing or services; and
- Because the grant requirements ask to only count people who fit HUD's narrow definition of homelessness, which excludes the "hidden homeless," people coming out of prisons/jails, the state hospitals, foster care, or any other state-funded setting.

Nevertheless, Continuums have been doing this "point in time" count for several years, counting everyone who meets HUD's definition of homeless on a given day. **On January 26, 2006 this count showed 927 people who were homeless in Vermont**. Details on those people are attached in a recently compiled report from HUD based on data in the HUD homeless assistance applications.

This year, the state did a *much* more expansive outreach campaign to encourage homeless service and shelter agencies to participate in the count. It reached out to non-traditional sources of information who work with people who are homeless such as schools, local police, local hotels/motels, hospitals, and the faith community. There are over a dozen demographic details about the people counted such as their disability status, type of housing needed, services and resources that could have prevented their homelessness, and more. The "hidden homeless" were also counted this year and, for the first time, steps were taken to prevent double counting people. **This data source will be a treasure of information about a population where few concrete numbers exist.** Since this count is annual, this data will only become more accurate, comprehensive, and we can soon track changes over time.

The point in time count for this year happened January 25, 2007 and the response was tremendous. We are working now on inputting all the information electronically and the first results should be available by the end of the month. I will provide a detailed memo once this year's information is available.

HUD's 2005 Continuum of Care Homeless Assistance Programs
Homeless Populations and Subpopulations

Important Notes About This Data: *This report is based on point-in-time information provided to HUD by Continuums of Care (CoCs) in the 2005 Continuum of Care Homeless Assistance Programs application and has not been independently verified by HUD. The user is cautioned that although CoCs are required to provide an unduplicated count of homeless persons, a standardized methodology to determine unduplicated counts of homeless persons within CoCs has not yet been implemented and the reliability of different street count methodologies can vary. Furthermore any data within this report that aggregates information above the CoC level is not unduplicated for homeless persons that may have been counted in more than one CoC..*

For inquiries about data reported by a specific Continuum of Care, please contact that jurisdiction directly. CoC contact information can be found on the HUD web site.

State Name: Vermont

Summary by household type reported, aggregated to the state level:

	Sheltered			
	Emergency Shelter	**Transitional Housing**	**Unsheltered**	**Total**
Individual Households*	216	111	129	456
Family Households with Children	99	29	32	160
Total Households	**315**	**140**	**161**	**616**

	Sheltered			
	Emergency Shelter	**Transitional Housing**	**Unsheltered**	**Total**
Persons in Individual Households*	216	111	129	456
Persons in Family Households with Children	288	86	97	471
Total Homeless Persons in Households	**504**	**197**	**226**	**927**

Summary of homeless persons by subpopulations reported, aggregated to the state level:

	Sheltered	**Unsheltered****	**Total**
Chronically Homeless	85	54	139
Severely Mentally Ill	152	115	267
Chronic Substance Abuse	254	115	369
Veterans	78	38	116
Persons with HIV or AIDS	11	7	18
Victims of Domestic Violence	68	1	69
Unaccompanied Youth less than 18 yrs.	39	1	40

HUD assumes one person per individual household.

****Provision of information on unsheltered homeless subpopulations was optional in the 2005 CoC application.***

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: Dave Adams, Chief of Program Operations

DATE: for March 12th, 2007

RE: **Multifamily/Development – Report of Loans Closed FY07 YTD**

Attached you will find a report of multifamily loans that have closed year-to-date for FY2007. In summary, the report shows this has been a very busy and productive year on the Multifamily-Development side of the Agency, as it has been in Homeownership.

There were 36 loans closed through February 28th, 2007 for 27 different projects with balances totaling $34.4 million. Our budget for all of FY2007 was $24 million and 15 projects.

55% of loans closed were for the construction of 323 new units, of which 136 were single-family, for-sale housing units, 40% of all new units financed by VHFA.

Short-term construction financing continues to be the predominant type of loan activity representing 87% of total dollar volume, and 36% by number of loans.

Predevelopment financing at $624,500 for 12 projects continues to play a vital role to assist projects at their highest point of risk. This funding is not readily available from conventional sources. Two of twelve projects requesting predevelopment financing were single-family developments with loans totaling $289,000 or 46% of dollar volume.

Permanent and Construction/Permanent financing totaling $3.4 million represents 10% of dollar volume, and 19% of the number of loans.

The numbers reported here are for all projects that received some form of financing from the Agency. Projects that applied for and received Allocated Credits and no financing are not included in these numbers.

The Development Staff is commended for the amount of business they are bringing in. Every project presents its own set of challenges requiring flexibility to meet borrowers' needs while maintaining safe and sound underwriting practices. Coordination with the other funding agencies is critical throughout to be sure we all end up on the same page and hopefully at the same time for closing. Construction loans in process are managed by the Development staff through to completion. At the present time, we have 17 developments under construction. Our pipeline of projects indicates volumes should continue at these levels for the next twelve to eighteen months if they all come in as planned and are not delayed by permitting or other timing obstacles.

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EQUAL HOUSING OPPORTUNITY

MULTIFAMILY / DEVELOPMENT CLOSED LOAN REPORT JULY 1, 2006 TO JUNE 30 2007

Project Name	Project Sponsor	County	Exist/ Rehab	Exist units new to AFHI	New Units	Date Closed	VHFA ST Const	VHFA Const/Perm	VHFA Permanent	0% Loan	Predev Loans	Out-of-Cap Credits	4% Credit EQUITY	Allocated Credits	9% Credits EQUITY	State Credits	Development Officer
Bemis Block, Hardwick	HVT	Caledonia	14			12/13/06	$ 1,105,000	$ 395,000		$ -				$ 98,000	$ 887,316		Joe
Blackberry Commons-Milton	Carrol, James	Chittenden			**31**	11/01/06					$ 189,000						Cindy
Bradford Scattered Site	HVT/CVCLT	Orange		32		12/29/06								$ 434,375	$ 4,790,879	$ 62,500	Liza
Butterfield Common Condominiums-WDov	BACLT	Windham			**6**	01/30/07	$ 625,000										Cindy
Cherry, Summer & George	LHP	Lamoille	10			11/07/06				$ 30,000							John B
Conant Square-Brandon	RCCLT	Rutland	19			08/30/06	$ 1,100,000		$ 291,000	$ 100,000		$ 77,000	$ 713,579				Liza
Esteyville Housing, Brattleboro	BACLT	Windham			20	09/25/06					$ 50,000						Cindy
Esteyville Housing, Brattleboro	BACLT	Windham			*	01/30/07	$ 2,500,000					$ 138,100	$ 1,228,503			$ 53,500	Cindy
Green Woods Village-SF Shoreham	Parker, Jerimiah	Addison			*	10/11/06					$ 20,000						Liza
Green Woods Village-SF Shoreham	Parker, Jerimiah	Addison			**7**	11/20/06	$ 700,000										Liza
Habitat for Humanity	Habitat	Chittenden			**2**	02/22/07			$ 300,000								David
Hardwick Family Housing	HVT/LHP	Caledonia	8			12/18/06	$ 1,100,000					$ 37,000	$ 310,800				Joe
Hazelnut Hill	Burlington Cohousin	Chittenden	30		**30**	09/12/06	$ 6,100,000										Liza
Main Street Senior Housing-Newport	GHT	Orleans			12	08/17/06					$ 30,000						Cindy
Main Street Senior Housing-Newport	GHT	Orleans			*	12/18/06					$ 7,500						Cindy
Maple Ridge Mobile Home Park, Lyndonville	GHT	Caledonia	36		4	12/28/06					$ 30,000						Cindy
Middlebury South Village Rental Units	HVT/ACCT/RWNHS	Addison			30	11/10/06	$ 3,900,000	$ 510,000						$ 531,000	$ 4,838,471	$ 50,000	Joe
Middlebury South Village-Cottage Units	RWNHS	Addison			**27**	11/14/06	$ 2,350,000										Liza
Putney Village Housing	HVT/BACLT		35			01/30/07					$ 50,000						Liza
RACLT-Proctorsville Revitalizaton-Rental	RACLT	Windsor	8		2	07/10/06					$ 23,000						Cindy
Randall Apartments-Burlington	BHA	Chittenden	11			08/14/06			$ 500,000	$ 200,000							Liza
Salisbury Square-Randolph	RACDC	Orange			**25**	08/08/06					$ 100,000						Cindy
South School Bennington Housing	VHT/RAHC	Bennington	8		4	08/17/06					$ 30,000						Cindy
Stonewall Farms/Bianchi Bldg	CVCLT	Washington	10		8	10/19/06					$ 45,000						Joe
Stowe Family Condominiums	HVT/LHP	Lamoille			**8**	11/21/06	$ 1,747,000										Cindy
Stowe Family MF Rental Housing	HVT/LHP	Lamoille			28	11/21/06	$ 4,300,000							$ 519,000	$ 4,463,400	$ 55,000	Cindy
West River Independent Living	HVT/VC	Windham			24	11/01/06	$ 2,100,000	$ 200,000						$ 280,000	$ 2,576,000		Cindy
West River Valley Assisted Living	HVT/VC	Windham			28	11/01/06	$ 2,365,000							$ 193,000	$ 1,763,055	$ 60,000	Cindy
Whitney Hill- Williston	CSC	Chittenden	44			02/08/07			$ 1,241,000								Cindy
Willard Mill, St. Albans	HVT/LCHT	Franklin			27	08/14/06					$ 50,000						Liza
Number of Loans							13	3	4	4	12	3	3	6	6	5	
Dollar Volume							$29,992,000	$ 1,105,000	$ 2,332,000	$ 330,000	$ 624,500	$ 252,100	$ 2,252,882	$ 2,055,375	$19,319,121	$ 281,000	
		Number of Units	233	32	323	588	87%	3%	7%	1%	2%	Percent of production by dollar volume					
* Units previously reported		**Percent Unit Type**	40%	5%	55%		36%	8%	11%	11%	33%	Percent of production by number of loans					
							Total Loans	**36**	**$34,383,500**								

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Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Director of Homeownership Programs

DATE: March 5, 2007

RE: Summary of Homeownership Activities

PRODUCTION

Attached are FY 2007 and CY 2007 year to date production reports. We have purchased a total of $91.4 million in loans in FY 2007. VHFA's current pipeline is $25.0 million. Business was somewhat slower than anticipated over the past several months; however, activity has increased over the past several weeks.

COLLECTIONS

Delinquency reports as of January 31, 2007 are attached. As of January 31, 2006, VHFA owned 2 properties; one is under contract and the closing has been delayed to March 16, 2007.

If you have any questions please do not hesitate to call me at 652-3442 or email me at pcrady@vhfa.org.

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EQUAL HOUSING OPPORTUNITY

FY07 Production Summary

July 1, 2006 - June 30, 2007

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total
MOVE	12,358,137	16,354,977	14,702,565	9,391,304	11,050,470	12,027,936	6,478,688	5,154,110					**87,518,187**
HOUSE	170,654	640,120	267,939	264,000	387,900	722,916	201,680	225,325					**2,880,534**
RURAL DEV.			26,500	28,500									**55,000**
LIMITED REFI				113,953									**113,953**
FIXED35				422,000	220,000	189,050							**831,050**
Dollar Total	**12,528,791**	**16,995,097**	**14,997,004**	**10,219,757**	**11,658,370**	**12,939,902**	**6,680,368**	**5,379,435**	**0**	**0**	**0**	**0**	**91,398,724**
Total # of Loans	**87**	**122**	**104**	**75**	**82**	**90**	**49**	**36**					**645**
MOBILE HOME	1,505,907	1,043,436	392,800	1,336,196	1,151,800	1,279,875	**865,250**	220,750					**7,796,014**
Total # of MH*	**15**	**13**	**5**	**14**	**13**	**13**	**9**	**2**					**84**

*The Mobile Home # is included in the above line item titled "Total # of Loans"

FY06 Production Summary

July 1, 2005 - June 30, 2006

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total
MOVE	9,369,277	6,572,803	9,805,306	6,903,022	5,274,920	9,356,725	5,747,307	5,115,359	6,723,853	7,002,262	8,709,255	14,414,830	**94,994,919**
HOUSE	424,415	265,900	180,610	923,600	115,000	158,900	257,220		565,314	440,420	379,400	608,070	**4,318,849**
RURAL DEV.	30,020	78,300	43,350		29,600		32,000				27,000	25,460	**265,730**
LIMITED REFI	47,200				34,200				31,950	55,000	164,820		**333,170**
Dollar Total	**9,870,912**	**6,917,003**	**10,029,266**	**7,826,622**	**5,453,720**	**9,515,625**	**6,036,527**	**5,115,359**	**7,321,117**	**7,497,682**	**9,280,475**	**15,048,360**	**99,912,668**
Total # of Loans	**81**	**59**	**82**	**61**	**51**	**71**	**46**	**41**	**54**	**53**	**70**	**109**	**778**
MOBILE HOME	992,692	707,650	1,124,450	1,040,471	1,064,087	1,294,715	905,200	577,811	396,190	707,480	972,825	1,809,676	**11,593,247**
Total # of MH*	**14**	**9**	**12**	**11**	**14**	**13**	**9**	**6**	**5**	**6**	**10**	**19**	**128**

*The Mobile Home # is included in the above line item titled "Total # of Loans"

FY07 Dollar Volume by Lender

July 1, 2006- June 30, 2007

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD TOTAL
NEW ENGLAND FCU	2,873,839	2,839,824	2,717,501	1,695,597	2,747,670	3,058,643	1,346,555	1,541,630					$18,821,259
CHITTENDEN MTG SVCS	1,835,886	2,460,407	3,107,879	557,681	1,671,306	2,056,070	1,273,940	1,152,919					$14,116,088
UNIVERSAL	1,008,812	2,268,098	2,430,432	1,244,269	466,400	845,490	770,522	902,682					$9,936,705
MTG FINANCIAL	337,756	1,633,156	630,897	935,621	951,004	932,534	178,208	75,000					$5,674,176
COMMUNITY	478,815	871,590	364,080	351,677	1,670,045	694,138	314,700	140,904					$4,885,949
SUMMIT	1,544,444	471,000	364,900	687,564	857,219	541,241	213,928	164,560					$4,844,856
NORTHFIELD	269,000	987,970	553,885	663,750	384,200	732,253	317,900						$3,908,958
HERITAGE FCU	169,702	242,417	575,600	262,900	520,000		198,203	389,100					$2,357,922
N.E. HOME LOAN	605,060	477,100	172,850	401,800		344,190	330,950						$2,331,950
VT STATE ECU	377,500	137,819	130,000	481,000	480,345		211,700	383,050					$2,201,414
GMAC	343,900	975,350	336,300	201,000	87,000	115,000		75,000					$2,133,550
UNION	259,000	360,500	458,113	449,450		241,075	242,570						$2,010,708
LIBERTYQUEST	213,000	542,775	296,817	160,000	282,314	289,648	214,442						$1,998,996
PEOPLES TRUST		174,750	596,700	354,900	150,000	305,700		175,000					$1,757,050
TDBANKNORTH	212,150	330,310	539,800	130,000			224,050	266,100					$1,702,410
VT FEDERAL CU	563,632	301,922	182,320	184,073	144,000	231,700							$1,607,647
FACTORY PT	374,500	599,750			172,200	276,000							$1,422,450
NORTH COUNTRY CU	138,500		$260,000	120,000	285,000	122,320	492,800						$1,418,620
MASCOMA	160,000	214,900	296,280	200,000		405,110	97,000						$1,373,290
COUNTRYWIDE			279,000	171,000	447,221	144,000	252,900						$1,294,121
CTX	357,795	281,934	120,000	190,272	215,491								$1,165,492
FIRST COMMUNITY		372,025	140,000			467,000							$979,025
BRATTLEBORO	252,800		34,300		126,955	519,850							$933,905
NAT'L BNK MIDDLE			148,000	0		410,000							$558,000
CT RIVER		258,700	70,800	96,000				113,490					$538,990
BANK OF BENN	110,000		164,050			207,940							$481,990
OPPORTUNITIES CU				434,653									$434,653
LYNDONVILLE		159,500											$159,500
CCO MORTGAGE				155,000									$155,000
RIVER VALLE CU	42,700	33,300		63,050									$139,050
VHFA (RD)			26,500	28,500									$55,000
FIRST BRANDON													$0
TOTAL	$12,528,791	$16,995,097	$14,997,004	$10,219,757	$11,658,370	$12,939,902	$6,680,368	$5,379,435					$91,398,724

FY07 Loan Volume by Lender

July 1, 2006 - June 30, 2007

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD TOTAL
NEW ENGLAND FCU	16	18	15	11	16	18	8	9					111
CHITTENDEN MTG SVCS	14	18	21	5	12	14	9	8					101
UNIVERSAL	7	15	14	7	3	6	5	5					62
COMMUNITY	4	8	3	4	13	5	3	1					41
MTG FINANCIAL SRV	2	10	5	6	6	5	1	1					36
NORTHFIELD	2	8	4	4	3	7	3						31
SUMMIT	9	3	3	4	5	3	1	1					29
N.E. HOME LOAN	6	4	2	3		3	3						21
GMAC	3	8	3	2	1	1		1					19
HERITAGE FCU	1	2	4	2	5		2	3					19
VT STATE ECU	3	1	1	3	4	2	2	3					19
UNION	2	3	4	4		2	2						17
LIBERTYQUEST	2	3	3	1	2	2	1						14
TDBANKNORTH	2	2	4	2			2	2					14
PEOPLES TRUST		2	4	3	1	2		1					13
FACTORY PT	3	4			2	2							11
NORTH COUNTRY FCU	1		2	1	2	1	4						11
MASCOMA	1	2	2	1		3	1						10
BRATTLEBORO	2		1		2	4							9
COUNTRYWIDE			2	1	3	1	2						9
VT FEDERAL CU	3	2	1	2	1								9
CTX	2	2	1	1	1								7
FIRST COMMUNITY		3	1			3							7
CT RIVER		2	1	1				1					5
NAT'L BNK MIDDLE			1			4							5
BANK OF BENN	1		1			2							4
OPPORTUNITIES CU				4									4
RIVER VALLEY CU	1	1		1									3
VHFA (RD)			1	1									2
CCO MORTGAGE				1									1
LYNDONVILLE		1											1
FIRST BRANDON													0
TOTAL	87	122	104	75	82	90	49	36	0	0	0	0	645

CY07 Production Summary

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	Total
MOVE	6,478,688	5,154,110											**11,632,798**
HOUSE	201,680	225,325											**427,005**
RURAL DEV.													**0**
LIMITED REFI													**0**
FIXED35													**0**
Total	**6,680,368**	**5,379,435**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**12,059,803**
MOBILE HOME	865,250	220,750											**1,086,000**

CY06 Production Summary

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	Total
MOVE	5,747,307	5,115,359	6,723,853	7,002,262	8,709,255	14,414,830	12,358,137	16,354,977	14,702,565	9,391,304	11,050,470	12,027,936	**123,598,255**
HOUSE	257,220		565,314	440,420	379,400	608,070	170,654	640,120	267,939	264,000	387,900	722,916	**4,703,953**
RURAL DEV.	32,000					25,460			26,500	28,500			**112,460**
LIMITED REFI			31,950	55,000	164,820					113,953			**365,723**
FIXED35										422,000	220,000	189,050	**831,050**
Total	**6,036,527**	**5,115,359**	**7,321,117**	**7,497,682**	**9,253,475**	**15,048,360**	**12,528,791**	**16,995,097**	**14,997,004**	**10,219,757**	**11,658,370**	**12,939,902**	**129,611,441**
MOBILE HOME	905,200	577,811	396,190	707,480	972,825	1,809,676	1,505,907	1,043,436	392,800	1,336,196	1,151,800	1,279,875	**12,079,196**

CY07 Dollar Volume by Lender

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	YTD TOTAL
NEW ENGLAND FCU	1,346,555	1,541,630											2,888,185
CHITTENDEN MTG SVCS	1,273,940	1,152,919											2,426,859
UNIVERSAL	770,522	902,682											1,673,204
VT STATE ECU	211,700	383,050											594,750
HERITAGE FCU	198,203	389,100											587,303
NORTH COUNTRY CU	492,800												492,800
TDBANKNORTH	224,050	266,100											490,150
COMMUNITY	314,700	140,904											455,604
SUMMIT	213,928	164,560											378,488
N.E. HOME LOAN	330,950												330,950
NORTHFIELD	317,900												317,900
MTG FINANCIAL	178,208	75,000											253,208
COUNTRYWIDE	252,900												252,900
UNION	242,570												242,570
LIBERTYQUEST	214,442												214,442
PEOPLES TRUST		175,000											175,000
CT RIVER		113,490											113,490
MASCOMA	97,000												97,000
GMAC		75,000											75,000
BANK OF BENN													0
BRATTLEBORO													0
CCO MORTGAGE													0
CTX													0
FACTORY PT													0
FIRST BRANDON													0
FIRST COMMUNITY													0
LYNDONVILLE													0
NAT'L BNK MIDDLE													0
OPPORTUNITIES CU													0
RIVER VALLEY CU													0
VHFA (RD)													0
VT FEDERAL CU													0
TOTAL	$6,680,368	$5,379,435	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$12,059,803

No longer participating:
Kittredge Mortgage, Key Bank

Re-Activated:
CCO Mortgage (Charter One)
Wells Fargo
First Brandon

CY07 Number of loans

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	YTD TOTAL
CHITTENDEN MTG SVCS	9	8											17
NEW ENGLAND FCU	8	9											17
UNIVERSAL	5	5											10
HERITAGE FCU	2	3											5
VT STATE ECU	2	3											5
COMMUNITY	3	1											4
NORTH COUNTRY CU	4												4
TDBANKNORTH	2	2											4
N.E. HOME LOAN	3												3
NORTHFIELD	3												3
COUNTRYWIDE	2												2
MTG FINANCIAL	1	1											2
SUMMIT	1	1											2
UNION	2												2
CT RIVER		1											1
GMAC		1											1
LIBERTYQUEST	1												1
MASCOMA	1												1
PEOPLES TRUST		1											1
BANK OF BENN													0
BRATTLEBORO													0
CCO MORTGAGE													0
CTX													0
FACTORY PT													0
FIRST BRANDON													0
FIRST COMMUNITY													0
LYNDONVILLE													0
NAT'L BNK MIDDLE													0
OPPORTUNITIES CU													0
RIVER VALLEY CU													0
VHFA (RD)													0
VT FEDERAL CU													0
TOTAL	49	36	0	0	0	0	0	0	0	0	0	0	85

No longer participating:
Kittredge Mortgage, Key Bank

Re-Activated:
CCO Mortgage (Charter One)
Wells Fargo
First Brandon

HOMEOWNERSHIP DELINQUENCY REPORT
FISCAL YEAR 2007

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
Total Portfolio #	4799	4876	4932	4946	4988	5041	5059						4949
Total Portfolio $	388.6	401.9	412.7	417.9	426.3	436.9	439.7						417.7

NUMBER OF DELINQUENT LOANS

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	199	187	223	194	224	232	209						210
60 Days	50	41	42	44	55	78	59						53
90 Days	13	16	15	14	19	23	25						18
Foreclosure	41	41	37	35	39	34	37						38
Total Delq FY 07	303	285	317	287	337	367	330	0	0	0	0	0	318
Total Delq FY 06	331	315	323	288	347	353	338	319	271	310	286	280	313

PERCENT BY NUMBER OF DELINQUENT LOANS

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	4.15%	3.84%	4.52%	3.92%	4.49%	4.60%	4.13%						4.24%
60 Days	1.04%	0.84%	0.85%	0.89%	1.00%	1.55%	1.17%						1.05%
90 Days	0.27%	0.33%	0.30%	0.28%	0.38%	0.46%	0.49%						0.36%
Foreclosure	0.85%	0.84%	0.75%	0.71%	0.78%	0.67%	0.73%						0.76%
Total Delq FY 07	6.31%	5.85%	6.42%	5.80%	6.65%	7.28%	6.52%	0.00%	0.00%	0.00%	0.00%	0.00%	6.40%
Total Delq FY 06	7.21%	6.89%	7.05%	6.30%	7.60%	7.68%	7.31%	6.88%	5.81%	6.65%	6.09%	5.87%	6.78%

DOLLAR AMOUNT OF DELINQUENT LOANS

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	$11.2	$11.2	$13.2	$12.9	$13.7	$14.6	$13.1						$12.8
60 Days	$2.9	$2.3	$2.5	$2.7	$3.2	$4.6	$3.5						$3.1
90+ Days	$3.1	$3.2	$3.1	$2.9	$3.7	$3.8	$3.9						$3.4
Total Delq FY 07	$17.2	$16.7	$18.8	$18.5	$20.6	$23.0	$20.5	$0.0	$0.0	$0.0	$0.0	$0.0	$19.3
Total Delq FY 06	$19.4	$17.6	$18.9	$16.8	$20.2	$20.3	$20.2	$18.9	$15.8	$17.6	$16.5	$16.2	$18.2

VERMONT HOUSING FINANCE AGENCY
HOMEOWNERSHIP PROGRAM MONTHLY DELINQUENCY REPORT
January 31, 2007

Lenders	Total Loans	30 Days		60 Days		90+ Days		In Foreclosure		Total Delinquent		REO	
Chittenden Mortgage Services	1220	70	5.74%	22	1.80%	11	0.90%	14	1.15%	117	9.59%	1	0.08%
Graystone Mortgage Company	2094	95	4.54%	21	1.00%	8	0.38%	21	1.00%	145	6.92%	1	0.05%
Opportunities CU	136	4	2.94%	3	2.21%	1	0.74%	1	0.74%	9	6.62%	0	0.00%
Community National Bank	318	16	5.03%	4	1.26%	0	0.00%	0	0.00%	20	6.29%	0	0.00%
Bank of Bennington	66	3	4.55%	1	1.52%	0	0.00%	0	0.00%	4	6.06%	0	0.00%
Brattleboro Savings & Loan	89	4	4.49%	0	0.00%	1	1.12%	0	0.00%	5	5.62%	0	0.00%
Union Bank	324	10	3.09%	6	1.85%	1	0.31%	1	0.31%	18	5.56%	0	0.00%
Peoples Trust Co.	106	2	1.89%	1	0.94%	2	1.89%	0	0.00%	5	4.72%	0	0.00%
Heritage Family Credit Union	127	1	0.79%	1	0.79%	1	0.79%	0	0.00%	3	2.36%	0	0.00%
Mascoma Savings Bank	45	1	2.22%	0	0.00%	0	0.00%	0	0.00%	1	2.22%	0	0.00%
Factory Point Nat. Bank	62	1	1.61%	0	0.00%	0	0.00%	0	0.00%	1	1.61%	0	0.00%
New England Federal CU	412	2	0.49%	0	0.00%	0	0.00%	0	0.00%	2	0.49%	0	0.00%
CitiMortgage	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Connecticut River Bank	55	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Randolph National Bank	4	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Totals	**5059**	**209**	**4.13%**	**59**	**1.17%**	**25**	**0.49%**	**37**	**0.73%**	**330**	**6.52%**	**2**	**0.04%**
Totals Previous Month	**5041**	**232**	**4.60%**	**78**	**1.55%**	**23**	**0.46%**	**34**	**0.67%**	**367**	**7.28%**	**2**	**0.04%**
Totals Same Mo. Last Yr.	**4627**	**215**	**4.65%**	**53**	**1.15%**	**32**	**0.69%**	**38**	**0.82%**	**338**	**7.30%**	**4**	**0.09%**

Note: Of the loans in foreclosure, a total of 17 are under a Chapter l3 Bankruptcy Plan

Monthly Delinquency [redacted]ervicer

Lenders	Jan 2006	Feb 2006	March 2006	April 2006	May 2006	June 2006	July 2006	Aug 2006	Sept 2006	Oct 2006	Nov 2006	Dec 2006	Jan 2007
Bank of Bennington	1.67%	3.23%	3.23%	3.13%	3.08%	1.54%	1.52%	4.55%	1.52%	0.00%	4.55%	2.94%	6.06%
Brattleboro Savings & Loan	2.44%	2.41%	2.44%	0.00%	1.20%	3.57%	2.35%	3.53%	3.53%	3.57%	5.81%	7.87%	5.62%
Chittenden Mortgage Services	11.27%	9.88%	8.29%	10.36%	9.09%	9.08%	9.38%	8.39%	9.04%	8.08%	9.97%	1.08%	9.59%
CitiMortgage	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Community National Bank	5.00%	3.90%	3.52%	2.83%	4.51%	3.06%	5.72%	4.29%	6.27%	5.92%	5.70%	7.23%	6.29%
Connecticut River Bank	1.89%	1.96%	1.96%	2.00%	4.00%	1.92%	3.85%	3.70%	0.00%	0.00%	0.00%	3.64%	0.00%
Factory Point Nat. Bank	3.51%	0.00%	0.00%	0.00%	3.51%	3.45%	5.00%	1.56%	3.17%	1.67%	0.00%	0.00%	1.61%
Graystone	7.80%	8.10%	6.48%	7.45%	6.58%	6.21%	6.84%	6.38%	7.34%	6.75%	7.54%	7.65%	6.92%
Heritage Family CU	1.80%	0.00%	0.00%	0.88%	0.86%	1.71%	1.72%	2.56%	3.36%	3.31%	2.38%	2.38%	2.36%
Mascoma Savings Bank	0.00%	0.00%	2.86%	2.94%	0.00%	0.00%	2.70%	0.00%	2.50%	2.44%	2.44%	6.82%	2.22%
New England Federal CU	0.35%	0.70%	0.68%	0.34%	0.33%	0.62%	0.59%	0.56%	0.27%	0.26%	0.00%	0.74%	0.49%
Opportunites CU	6.47%	5.71%	7.04%	7.75%	6.29%	6.80%	8.28%	7.64%	6.34%	5.59%	6.38%	4.29%	6.62%
Peoples Trust Co.	3.09%	3.06%	3.00%	2.02%	2.04%	4.12%	3.09%	3.06%	3.92%	4.81%	4.76%	3.77%	4.72%
Randolph National Bank	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Union Bank	5.86%	5.26%	4.95%	4.63%	5.21%	4.89%	3.07%	4.32%	4.01%	3.06%	5.25%	6.13%	5.56%

REO INVENTORY REPORT
As of January 31, 2007

Mortgagor	REO Date	City/Town	Princ. Bal.	Interest	Expenses	Receipts (1)	Total Cost Basis	Valuation Allowance	List Amount (2)	Current Appraisal	Date Last Appraised	Original Appraisal	Loan Date	Type	Comments
Hogan	**8/1/2006**	**East Barre**	**$ 85,803**	**$ 3,189**	**$ 12,287**	**$ 26,450**	**$ 74,829**	**$ -**	**$ 79,000**	**$ 81,000**	**5/18/06**	**$ 91,000**	**10/24/03**	**SF**	**Under Contract $70,000; closing 3/16/07**
Goble	10/12/2006	Roxbury	$ 50,542	$ 4,340	$ 9,096	$ -	$ 63,978		$ 99,900	$ 106,000	3/23/06	$ 60,000	10/06/97	MH	VHFA was high bidder at public sale
2			**$ 136,345**	**$ 7,529**	**$ 21,383**	**$ 26,450**	**$ 138,807**	**$ -**	**$ 178,900**	**$ 187,000**		**$ 151,000**			

REOS that are under deposit

(1) Receipts column represents actual and projected/estimated mortgage insurance claim payments

(2) If Property is under deposit the List Price is the actual sale price.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Tim Gutchell, Controller

DATE: March 01, 2007

RE: **Interim General Fund Budget Report – Fiscal year 2007 through 12/31/06**

Attached is the initial interim budget report for fiscal year 2007 through December 31, 2006, the end of the the Agency's second quarter.

In reviewing the budget report please note one presentation change. In the past I have reported fund balance transfers on a cash basis. However, since these transfers are fully discretionary, and our intent is to transfer from the bond programs to the Agency's general operating fund the full and exact amount of the annual budgeted transfers by year end, I am now showing these balances on an accrual, or pro-rata basis in the amount received year-to-date column in the budget reports. This change will eliminate interim skewing of overall percentage and dollar variances in the underlying reports since fund transfers will always be reported exactly at budget. Although we did not book the fund balance accruals in our 12/31/06 financial statements, we intend to begin doing so in the third fiscal quarter.

At the halfway point of our fiscal year the overall operating budget is very much in line with expectations. Total income is at 56% of budget with positive variances in each income category, and total expenses incurred are on target at 48% of budget at 12/31/06.

I have reviewed the individual income and expense line items within the overall budget as well, and find them to be reasonable and generally within our expectations at this point in the fiscal year.

Individual line item variance worth mentioning include **trustee fees** where we had not paid our second quarter fees at 12/31, and chose not to accrue them pending the conclusion of our negotiations with TDBanknorth and Bank of New York for a fee concession based on the extraordinary costs incurred by VHFA in the recent trustee conversion. **Organizational subsidies** are also over the pro-rata year-to-date budget, but as I have mentioned in earlier reports, these costs are paid out to the related homeownership centers in full in the beginning of the fiscal year. Similarly, **audit fees** are incurred and paid in full early in the fiscal year. Single Family **loan origination fees** continue to outpace what we projected, but this really is a positive development resulting from higher than expected year-to-date single-family loan originations.

Actual costs incurred for **consulting** of $6,112 through 12/31 are primarily the costs associated with the one day staff retreat held at the Inn at Essex on October 24th. Additional budgeted consulting costs for multi-agency studies ($13,500), CFO training ($10,000), Winooski redevelopment ($7,500), IT technical support ($10,000), and a handful of miscellaneous items, have not been incurred yet.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

Interim General Fund Budget Report – Fiscal year 2007 through 12/31/06 (Cont'd);

And once again I would like to call your attention to our continuing positive loan loss experience. Through 12/31 we are showing a net gain of $21,882. Should this trend continue and we end the year in the black, it will be the 5th consecutive year of net gains from disposition of owned single-family properties.

If, after reviewing the budget report, you have any questions or concerns, or would like additional information, please feel free to contact me.

Thank You.

Tim Gutchell, Controller

tgutchell@vhfa.org

Vermont Housing Finance Agency
INTERIM BUDGET REPORT
EXPENSES AND OTHER COSTS
FY 2007 Through 12/31/2006

Portion of year expired = 50.00%

Portion of year remaining = 50.00%

	BUDGET:		EXPENDED:				REMAINING:	
	Approved Annual Budget	Prorata YTD Budget Thru 12/31/2006	Amount Expended YTD Thru 12/31/2006	Percentage of Annual Budget Expended Thru 12/31/2006	Amount (Over) Under Prorata YTD Budget As of 12/31/2006	Percent Over(-) Under Prorata YTD Budget Thru 12/31/2006	Amount Unexpended As of 12/31/2006	Percent Unexpended As of 12/31/2006
OPERATING EXPENSES:								
Salaries and Wages	$2,081,490	$1,040,745	$1,002,689	48.17%	$38,056	3.66%	$1,078,801	51.83%
Consulting	58,000	29,000	$6,112	10.54%	22,888	78.92%	51,888	89.46%
Trustee Fees	191,900	95,950	$43,363	22.60%	52,587	54.81%	148,537	77.40%
Employee Benefits	425,684	212,842	$197,856	46.48%	14,986	7.04%	227,828	53.52%
Depreciation	139,857	69,929	$64,437	46.07%	5,491	7.85%	75,420	53.93%
Pension	210,831	105,416	$92,316	43.79%	13,099	12.43%	118,515	56.21%
Payroll Taxes	158,071	79,036	$74,258	46.98%	4,777	6.04%	83,813	53.02%
Legal	82,500	41,250	$38,044	46.11%	3,206	7.77%	44,456	53.89%
Marketing & Outreach	171,200	85,600	$85,000	49.65%	600	0.70%	86,200	50.35%
Travel & Training	112,750	56,375	$54,809	48.61%	1,566	2.78%	57,941	51.39%
Occupancy	87,471	43,736	$44,030	50.34%	(295)	-0.67%	43,441	49.66%
Telephone	24,330	12,165	$10,109	41.55%	2,056	16.90%	14,221	58.45%
Maintenance Agreements	72,006	36,003	$35,380	49.13%	623	1.73%	36,626	50.87%
Audit	55,000	27,500	$53,000	96.36%	(25,500)	-92.73%	2,000	3.64%
Interest	44,392	22,196	$20,157	45.41%	2,039	9.19%	24,235	54.59%
Dues & Subscriptions	40,787	20,394	$17,272	42.35%	3,121	15.30%	23,515	57.65%
Office Supplies	30,796	15,398	$15,162	49.23%	236	1.53%	15,634	50.77%
Contract Services	91,125	45,563	$48,273	52.97%	(2,711)	-5.95%	42,852	47.03%
Postage	25,095	12,548	$9,682	38.58%	2,866	22.84%	15,413	61.42%
Printing	23,900	11,950	$6,927	28.98%	5,023	42.03%	16,973	71.02%
Liability Insurance	20,672	10,336	$7,367	35.64%	2,969	28.72%	13,305	64.36%
Miscellaneous	8,900	4,450	$7,322	82.27%	(2,872)	-64.54%	1,578	17.73%
Commisioners Fees	13,250	6,625	$5,453	41.16%	1,172	17.68%	7,797	58.84%
Temp Services	3,000	1,500	$0	0.00%	1,500	100.00%	3,000	100.00%
Total Operating Expenses	$4,173,007	$2,086,504	$1,939,020	46.47%	147,484	7.07%	$2,233,987	53.53%
OTHER COSTS (general fund):								
Loan Interest Cost	$753,000	376,500	$326,848	43.41%	$49,652	13.19%	$426,152	56.59%
Organizational Subsidies	295,000	$147,500	233,433	79.13%	(85,933)	-58.26%	61,567	20.87%
Total Other Costs	$1,048,000	$524,000	$560,281	53.46%	($36,281)	-6.92%	487,719	46.54%
Total Expenses	$5,221,007	$2,610,504	$2,499,301	47.87%	$111,202	4.26%	$2,721,705.89	52.13%
OTHER COSTS (bond):								
SF Loan Losses (gains)	$250,000	$125,000	($21,882)	-8.75%	$146,882	117.51%	$271,882	108.75%
MF Loan Losses (gains)	$300,000	$150,000	$0	0.00%	$150,000	100.00%	$300,000	100.00%
Advertising - New Bond COI	$120,000	$60,000	$23,532	19.61%	$36,468	60.78%	$96,468	80.39%
SF Loan Origination Fees	$1,116,000	$558,000	$969,288	86.85%	($411,288)	-73.71%	$146,712	13.15%

Vermont Housing Finance Agency
INTERIM BUDGET REPORT
INCOME AND FUND TRANSFERS
FY 2007 Thru 12/31/2006

Portion of year expired = 50.00%

Portion of year remaining = 50.00%

	BUDGET:		RECEIVED:				REMAINING:	
	Approved Annual Budget	Prorata YTD Budget Thru 12/31/2006	Amount Received YTD Thru 12/31/2006	Percentage of Annual Budget Received Thru 12/31/2006	Favorable (Unfavorable) Prorata YTD Budget As of 12/31/2006	Favorable Unfavorable (-) Prorata YTD Budget Thru 12/31/2006	Amount Outstanding As of 12/31/2006	Percent Outstanding As of 12/31/2006
INCOME:								
Interest Income - Loans	$777,979	$388,990	$416,205	53.50%	$27,216	7.00%	$361,774	46.50%
Multi-family Fees	549,229	$274,615	$319,285	58.13%	$44,670	16.27%	$229,944	41.87%
Miscellaneous Income	61,152	$30,576	$30,779	50.33%	$203	0.66%	$30,373	49.67%
Interest Income - Investments	78,750	$39,375	$53,390	67.80%	$14,015	35.59%	$25,360	32.20%
Single family Fees	30,500	$15,250	$21,958	71.99%	$6,708	43.99%	$8,542	28.01%
Total Income	$1,497,610	$748,805	$841,617	56.20%	$92,812	12.39%	$655,993	43.80%
NET FUND TRANSFERS:								
SF Housing Bonds	$2,250,000	$1,125,000	$1,125,000	50.00%	$0	0.00%	$1,125,000	50.00%
SF Insured Mortgage Program	400,000	$200,000	$200,000	50.00%	$0	0.00%	$200,000	50.00%
SF Home Mtge Purch Program	350,000	$175,000	$175,000	50.00%	$0	0.00%	$175,000	50.00%
MF Mortgage Bonds (HWMF)	440,000	$220,000	$220,000	50.00%	$0	0.00%	$220,000	50.00%
MF Housing Bonds	240,000	$120,000	$120,000	50.00%	$0	0.00%	$120,000	50.00%
MF Direct Placement Bonds	130,000	$65,000	$65,000	50.00%	$0	0.00%	$65,000	50.00%
Total Fund Transfers	$3,810,000	$1,905,000	$1,905,000	50.00%	$0	0.00%	$1,905,000	50.00%
Total Income & Transfers	$5,307,610	$2,653,805	$2,746,617	51.75%	$92,812	3.50%	$2,560,993	48.25%
Total Expenses (see sch)	5,221,007	$1,305,252	2,499,301	47.87%	($1,194,049)	-91.48%	$2,721,706	52.13%
FY 2006 Budget surplus YTD	$86,603	$1,348,553	$247,316	285.57%	(1,101,237)	-81.66%	($160,713)	-185.57%

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Tom Connors, Chief Financial Officer

DATE: March 1, 2007

RE: Interim Financial Statements – December 31, 2006

Attached are the VHFA Consolidated Financial Statements for the quarter ended 12/31/2006. As in past quarters, the statements are consolidated into three columns representing Single Family programs, Multi-Family programs, and the General Operating Fund of the Agency. A fourth column provides a consolidated total. The statements include a Balance Sheet for each aforementioned column which presents the respective financial position at 12/31/2006, and a Statement of Revenues and Expenses which presents the results of operations for the second quarter.

The Agency had operating income of $1,695,546 for the second quarter, which compares to an average quarterly operating income of $827,443 in the prior year. When combined with appreciation of $69,817 in the market value of investments, the overall increase in net assets for the quarter was $1,765,363. Year-to-date operating income was $2,523,013. The overall increase in net assets year-to-date was $3,001,030.

Total assets increased by $20mm, or 2.5% during the quarter, and total liabilities increased similarly by $18.4mm, or 2.5%, both increasing primarily as a result of the issuance of $54 million in Series 26 single family bonds in late October, net of debt service in November. The quarter saw a strong level of both single and multi-family loan originations. The Agency appears headed toward a record breaking year in loan production which is discussed further in the Summary of Homeownership Activities included in the board package.

Mortgage loans receivable, net of related reserves, increased by $27.5mm, or 5%, from $560mm at 09/30/06, to $587mm at 12/31/06.

The day to day operating expenses of the Agency and related revenues and transfers are accounted for in the General Fund column of the statements and were essentially on target as compared to budget at 12/31/06. A separate budget report is included in the Board packet, with a discussion of the quarter's highlights by the Controller, Tim Gutchell.

Also, the positive loan loss trend experienced the past few years continued through the first half of fiscal 2007 with a net gain in the second quarter on property dispositions of $20,431 ($21,882 YTD).

If after reviewing the financial statements you feel the need for additional information, or have any questions or comments, please feel free to contact me.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

Consolidated Financial Statements

Date: 12/31/2006

	GENERAL FUND	SINGLE FAMILY	MULTI FAMILY	GENERAL OBLIGATION			TOTAL
ASSETS							
Cash and cash equivalents	5,418,828.99	110,180,365.32	32,342,664.02				147,941,858.33
Investments	100,000.00	62,375,543.21	7,796,991.99				70,272,535.20
Mortgage and construction loan	14,634,418.57	440,804,238.41	136,322,510.07				591,761,167.05
Less: reserve for loan loss	2,669,755.60-	96,882.00-	1,500,000.00-				4,266,637.60-
Accrued interest receivable							
-Mortgage and notes	1,186,475.77	1,865,896.51	425,894.52				3,478,266.80
-Investments	13,897.99	1,430,888.67	532,275.02				1,977,061.68
Deferred cost of bond issuance		2,857,340.16	1,090,817.71				3,948,157.87
Deferred mortgage origination fees, net	165,897.71-	2,046,633.09					1,880,735.38
Office furniture and fixtures	1,428,029.84						1,428,029.84
Less: accumulated depreciation	1,548,671.72						1,548,671.72
Land	775,000.00						775,000.00
Building	1,000,833.95						1,000,833.95
Other receivables:prepaids	399,381.76	4,983,768.36	405,515.93				5,788,666.05
Interfund receivables	1,532,208.25	3,912,160.29	5,444,368.54-				
Other assets		159,784.25					159,784.25
TOTAL ASSETS	22,104,750.09	630,519,736.27	171,972,300.72				824,596,787.08
LIABILITIES & FUND BALANCE							
Deferred income	314,947.04						314,947.04
Accounts payable	409,654.30	1,181,176.69	48,338.18				1,639,169.17
Escrowed cash deposits	2,594,119.09	5,597.61-					2,588,521.48
Notes payable	9,879,386.11	65,000,000.00	15,807,480.77				90,686,866.88
Accrued interest	39,987.77	4,502,716.77	2,435,956.19				6,978,660.73
Accreted interest							
Bonds payable	571,401.98	516,015,000.00	125,854,230.19				642,440,632.17
Unamort premium on bonds/notes		129,461.37-	1,506,169.15-				1,635,630.52-
Fund balance	8,295,253.80	43,955,901.79	29,332,464.54				81,583,620.13
TOTAL LIABILITIES & FUND BAL	22,104,750.09	630,519,736.27	171,972,300.72				824,596,787.08

VERMONT HOUSING FINANCE AGENCY

Consolidated Financial Statements

Date: 12/31/2006

	GENERAL FUND	SINGLE FAMILY	MULTI FAMILY	GENERAL OBLIGATION			TOTAL
REVENUES:							
Interest Income:							
Mortgage & construction loans	416,205.36	12,546,232.33	4,454,391.86				17,416,829.55
Investments	53,389.52	4,817,896.31	996,066.06				5,867,351.89
Gain/loss on investment sale							
Fee income:							
Multi-family programs	254,930.76		40,141.26				295,072.02
Single family programs	7,244.73	2,523.00					9,767.73
Grant income							
VHMGB income							
Miscellaneous income	42,801.35						42,801.35
TOTAL REVENUES	774,571.72	17,366,651.64	5,490,599.18				23,631,822.54
EXPENSES:							
Financing costs: including interest and amortization of premium, discount & costs of issuance	368,007.78	14,246,565.34	3,918,320.60				18,532,893.72
Mortgage service, contract administration fees, & property disposition expense		557,212.55					557,212.55
Salaries and benefits	1,402,292.47						1,402,292.47
Operating expenses	563,709.54						563,709.54
Professional fees	52,852.52						52,852.52
Trustee and assignee fees	43,363.07						43,363.07
Loss on bond redemptions		21,633.21-					21,633.21-
Foreclosed property loss		21,881.57-					21,881.57-
TOTAL EXPENSES	2,430,225.38	14,760,263.11	3,918,320.60				21,108,809.09
Surplus before change in investment market value	1,655,653.66-	2,606,388.53	1,572,278.58				2,523,013.45
Change in investment value		462,688.00	15,328.55				478,016.55
Excess (deficiency) of revenues over expenses	1,655,653.66-	3,069,076.53	1,587,607.13				3,001,030.00
Fund balance, beginning	8,935,704.91	41,902,027.81	27,744,857.41				78,582,590.13
Transfer to General Fund (net)	1,015,202.55	1,015,202.55-					
Fund balance, end of period	8,295,253.80	43,955,901.79	29,332,464.54				81,583,620.13

VERMONT HOUSING FINANCE AGENCY
STATEMENT OF NET ASSETS

	December 31, 2006	June 30, 2006	Change
ASSETS			
Cash and cash equivalents	147,941,858	134,239,321	13,702,537
Investments	70,272,535	48,005,746	22,266,789
Mortgage and const loans receivable (1)	591,761,167	533,268,587	58,492,580
Less: reserve for loan losses	(4,266,638)	(4,266,638)	-
Accrued int rec - mtg and notes	3,478,267	3,241,529	236,738
Accrued int rec - investments	1,977,062	1,711,973	265,089
Deferred costs of bond issuance	3,948,158	3,666,825	281,333
Deferred mortgage origination fees, net	1,880,736	1,942,863	(62,127)
Land	775,000	775,000	-
Building	1,000,834	1,000,834	-
Office furniture and fixtures	1,428,030	1,398,622	29,408
Accumulated depreciation	(1,548,672)	(1,484,235)	(64,437)
Other receivables and prepaid expenses	5,788,666	4,546,885	1,241,781
Interfund receivables (payables)	-	-	-
Other assets and REO	159,784	201,733	(41,949)
TOTAL ASSETS	**824,596,787**	**728,249,045**	**96,347,742**
LIABILITIES AND FUND BALANCES			
Deferred loan origination fees	314,947	514,756	(199,809)
Accounts payable	1,639,169	1,548,185	90,984
Escrowed cash deposits	2,588,522	2,556,333	32,189
Notes payable	90,686,867	66,025,283	24,661,584
Accrued interest payable	6,978,661	6,447,891	530,770
Bonds payable	642,440,632	574,785,180	67,655,452
Unamortized discount on bonds	(1,635,631)	(2,211,172)	575,541
TOTAL LIABILITIES	**743,013,167**	**649,666,456**	**93,346,711**
NET ASSETS (2)	**81,583,620**	**78,582,589**	**3,001,031**
TOTAL LIABILITIES & NET ASSETS	**824,596,787**	**728,249,045**	**96,347,742**

Mortgage and construction loans	General Fund	Single Family	Multi-family	Total
Mortgage loans receivable	12,134,419	440,804,238	125,597,157	578,535,814
Excess yield - 0% loans	-	-	10,725,353	10,725,353
VHCB Participation loans	2,500,000	-	-	2,500,000
Loan loss reserve - for excess yield loans	-	-	(1,500,000)	(1,500,000)
Loan loss reserve - for VHCB loans	(2,500,000)	-	-	(2,500,000)
Loan loss reserve - other loans	(169,755)	(96,883)	-	(266,638)
Net loans receivable	**11,964,664**	**440,707,355**	**134,822,510**	**587,494,529**

Net Assets	General Fund	Single Family	Multi-family	Total
Invested in capital assets	1,655,192	-	-	1,655,192
Restricted - for bond and other requirements	-	43,955,902	20,107,111	64,063,013
Restricted - for excess yield loans	-	-	9,225,353	9,225,353
Unrestricted	6,640,062	-	-	6,640,062
Total net assets	**8,295,254**	**43,955,902**	**29,332,464**	**81,583,620**

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director

DATE: March 6, 2007

RE: **EXECUTIVE DIRECTOR'S REPORT**

Administration

The first implementation meeting for replacing the Agency's HUD reporting system (TRACS) will occur on March 6th and 7th. HDS will be onsite to meet with the IS team to work through the TRACS file data conversion process and system file set ups, as well as provide initial user training to Multifamily staff.

Chris MacAskill has been working to determine the best course of action for moving to the early Daylight Savings Time on March 11th. The acceleration of this event by three weeks has caused some issues for Microsoft's operating systems and Office suite of products. Several remedy options have been discussed, none of which is perfect. The effect of the issue is that Outlook calendars could be off by an hour for 3 weeks (until the first weekend in April, which was the previous daylight savings time date).

During the February 13th staff meeting, Chris Dubie of Smith Barney presented the year in review of the Agency's pension plan with John Hancock. During his visits he reminds staff that he is available to meet with staff to discuss the John Hancock plan and/or financial planning at anytime. He also presented material on the Vermont Higher Education Investment Plan, which is administered through VSAC. Contributors to these plans may take a tax credit for a percentage of the total contributions made.

Also during the February staff meeting, Ann Marie Plank was congratulated for her 25 years with the Agency. Sam Falzone authored and recited a wonderful poem, which was presented to her in a beautiful frame, and it was yet another reason for staff to enjoy a delicious cake!

The Valentine's Day Blizzard did result in the Agency closing all day Wednesday and until noon on Thursday.

Development

Final year-end tax credit documents have been assembled and sent off to the IRS by Cindy Reid in the annual 8610 transmittal, which tells the Service what we have been doing all year, and which qualifies Vermont to receive National Pool credits later in the year.

Development has also been working on changes to the Qualified Allocation Plan (QAP), and intends to convene the Joint Committee on Tax Credits and have a public hearing by April.

The Whitney Hill (Williston) loan closed last month. And, underwriters have visited the sites of several potential projects in Richford, Vergennes, Manchester, and Bennington.

Liza Vedder Plantilla has been elected to serve as President of the Vermont Green Building Network (VGBN).

Multifamily

Given the March 1st deadline for submission of the 2006 audited financial statements, tax credit status reports and owners' certifications, multifamily staff is busy reviewing and analyzing this information.

The HUD auditors were onsite on February 26th and 27th to complete the annual Section 8 audit. I am pleased to report that there were no multifamily compliance findings.

We are starting to receive energy audits from Efficiency Vermont on the 14 targeted projects. These 14 projects were selected because of the extraordinarily high utility expenses and a pending year 15 acquisition or debt restructuring transaction.

Homeownership

VHFA has a new round of advertising out, promoting our 5.65% interest rate. John Fairbanks and Erin Navin recorded a new radio ad, and Craig Bailey designed and placed a print ad that will run in mid-late March in weekly newspapers statewide.

Public Affairs

The 2007 edition of the popular "Between A Rock and A Hard Place: Housing and Wages in Vermont" report series is scheduled for release at a press event on Thursday, March 8th, at Keen's Crossing in Winooski, beginning at 10 a.m. I will be hosting a press event with Molly Dugan, Deputy Commissioner of Housing and Community Affairs, Rep. Helen Head, chair of the House Committee on General, Housing and Military Affairs, and Erhard Mahnke, of the Vermont Affordable Housing Coalition. You are cordially invited to attend, and advance copies of the report will be delivered via e-mail. A general mailing will go out shortly after the event.

I am also looking forward to participating in a panel discussion on workforce housing sponsored by the Lake Champlain Chamber of Commerce and the Greater Burlington Industrial Corp. on Monday, March 12th.

On the legislative side, I have been spending time at the Statehouse on a variety of housing-related issues, which I'll go into in detail at our meeting. VHFA's two main priorities—an increase in our borrowers' Property Transfer Tax exemption and the addition of a $100,000

homeownership tax credit—are now in bill form. H.484 is the tax credit bill, and H.485 the PTT exemption increase.

John has been attending biweekly meetings of the Rural Economic Development Working Group, chaired by Rep. Bill Botzow of Bennington.

John and I will be in Washington, D.C. March 5th through 7th for NCSHA's annual Legislative Conference. We have meetings scheduled with our Congressional delegation.

Finance

The Quarter 2 financial statements were completed on March 1st. Despite the team's best efforts, we were not able to achieve our interim target of a 45-day close, but closed the books in 60 days (approximately 30 days faster than the previous quarter). Although most of the issues with the Bank of New York (BONY) trustee transition have been resolved, we still run into a few issues that have added delays to the closing process. The great Valentine's Day storm cost us some time and a couple of system and process challenges contributed as well. The Finance team is still focused on closing the March quarter in 30 days, returning to the benchmark set a year before.

We continue to work on the Series 27 Single Family bond issue under the existing resolution, which we expect to close on March 8th. The team is also making progress on the new multi-purpose resolution to meet future needs for both single family and multifamily bonds. We expect this to close in the late spring. Significant progress has been made on the RFP for trustee services for the new multi-purpose resolution. A final draft will be ready for review at the March meeting and will be distributed to candidate trustees shortly after. We plan to remove the domicile requirement that exists in older resolutions to give us more options for working with trustees outside the State of Vermont.

In light of the recent FBI and IRS investigations into bid rigging in the area of Guaranteed Investment Contracts (GICs), Tom Connors and Scott Baker worked with the Agency's Financial Advisors at Piper Jaffray to ensure that our GIC bidding process was not at risk. Piper Jaffray added some additional steps to the process to give us additional insurance that our GIC bidding process was both legal and ethical. These new steps were implemented in time for the most recent bond issue and worked well.

Other

Reminder: The Lake Champlain Legislative Breakfast on Workforce Housing will take place at the Sheraton in South Burlington from 7:30 a.m. to 9:00 a.m., before our Board meeting. The Board meeting will be by conference call; of course, you are welcome to join us at VHFA for the call. I look forward to speaking with you on the 12th.

VHFA BOARD OF COMMISSIONERS

Last Revised: 3/6/07

MS. LISA MITIGUY RANDALL (Chair) Vice President of Lending Vermont Federal Credit Union 50 Cedar Creek Road (home) Colchester, VT 05446	Work: (802) 658-0225 ext 124 Home: (802) 863-0268 Cell: (802) 324-0360 Fax: Email: LRandall@vtfcu.org Term expires: **1/31/2008**	Key Staff
MR. GUS SEELIG (Vice-Chair) Executive Director Vermont Housing & Conservation Board 149 State Street Montpelier, VT 05602	Work: (802) 828-3251 Home: (802) 456-7407 Cell: (802) 522-4079 Fax: (802) 828-3203 Email: gseelig@vhcb.org Term expires: **ex officio**	Key Staff Laurie Graves lgraves@vhcb.org Work: (802) 828-3250
MR. ROBERT H. ALBERTS 1641 Mountain Road Bridport, VT 05734	Work: (802) 388-6299 Home: (802) 545-2068 Cell: (802) 989-9654 Fax: (802) 388-6544 Email: ralberts@gmavt.net Term expires: **1/31/2010**	
MR. PAUL BEAULIEU Executive Vice President and Chief Operating Officer Factory Point National Bank 4928 Main Street Manchester Ctr., VT 05255	Work: (802) 362-2424 (802) 549-5279 (direct) Home: (802) 375-2353 Cell: (802) 384-3789 Fax: (802) 362-4101 Email: pbeaulieu@factorypoint.com Term expires: **1/31/2011**	Key Staff
MR. THOMAS J. CANDON (designee) **(Ms. Paulette Thabault, Commissioner)** Deputy Commissioner of Banking Dept. of Banking, Insurance, Securities & Health Care Administration 89 Main Street, Drawer 20 Montpelier, VT 05620-3101	Work: (802) 828-4874 Home: (802) 985-3774 Cell: (802) 343-3143 Fax: (802) 828-3306 Email: tcandon@bishca.state.vt.us Term expires: **ex officio**	Key Staff Susan Lasher slasher@bishca.state.vt.us Work: (802) 828-3307
MS. DAGYNE CANNEY Owner/Broker Prudential Green Mountain Realty 254 South Main Street Rutland, VT 05701	Work: (802) 747-7100 x22 Home: (802) 438-5699 Cell: (802) 236-4570 Fax : (802) 747-0702 Email:DCanney@GreenMtnRealty.com Term expires: **1/31/2010**	Key Staff Trish Pelkey x11 tpelkey@GreenMtnRealty.com
MR. KEVIN DORN Secretary Agency of Commerce and Community Development National Life Building, North Drawer 20 Montpelier, VT 05620	Work: (802) 828-3211 Home: (802) 878-3696 Cell: (802) 279-4507 Fax: (802) 828-5606 Email: kevin.dorn@state.vt.us Term expires: **ex officio**	Key Staff Denise Diehl Denise.Diehl@state.vt.us Work: (802) 828-5204
MR. BARTLETT H. FRISBIE President/Owner Sterling Construction Inc. 4049 Williston Road, Suite 8 So. Burlington, VT 05403	Work: (802) 864-0600 Home: (802) 893-2032 Cell: (802) 316-1378 Fax: (802) 864-6568 Email: bart@sterlingconstructioninc.com Term expires: **1/31/2009**	Key Staff Bridget Dostie
MR. JOHN HALL (designee) **(Mr. Kevin Dorn, Secretary, Agency of Commerce and Community Development)** Commissioner Department of Housing & Community Affairs National Life Building, 6th Floor Drawer 20 Montpelier, VT 05620-0501	Work: (802) 828-5216 Home: (802) 684-3355 Cell: (802) 777-2077 Fax: (802) 828-2928 Email: john.s.hall@state.vt.us Term expires: **ex officio**	Key Staff Laurel Farnum Laurel.Farnum@state.vt.us Work: (802) 828-5221
MS. ELIZABETH PEARCE (designee) **(George "Jeb" Spaulding, State Treasurer)** Deputy State Treasurer 109 State Street, 4th Floor Pavilion Office Building Montpelier, VT 05609-6200	Work: (802) 828-5195 Home: (802) 479-3516 Cell: (802) 229-8191 Fax: (802) 828-2772 Email: beth.pearce@state.vt.us Term expires: **ex officio**	Key Staff Barbara F. Agnew barbara.agnew@state.vt.us Work: (802) 828-1452

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director

DATE: March 27, 2007

RE: CONFIRMATION OF UPCOMING VHFA BOARD MEETING

This is to notify you that the next meeting of the Vermont Housing Finance Agency Board of Commissioners has been confirmed. The meeting will be held:

Monday, April 2, 2007
Agency of Commerce and Community Development
Calvin Coolidge Conference Room
National Life Building, 6th Floor
Montpelier
9:30 a.m. – 2:00 p.m.

Attached are the Agenda and Board packet. Please feel free to contact me should you have any questions prior to the meeting. Please contact Becky Greenough at bgreenough@vhfa.org if you wish to request that items be removed from the Board meeting consent agenda; the deadline is 12:00 p.m. Friday, March 30th.

Directions: From either North or South on I-89, take Exit 8 (Montpelier). At your very first traffic light, take a right up the hill. National Life is at the top of the winding hill on your left. As you enter the parking lot and look at the structure, it looks like two buildings with a parking garage on one end. Park in visitors' parking or any place you find that is not marked for another agency/department. Enter the North Lobby Building (building closest to parking garage). There is a kiosk out front that announces the name of the building and lists the agencies/departments located there. Sign in with the security officer and take the elevator to the 6th floor. You will be in the Calvin Coolidge Conference Room.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

VHFA BOARD MEETING AGENDA
Agency of Commerce and Community Development
Calvin Coolidge Conference Room
National Life Building, 6th Floor, Montpelier
Monday, April 2, 2007
9:30 a.m. – 2:00 p.m.

Review and Approval of March 12, 2007 Board Minutes — Enclosure

Consent Agenda: ***Action Requested****

Development - Loans and Tax Credits ("TC")

- Proctorsville Green Homeownership – Constr Loan — Plantilla/Enclosure

Homeownership

- Automated Underwriting — Crady/Enclosure

Development

- Year 15 Policy **[Entire Packet to Board only; Memo distributed to all]** — Reid/Enclosure
- Proposal to Encourage Investment in Supportive Housing — Collins/Enclosure

Finance

- TD Banknorth Bond Draw Down — Connors/Under Separate Cover
- Multiple Purpose Bond Indenture & Resolution — Connors/Enclosure
  [Enclosure to Board and Exec Mgmt only]

Homeownership

- Mortgage Backed Securities (MBS) **[Enclosure to Board and Exec Mgmt only]** — Adams, Crady/Enclosure
  - EXECUTIVE SESSION

Legislative Updates — Carpenter/Discussion

Other

- Greenwoods Village photographs — Plantilla/Discussion

Adjournment

Reports: ***FYI Only***

- Interesting Housing Fact — Black-Plumeau/Enclosure
- Summary of Homeownership Activities / Reports — Crady/Enclosure
- Pension Plan Trustee 2/28/07 Meeting Minutes — Loller/Enclosure
- Executive Director's Report — Carpenter/Enclosure

** Call Becky at 652-3413 or e-mail bgreenough@vhfa.org by noon on Friday, March 30th to request items be removed from the Consent Agenda*

vhfa

Vermont Housing Finance Agency

VHFA Board of Commissioners Meeting Minutes
by Telephone Conference
initiated at
Vermont Housing Finance Agency
164 St. Paul Street, Burlington, Vermont
Monday, March 12, 2007 at 9:30 a.m.

VHFA Board Members Present:
Lisa Mitiguy Randall – Chair, Gus Seelig – Vice Chair, Robert Alberts, Paul Beaulieu, Thomas Candon (designee for Crowley), Dagyne Canney, Bart Frisbie, John Hall (designee for Dorn), Beth Pearce (designee for Spaulding)

Staff: Dave Adams, Sarah Carpenter, Maura Collins, Tom Connors, Renee Couture, Elizabeth Mullikin Drake, Joe Erdelyi, Pat Loller, Cindy Reid

Chair Randall called the meeting to order at 9:35 a.m. A quorum of the Board was present.

BOARD MINUTES
Mr. Beaulieu made a motion to approve the February 5, 2007 Board of Commissioners meeting minutes. Mr. Frisbie seconded the motion, which was unanimously approved.

CONSENT AGENDA
Mr. Hall made a motion to approve the items on the Consent Agenda (restated here):
- ~ Resolution Re: Construction Financing and Proposed Allocation of Allocated Housing Credits for Downtown Crossing, Bennington
- ~ Resolution Re: Construction and Permanent Financing and Proposed Use of Bond Housing Credits for Linden Terrace, City of Rutland

Mr. Beaulieu seconded the motion which was unanimously approved.

DEVELOPMENT
Green Mountain Mobile Home Park, Pownal
Mr. Adams reported that The Housing Foundation, Inc. (HFI) will likely pursue acquisition of the Green Mountain Mobile Home Park in Pownal on behalf of the park unit owners. There is no role for VHFA to play at this point since the Vermont State Housing Authority (VSHA) will probably issue its own tax-exempt bonds. Mr. Adams further explained that staff prepared to help facilitate a transaction with the Regional Affordable Housing Corporation (RAHC). However, RAHC does not feel it has capacity to do so at this time. It is, therefore, good news that VSHA/HFI has agreed to be involved.

Armory Square, Windsor

Ms. Reid explained that Armory Square, in Windsor, is an existing family housing development consisting of 74 units. It is fraught with issues including dilapidated buildings and tenant problems. The town is very supportive of a redevelopment of Armory Square. Housing Vermont and Rockingham Area Community Land Trust (RACLT) are working with the State and housing funders on a redevelopment plan. The proposed redevelopment of Armory Square could be part of a larger Windsor redevelopment project to consist of the establishment of a river walk, bridge repairs, a nano-technology incubator project, cleanup of a brownfield site, and improvements to a nearby low-income neighborhood. The whole redevelopment project is in the planning stages and may take from five to six years and would require a lot of resources. Staff expects to present to the VHFA Board, at its May meeting, a request from Housing Vermont and RACLT for a combination of 4% and 9% tax credits for the redevelopment of Armory Square.

FINANCE

KeyBank Working Line of Credit and Financing Facilities for Multifamily Projects

Mr. Connors reviewed his memo regarding the renewal of the Revolving (Working) Line of Credit and the authority to open another financing facility for multifamily projects, for up to $30 million, with KeyBank.

Ms. Randall asked to know the total current capacity and total outstanding balance of the KeyBank lines of credit. Mr. Connors replied that the total capacity is $55 million (prior to the approval of the new line) and the outstanding balance is approximately $40 million. Ms. Carpenter further explained that, of the lines of credit at KeyBank, only one, the Revolving Line, is a working line. The others, called Non-Revolving Purpose and Ability Lines of Credit ("Facilities"), are used to fund short-term construction loans. These Facilities replace the one-on-one bond sales with TD Banknorth, which are no longer an option. Mr. Connors added that the $10 million (2005) Facility is being reduced to $2 million and is closed to new projects. And, as of March 31st, the $35 million (2006) Facility will be closed to new projects.

In response to several questions from the Board, staff explained that:

- The Facilities are a source of capital that staff uses to fund construction project loans rather than using UBS or selling on the open market. These Facilities fill a gap created when the TD Banknorth trust department stopped buying short-term bonds and Fannie Mae stopped buying direct placement bonds.
- These Facilities act more like draw down bond issues, eliminating arbitrage. Transaction costs are minimal. They are secured by the Agency's credit like other bonds; only in the case of a problem would the Agency assign the mortgages.
- In 2005, staff met with several area lenders including TD Banknorth, KeyBank, and Citizens Bank to discuss funding possibilities. Possibilities were also discussed with Fidelity. KeyBank, as well as TD Banknorth, presented the line of credit solution. Staff is open to Board recommendations regarding frequency of such commitments for the multifamily pipeline fundings.

- The construction loans drawn from these Facilities can be at variable rates or fixed rates and taxable or tax-exempt. These Facilities allow for up to twenty-four months from the initial draw for a given project to pay off the advances for that project.
- The Agency is not obligated to draw the full amount of the authorization. On the other hand, if the capacity of a Facility is not sufficient, staff would ask the Board to approve an increase, as they did with the "2006" Facility.

Mr. Beaulieu made a motion to approve the "Vermont Housing Finance Agency ("VHFA") [Resolution] Regarding KeyBank Borrowings." Ms. Canney seconded the motion which was unanimously approved.

Request for Proposal (RFP) for New Trustee

Mr. Connors reviewed his memo requesting Board approval of the Trustee RFP for the new multi-purpose bond resolution. He added that the Trustee RFP can be found at www.vhfa.org/RFP and that any trustee may bid.

Mr. Candon asked whether the domicile requirement, which requires the trustee to have its "principal trust office" in Vermont, was eliminated from the new multi-purpose bond resolution (to be considered by the Board at its April 2007 meeting). Ms. Carpenter replied that it was and that the trustee being sought would handle future bond issuances. The domicile requirement for the current trustee is still in place.

Mr. Candon made a motion to approve the Trustee RFP substantially in the form presented. Mr. Seelig seconded the motion which was unanimously approved.

Bank of New York – Update

Ms. Carpenter thanked Mr. Connors for his efforts in negotiating a rebate of the trustee fees from TD Banknorth and Bank of New York for the substantial hardships suffered by the Agency during the conversion. Both TD Banknorth and Bank of New York have agreed to rebate about one-half of the trustee fees for the last two quarters, approximately $40,000.

ADMINISTRATION

Annual Meeting

Ms. Randall asked Mr. Seelig whether he would continue to serve as Vice Chair. Mr. Seelig replied that he would. Mr. Candon made a motion to approve the "Resolutions Adopted at the Annual Meeting of Vermont Housing Finance Agency, March 12, 2007." Mr. Beaulieu seconded the motion which was unanimously approved.

Development Department Staffing

Mr. Adams reviewed his memo regarding the replacement of one staff member in the Development Department. He added that by filling this position, the Agency will exceed the approved budgeted number of FTEs.

Ms. Randall asked to know the change in FTEs for the Agency. Ms. Loller explained that, at the time of the FY07 budget approval, the number was 38.7; it will now be 40.43. She reviewed the relevant factors.

Mr. Seelig made a motion to approve staff's request to fill the Multifamily/Development position. Mr. Beaulieu seconded the motion which was unanimously approved.

LEGISLATIVE UPDATE

2007 Legislative Session

Ms. Carpenter explained that things have been moving slowly at the legislature and they are just reconvening after a weeklong break. The major areas of focus this session are property taxes, energy efficiency and education expense. Mr. Seelig added that the current state of the dairy industry may impact the overall budget.

Ms. Carpenter explained four bills related to mobile homes. The financing bill is unlikely to come out in long form until next year. DHCA is taking the lead on a bill regarding coordinating the sale notice period and closure notice period on mobile home parks. Ms. Carpenter is hopeful that a bill regarding fuel tanks and another regarding repealing a provision about town zoning superceding on mobile home parks will pass.

A bill regarding rental housing codes safety has been introduced. Another bill looks at modifying exemptions for nonprofits around land gains tax when the development has to do with subsidized homeownership. The bill proposes to eliminate the part of the land gains tax which the developer now pays if the development is not held for six years.

Ms. Carpenter is hoping that the New Neighborhoods Initiative and the (new) Low-Impact Developments (LIDs) bills get hearings, but, is concerned that some legislators believe that the changes made around Growth Centers need time to work before considering these. There is a cooperative effort to try to combine these.

Ms. Canney explained that, with regard to Act 68, the decision to compensate towns directly with homeowners' property tax rebates has created significant transitional issues for the Realtors, lenders and attorneys, which, she believes, should be addressed by the House Ways and Means Committee. The major issue is the prorating of property taxes upon the sale of a home. The equation is further complicated when homeowners have escrowed taxes. Ms. Carpenter explained that the Vermont Bankers Association and the Vermont Mortgage Bankers Association are trying to address these concerns and VHFA staff will be working with them on this issue. Mr. Adams added that VHFA will continue to use the full property tax amount when underwriting properties. Ms. Canney requested updates as they become available.

Ms. Carpenter also mentioned that staff is following the change in the septic and water regulations, to be implemented July 1st as part of the closure of the 10-acre loophole. The State will have authority, as opposed to the towns, to enforce failed septic systems. There are about 1,500 failed septic systems per year in Vermont and, it is not clear what percentage belongs to people who can afford to fix them. There are currently two related bills before the legislature:

one clarifies what a failed system is and the other contains $1 million in the form of assistance. Ms. Carpenter added that VHFA is working with DHCA and VBA on these issues, including title issues, and options, including low-interest rate loans.

OTHER

Multifamily Loans Closed FY07 YTD

Ms. Carpenter called the Commissioners' attention to the report in the Board packet on the multifamily loans closed in fiscal year 2007 to date, indicating a very busy and productive year. In the first eight months of fiscal year 2007, closed loan balances total $34.4 million, exceeding projections for the whole year by $10.4 million!

Accolades

Ms. Randall commended Ms. Crady and the Homeownership Department for its production and control of delinquencies.

Mr. Frisbie gave kudos to Mr. Erdelyi and Mr. Adams for recognizing the precarious situation at Green Mountain Mobile Home Park in Pownal and developing an action plan to address it.

Budget Schedule

Ms. Randall asked to see a budget schedule at the April meeting. Ms. Loller indicated that meeting dates have been discussed for the Human Resources Board Committee meeting, which approves the HR related budget items, and the Audit/Risk Management Board Committee meeting, which reviews the budget before it is presented to the Board. The former will likely meet in the first week in May and the latter will meet on the 15th or 16th of May.

Subprime Lending

Mr. Candon explained that there are a number of subprime lenders who are in significant financial trouble and are effectively closing their doors. He doesn't believe there will be much in the way of subprime lending in the next couple of years, which may create a new dynamic for VHFA. Vermonters are doing better than New Englanders and people nationwide in avoiding delinquencies. However, there appears to be a spike in the number of foreclosures in Vermont. This figure may be an anomaly; Mr. Candon is continuing to research.

Agency Financials

Ms. Randall requested that the Agency's Quarterly Financial Statements be presented for discussion to the Board twice per year.

ADJOURNMENT

Ms. Canney made a motion to adjourn the meeting. Mr. Frisbie seconded the motion and the Board unanimously approved to adjourn the meeting at 10:52 a.m.

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Liza Vedder Plantilla, Multifamily Development Underwriter LVP

DATE: March 23, 2007

RE: Request for Construction Financing, Proctorsville Green Homeownership, Proctorsville

Name:	Proctorsville Green Housing	**Location:**	Proctorsville
Housing Type:	General Occupancy	**Unit Type:**	Townhouses
Unit Count:	4 Townhouse units	**Unit Sizes:**	4 two-bedroom, one bathroom townhouses @ 1,050 s.f.
Total Cost:	$1,006,667	**Per S.F. Acquisition & Construction Cost:**	$201
		Sponsors:	Rockingham Area Community Land Trust
Financing Requested:	$600,000 taxable construction loan		
Other Funding:	VCDP, VHCB, Neighborworks, Developers Equity in the form of land donation		

Recommendation: Staff recommends that the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board authorize the Executive Director to issue a Letter of Interest and/or a Commitment Letter to finance this property upon satisfactory completion of staff underwriting and due diligence.

Project Summary: Rockingham Area Community Land Trust (RACLT) is proposing to build a new for-sale quadplex project adjacent to and concurrently with its sixteen unit Proctorsville Green Housing multifamily project. The units will be located in the Village of Proctorsville, Town of Cavendish. The site is just across from the village green on the aptly named Village Green Road, and is being leased to the project from the town of Cavendish with a 99-year renewable lease. It is serviced by town water and sewer. Northern Architects is the designer. The contractor has not yet been selected, but will complete both the rental and the ownership project. While RACLT is developing this portion of the project independently, Housing Vermont has helped develop the construction estimates for the townhomes. Housing Vermont is a development partner on the apartment side of the project, but Chris Lyons will be the construction manager for the entire project, including the townhomes.

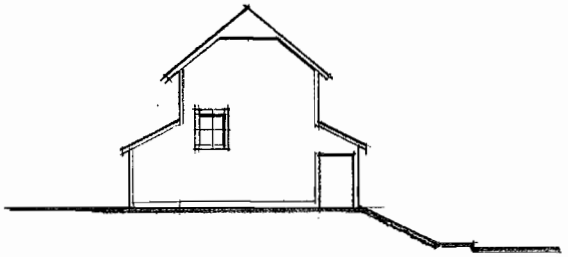
These four for-sale units will each be two-bedroom, one-bath townhouse style units with approximately 1,050 sq feet of finished space. The units will not have basements due to the site location, which is near the Black River and within the boundaries of the 100 year flood plain. This will not affect purchasers as the site is being filled to raise it above the flood plain, as well as to address the remediation of coal dust contamination on the site.

All four of the units will be HOMELAND units. The sales price is $175,000, and will be reduced to $150,000 with the $25,000 HOMELAND grant. These units will be affordable to three person families at 80% AMI for Windsor County. VCDP has contributed $200,000 to the construction of the project in order to subsidize costs and make this sales price achievable; NeighborWorks has also contributed $50,000. At this price-point, the market study predicts that the units will be fully pre-sold prior to construction completion.

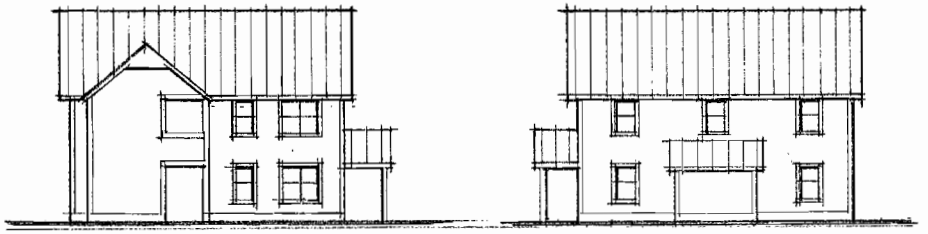
The Act 250 permit is being reviewed as a minor application and the appeal period has expired. The appraisal has been ordered but is not yet in hand. The project meets many of VHFA's goals for development; it is located in a town center, it will remediate a brownfield site, it will be part of a mixed income neighborhood, and it will provide perpetually affordable starter homes. Furthermore, the construction will be entirely stick built and will therefore draw on the local labor pool. RACLT plans to begin construction in May and complete it by December of 2007.

EAST ELEVATION - 4 UNIT TOWNHOUSE BUILDING

2 UNIT APARTMENT BUILDING



SOUTH ELEVATION



SOUTH ELEVATION

NORTH ELEVATION

NORTHERN ARCHITECTS
BURLINGTON VERMONT

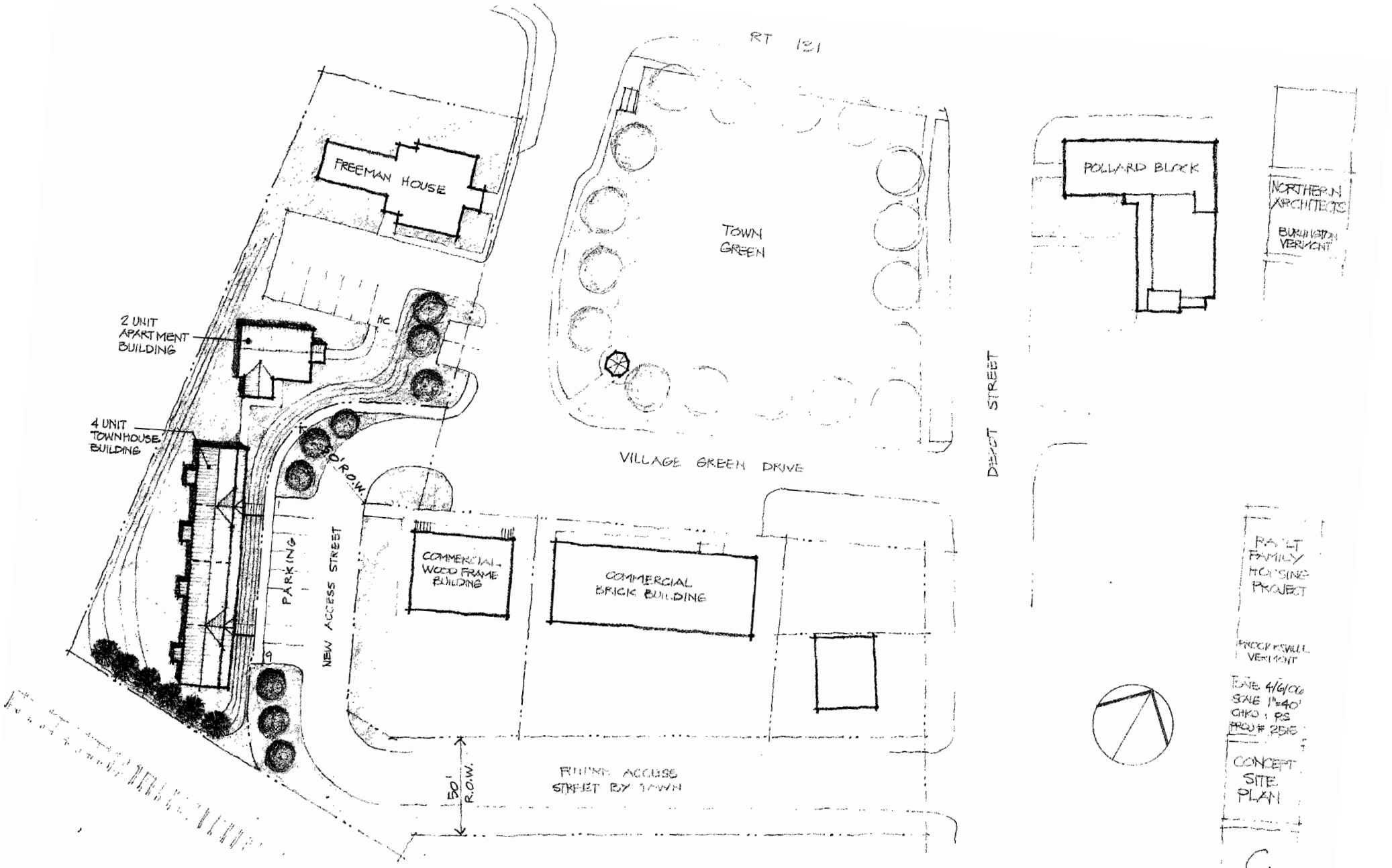
RACLT FAMILY HOUSING PROJECT

PROCTORSVILLE VERMONT

DATE 4/14/06
SCALE 1"=16
CHKD: RS
PROJ # 2515

CONCEPT ELEVATIONS

5


RT 121
FREEMAN HOUSE
TOWN GREEN
2 UNIT APARTMENT BUILDING
4 UNIT TOWNHOUSE BUILDING
HC
50' R.O.W.
VILLAGE GREEN DRIVE
DEPOT STREET
PARKING
NEW ACCESS STREET
COMMERCIAL WOOD FRAME BUILDING
COMMERCIAL BRICK BUILDING
50' R.O.W.
FUTURE ACCESS STREET BY TOWN
POLLARD BLOCK
NORTHERN ARCHITECTS
BURLINGTON VERMONT
RAFT FAMILY HOUSING PROJECT
ROCKINGHAM VERMONT
DATE 4/6/00
SCALE 1"=40'
CHKD : PS
PROJ # 2515
CONCEPT SITE PLAN
C

Date: 5-25-07 **Proctorsville Green Condominiums**

Total Residential Units: 4

Total Development Cost:	$	1,006,667
Total Development Cost per Unit:	$	251,667
Total Development Cost Per SF:	$	240

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
VHFA Construction Loan	600,000		7.50%		1
Developer's Equity (town land)	56,667	6%	0.00%		99
VCDP	200,000	20%	0.00%		
VHCB	100,000	10%	0.00%		
NeighborWorks	50,000	5%	0.00%		
Sales Proceeds from Units	600,000	60%	N/A	N/A	
TOTAL SOURCES	**1,006,667**	100%			

USES

Acquisition	60,667	6%
Construction Hard Costs	784,862	78%
Soft Costs	161,138	16%
TOTAL USES	**1,006,667**	100%

Gap **(0)**

25-Mar-07

DEVELOPMENT BUDGET
Proctorsville Green Condominiums

						4,200 Cost Per Square Foot	# Units For Sale 4 Cost Per Unit
1. Acquisition					% of Total		
	Land	Town	Cavendish	56,667	5.63%	$13.49	14,167
	Building (s) (if any)			0	0.00%	$0.00	0
	Demolition (if any)			0	0.00%	$0.00	0
	Appraisal			1,500	0.15%	$0.36	375
	Legal- Title & Recording			2,500	0.25%	$0.60	625
	Other			0	0.00%	$0.00	0
	Transfer Tax			0	0.00%	$0.00	0
Sub-total Acquisition				**60,667**	6.03%	$14.44	15,167
2. Hard Costs							
	Sitework			150,225	14.92%	$35.77	37,556
	Utilities			0	0.00%	$0.00	0
	Landscaping			0	0.00%	$0.00	0
	Hazardous Materials Abatement			0	0.00%	$0.00	0
	Off Site Improvements			0	0.00%	$0.00	0
	Bond			0	0.00%	$0.00	0
	Site Contingency			7,511	0.75%	$1.79	1,878
			Subtotal Site Construction		**157,736** 0.00%	$37.56	39,434
	Building Construction - New			590,263	58.64%	$140.54	147,566
	Building Construction - Rehabilitation			0	0.00%	$0.00	0
	Accessory Buildings			0	0.00%	$0.00	0
	Furnishings, Fixtures & Equipment			7,000	0.70%	$1.67	1,750
	FFE - Model			0	0.00%	$0.00	0
	Construction Contingency			29,863	2.97%	$7.11	7,466
			Sub-total Building Construction		**627,126** 62.30%	$149.32	156,782
	Construction Management			0	0.00%	$0.00	0
	General Conditions			0	0.00%	$0.00	0
	Contractor Overhead & Profit			0	0.00%	$0.00	0
	Bond			0	0.00%	$0.00	0
	Builders Risk Insurance			0	0.00%	$0.00	0
			Subtotal Construction Fees & Charges		**0**	$0.00	0
Sub-total Hard Costs				**784,862**	77.97%	$186.87	196,216
3. Soft Costs							
	Architect & Engineering - buildings			59,239	5.88%	$14.10	14,810
	Site Planning, Civil Engineering & Prof. fees thru Permits			0	0.00%	$0.00	0
	Environmental Site Assessment			1,700	0.17%	$0.40	425
			Sub-total Arch & Eng.		**60,939** 6.05%	$14.51	15,235
	Permit Fees:						
		Labor and Industry		3,424	0.34%	$0.82	856
		Act 250		3,696	0.37%	$0.88	924
		Local zoning, planning		0	0.00%	$0.00	0
		Local water impact & sewer		11,139	1.11%	$2.65	2,785
		Water Supply		0	0.00%	$0.00	0
		Wastewater		0	0.00%	$0.00	0
		Health Department		0	0.00%	$0.00	0
			Sub-total Permits		**18,259** 1.81%	$4.35	4,565
	Professional Fees:						
		Legal - real estate, permits & finance		5,000	0.50%	$1.19	1,250
		Legal - organization & sales		0	0.00%	$0.00	0
		Accounting - organization		0	0.00%	$0.00	0
		Clerk of Works		1,000			
		Project Management--HVT		5,000	0.50%	$1.19	1,250
			Sub-total Prof. Fees		**11,000** 1.09%	$2.62	2,500
	Marketing:						
		Market Study		1,000	0.10%	$0.24	250
		Advertising/Marketing		1,000	0.10%	$0.24	250
		Model/Office Fit Up & Maint		0	0.00%	$0.00	0
		Commissions/Sales Staff		0	0.00%	$0.00	0
			Sub-total Marketing		**2,000** 0.20%	$0.48	500
	Financing:						
		Construction Loan Fee		0	0.00%	$0.00	0
		Construction Loan Expenses		4,000	0.40%	$0.95	1,000
		Construction Period Interest		21,687	2.15%	$5.16	5,422
		0		0	0.00%	$0.00	0
			Sub-total Financing		**25,687**	$6.12	6,422
	Carrying Costs:						
		Property Taxes		0	0.00%	$0.00	0
		Liability Insurance		2,000	0.20%	$0.48	500
		Acq Bridge Loan--one year		0		$0.00	0
		Maintenance/Utilities		0	0.00%	$0.00	0
			Sub-total Carrying Costs		**2,000** 0.20%	$0.48	500
	Developer's Fees			32,256	3.20%	$7.68	8,064
	Working Capital (Owner's Association, if any)			6,000	0.60%	$1.43	1,500
	Contingency			2,997		$0.71	749
Sub-total Soft Costs				**161,138**	16.01%	$38.37	40,284
TOTAL PROJECTED COST				**$1,006,667**	100.00%	$239.68	$251,667

Proctorsville Green Condominiums

Unit Sales Schedule

Unit #	Unit Type	Square Feet	# Bdrms	#Baths	Cost to construct	VCDP construction Subsidy	Neighborworks construction subsidy	Land Grant	Sales Price	HOMELAND Grant	**Net Sales Price**
1	A	1,050	2	1	$251,667	$50,000	$12,500	$14,167	$175,000	$25,000	**$150,000**
2	A	1,050	2	1	$251,667	$50,000	$12,500	$14,167	$175,000	$25,000	**$150,000**
3	A	1,050	2	1	$251,667	$50,000	$12,500	$14,167	$175,000	$25,000	**$150,000**
4	A	1,050	2	1	$251,667	$50,000	$12,500	$14,167	$175,000	$25,000	**$150,000**
		4,200	8	4	$1,006,667	$200,000	$50,000	$56,667	$700,000	$100,000	**$600,000**

Proctorsville Green Condominiums

Cash Flow Projection

30-Oct-03

Development Period Cash Flow

Assume closing: 4-15-07

	Projected Final Cost	2007 4/1/2007	2007 April	May	June	July	August	Sept	October	November	December	2008 January	February	Total
Land	56,667		56,667											56,667
Building (s) (if any)	0													0
Demolition (if any)	0													0
Appraisal	1,500		1,500											1,500
Legal- Title & Recording	2,500		2,500											2,500
Other	0													0
Transfer Tax	0													0
														0
Sitework	150,225				100,000	50,225								150,225
Utilities	0													0
Landscaping	0													0
Hazardous Materials Abatement	0													0
Off Site Improvements	0													0
Bond	0													0
Site Contingency	7,511								7,511					7,511
														0
Building Construction - New	590,263				25,000	100,000	100,000	100,000	100,000	65,263				590,263
Building Construction - Rehabilitation	0													0
Accessory Buildings	0													0
Furnishings, Fixtures & Equipment	7,000									7,000				7,000
FFE - Model	0													0
Construction Contingency	29,863									29,863				29,863
														0
Construction Management	0													0
General Conditions	0													0
Contractor Overhead & Profit	0													0
Bond	0													0
Builders Risk Insurance	0													0
														0
Architect & Engineering - buildings	59,239		40,000		5,000	2,500	2,500	2,500	2,500	1,739				59,239
Site Planning, Civil Engineering & Prof. fees	0													0
Environmental Site Assessment	1,700		1,700											1,700
														0
Labor and Industry	3,424		3,424											3,424
Act 250	3,696		3,696											3,696
Local zoning, planning	0													0
Local water impact & sewer	11,139		11,139											11,139
Water Supply	0													0
Wastewater	0													0
														0
Legal - real estate, permits & finance	5,000		5,000											5,000
Legal - organization & sales	0													0
Accounting - organization	0													0
Clerk of Works	1,000		100		100	100	100	100	100	200	100			1,000
Project Management--HVT	5,000		500		500	500	500	500	500	500	1,000			5,000
														0
Market Study	1,000		1,000											1,000
Advertising/Marketing	1,000								500	500				1,000
Model/Office Fit Up & Maint	0													0
Commissions/Sales Staff	0													0
														0
Construction Loan Fee	0		0											0
Construction Loan Expenses	4,000		4,000											4,000
Construction Period Interest	21,687		2,169		2,169	2,169	2,169	2,169	2,169	2,169	4,338			21,687
0	0													0
														0
Property Taxes	0													0
Liability Insurance	2,000		2,000											2,000
Acq Bridge Loan--one year	0													0
Maintenance/Utilities	0													0
														0
Developers Fee	32,256										32,256			32,256
Homeownership Services	0													0
														0
Working Capital (Owner's Association, if an	6,000										6,000			6,000
														0
Contingency	2,997					1,497					1,500			2,997
Total Uses of Funds	1,006,667		135,395		132,769	155,494	106,766	105,269	105,769	113,280	106,734	45,194		1,006,667
	600,000													

				2007			2007			2004				2005		
				39,173	April	May	June	July	August	Sept	October	November	December	January	February	Total
SOURCES OF FUNDS																
VHFA Construction loan	600,000															0
Equity (town land)	56,667				56,667											56,667
VCDP	200,000				60,000	50,000	70,000	20,000								200,000
VHCB	100,000				18,205	25,000	35,000	10,000	11,795							100,000
NeighborWorks	50,000				50,000											50,000
Sales Proceeds	600,000															0
Total	1,006,667															0
Surplus/Gap	(0)															
Sales Proceeds	Unit #															0
	1	150,000													150000	150,000
	2	150,000													150000	150,000
	3	150,000													150000	150,000
	4	150,000													150000	150,000
																0
																0
																0
																0
	Total Sources			0	184,872	75,000	105,000	30,000	11,795	0	0	0	0	0	600,000	1,006,667
	Total Uses of Funds			0	135,395	132,769	155,494	106,766	105,269	105,769	113,280	106,734	45,194	0	0	1,006,667
	Other Uses of Funds															0
						0	0	0								0
																0
	Cash Flow			0	49,477	-57,769	-50,494	-76,766	-93,474	-105,769	-113,280	-106,734	-45,194	0	600,000	0
		aggregate														0
	Loan Draw				0	57,769	50,494	76,766	93,474	105,769	113,280	106,734	45,194	0	0	649,478
	Loan Reduction				0	0	0	0	0	0	0	0	0	0	600,000	600,000
	Loan Balance				0	57,769	108,262	185,028	278,502	384,271	497,550	604,284	649,478	649,478	49,478	98,955
	Interest at 7.50%				0	361	677	1,156	1,741	2,402	3,110	3,777	4,059	4,059	309	21,651
	Total Interest			21,651												
	Interest Per Budget			21,687												

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Director of Homeownership Programs

DATE: March 26, 2007

RE: Automated Underwriting

VHFA has received approval from MGIC to accept credit decisions from FannieMae and FreddieMac's automated underwriting system for borrowers with excellent credit. MGIC would still review files for compliance and collateral underwriting and validate the findings of the automated underwriting system; however, MGIC would not underwrite the file. Lenders with delegated underwriting authority would complete their own validation of files, compliance, and collateral underwriting.

When implemented, lenders will be able to process VHFA loans in the same manner as conventional loans provided the credit score for both borrowers is 700 or greater. This change will be for MOVE fixed-rate loans only; however, we may obtain approval from MGIC to expand the eligibility to other programs in the future. Eligible property types include, existing and newly constructed single-family stick-built, condominium units, and modular homes. Two-family homes and mobile homes will not be eligible for automated underwriting decisions and will continue to be manually underwritten.

This change will allow lenders to spend less time processing loans for borrowers with excellent credit and hopefully allow VHFA to purchase more loans that would normally go to FannieMae and FreddieMac. We anticipate that we will implement this change within the next 30 days.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Senior Development Underwriter CR

DATE: March 26, 2007

RE: Housing Credit Program Year 15 Policy

Recommendation: That the VHFA Board of Commissioners adopt the Housing Credit Program Year 15 Policy as proposed.

Summary:
Attached is the proposed Housing Credit Program Year 15 Policy for your review. The purpose of the policy is to: describe the options available to owners of Housing Credit properties once they reach year 15 of the Housing Credit period; outline the qualified contract process (and purchase price methodology) for owners who are opting out of the Housing Credit program; and to detail modified compliance monitoring requirements after year 15.

As background, affordability requirements have been amended over the years that the Housing Credit program has been in existence. Pre-1990 projects had only a 15-year term of affordability. Projects that received credits from 1990 through 1998 had an additional 15 year (for a total of 30) "extended use period" of affordability. Since 1998, all ceiling ("9%") credit projects have had perpetual extended use periods. Bond ("4%") projects continue to have 30 year extended use periods. The Code permits owners to cease operating the property as a tax credit project, or to "opt out" in year 15, provided they follow certain steps. States can make Allocation Plans more restrictive than the Code, and many states including Vermont now require applicants waive their right to opt out as a condition of receiving a credit allocation. The Year 15 Policy outlines options available for owners of projects from 1990 to 2002 (those with 30 year extended use period and opt out provisions). Since 2002, all developments in Vermont receiving Housing Credits have no "opt out" provisions.

Essentially, owners from this period of time (1990-2002) have three options available to them in year 15: (1) an owner can maintain their development as affordable housing; (2) an owner can notify a non-profit entity or entities referred to in their Housing Subsidy Covenant – and the non-profit entity or entities may exercise a right of refusal and purchase the property for continued use as affordable housing; or (3) if an owner is no longer interested in owning or retaining affordable use restrictions on their property, they can opt out of the Housing Credit Program. The Policy outlines what process such an owner would need to follow, the "qualified contract process" as well as details how the "qualified contract price" is determined. The qualified contract price is defined in the Statute, but as with many items in the tax code, the details need to be elaborated upon. Most practitioners agree that this "qualified contract price" will exceed the property's value, meaning most who want to opt out will be able to do so as they will be able to pay all of their obligations. This was the original intent of the designers of this program.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

The majority of Housing Credit projects that have been developed were sponsored by non-profit developers, and in addition to Housing Credit restrictions, there are other affordability requirements on those properties from VHCB, HOME, and/or RD. So, the majority of properties will not be opting out of the program and going through the qualified contract process. The owners that may contact VHFA regarding the qualified contract process will likely be for-profit owners that developed their property using Housing Credits and debt, but no other soft funding sources. We estimate that there are approximately 13 properties that could potentially seek to opt out of the program. The qualified contract process does not make for an easy exit, but it is possible. However VHFA does not want to encourage property owners to remove their properties from the stock of affordable housing.

The qualified contract process outlined in the attached policy is similar to South Dakota. Many but not all States have Year 15 Policies. In preparing this policy, we reviewed the plans of many states and chose elements that we thought would work best here.

It is important to know that of the 15 pre-1990 projects (those that had only 15 year affordability periods), all but one 4-unit property have remained in the affordable housing stock. To date, none of the post-1990 projects that have reached the 15th year of their Housing Credit period have left the affordable housing stock. In fact, many have refinanced and/or re-syndicated in order to do capital repairs and strengthen operations (Heineberg, Highgate, Whitney Hill are a few examples).

An important section of this policy has to do with modified compliance monitoring requirements post-year 15 for owners who remain in the program. The goal here is to ensure that properties remain affordable and that they are physically maintained during the extended use period (years 16-30). In order to make compliance monitoring less costly and involved for owners, the modifications proposed in the policy lessen the frequency of inspection requirements and decrease compliance monitoring fees. Owners may request a change to their applicable fractions post year 15 – either to decrease the number of tax credit units or to decrease the level of affordability of units (from 50% to 60% for example), depending on a number of considerations including how properties are operating financially. VHFA may consider such requests on a case by case basis.

The Loan Review Committee has reviewed and approved this policy and recommends the Board's approval.

VERMONT HOUSING FINANCE AGENCY

HOUSING CREDIT PROGRAM

YEAR 15 POLICY

Adopted _____ (date).

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Part One

Year 15 Options for Owners of Housing Credit Developments

Introduction

The Housing Credit Program has provided a mechanism for financing the construction, acquisition and rehabilitation of affordable rental housing since 1987. Affordability requirements and terms have been amended over the years, reflecting a public policy that endorses perpetual affordability. Housing developments that were allocated Housing Credits (HC) prior to 1990 were required to be maintained for low-income use for a period of 15 years. Developments that received HC allocations from 1990 through 1998 have Extended Use Period requirements that lengthen the initial 15-year Compliance Period by another 15 years. Developments that received HC allocations of "ceiling" (also known as "9%" or "allocated" but hereinafter referred to as "ceiling") credit from 1998 until present have Extended Use Period requirements in perpetuity. After 2002, all developments receiving Housing Credit allocations have no "opt out" provisions.

Beginning in the 14th year, owners of developments that received HC allocations from 1990 through 2002 should be considering the options available to them. These options include: (1) maintaining a development as affordable housing for the Extended Use Period (15 years past the original 15 year Compliance Period or in perpetuity under the terms of the original Housing Subsidy Covenant) with modified (more relaxed) compliance monitoring procedures; (2) selling or transferring the development to an entity that is exercising a Right of Refusal; or (3) selling the development through the Qualified Contract process (defined on page 27).

(1) Maintaining the Development as Affordable Housing

For owners desiring to maintain their developments as affordable housing and continue the low-income restrictions for the Extended Use Period, and for purchasers of Housing Credit developments by exercising a right of first refusal, there are modified compliance monitoring procedures, as set out in Part Two of this policy. Also, in the event a project makes it through the Qualified Contract process and is acquired without a new allocation of Housing Credits, these modified compliance monitoring procedures in Part Two will apply.

(2) Right of Refusal

For owners who originally provided a Right of Refusal to a nonprofit entity or entities, there is a price formula defined in the Qualified Allocation Plan, as follows:

The Right of Refusal price must be the higher of: 1) the same terms and considerations contained in an offer of a third party; 2) the minimum purchase price as described in Section 42(i)(7)(B) of

the Internal Revenue Code[1]; or 3) the target return provided in the Limited Partnership Agreement, or other document provided to the allocating agency in a satisfactory form. The Right of Refusal can allow the holder of the Right to make the offer on the property that triggers the Right of Refusal.

VHFA staff will review documentation regarding the purchase price of a development being transferred through a Right of Refusal. HC restrictions will remain with the development during the Extended Use Period, however the compliance monitoring provisions will be modified as described in Part Two of this policy. Owners who purchase a development through the Right of Refusal after the initial 15 year Compliance Period are not eligible to then sell the development under the Qualified Contract process.

(3) Qualified Contract Process

Owners who are no longer interested in owning or retaining the affordable use restrictions on a development may elect to "opt out" of the HC program. After the end of the 14th year of the Compliance Period, the owner must notify VHFA in writing that they want to pursue the qualified contract process, with a complete application (See Qualified Contract Notification Letter). **Owners are strongly encouraged to contact their legal counsel and accountant** to determine if they are eligible and to be advised as they proceed through the qualified contract process. **Owners are allowed only one opportunity to pursue this process per development, so it is recommended they be familiar with the process, and to utilize legal and accounting expertise.**

VHFA will have one year to present a purchaser for a development pursuant to a Qualified Contract, and if VHFA is unable to do so, the Extended Use Period will terminate and the development will no longer be subject to the low-income restrictions[2]. The one-year period consists of twelve months beginning on the date VHFA receives a complete application from the owner. The closing under a Qualified Contract is not the responsibility of VHFA and is not required within the one-year period.

---

1 IRC §42(i)(7)(B) Minimum Purchase Price –For purposes of subparagraph (A), the minimum purchase price under this subparagraph is an amount equal to the sum of – the principal amount of outstanding indebtedness secured by the building (other than indebtedness incurred within the 5-year period ending on the date of the sale to the tenants), and all Federal, State and local taxes attributable to such sale. Except in the case of Federal income taxes, there shall not be taken into account under clause (ii) any additional tax attributable to the application of clause (ii).

2 Under IRC Section 42, the owner must give the existing Housing Credit tenants a three-year period during which those tenants cannot be evicted or their tenancy terminated without good cause, and during which their rents cannot be raised above the Housing Credit program maximum rents.

The following items make up a complete application:

Qualified Contract Application Requirements:

- Cover letter indicating owner's intentions (see form included in application)
- Completed application & certification (attached)
- Application fee of $1,000
- Qualified Contract Price (using Worksheets A-E attached - to document price) and evidence that the Price has been reviewed/verified by a certified public accountant
- Written description of property & amenities
- Current rent & income restrictions from all funding sources (summary description and documentation)
- Most recent 12 month operating expenses (including comparison of actual vs. projected) and a current operating budget
- Last three years of audited financial statements
- Description of owner paid utilities, copy of property tax bill, information on any special assessments
- Records of capital improvements
- Current tenant rent roll
- Sample tenant lease
- Land lease, if applicable
- Copy of most recent title insurance policy
- Copy of most recent Capital Needs Assessment
- Sale provisions anticipated by seller
- Copy of most recent appraisal (or calculated market price utilizing most recent year end net operating income and market-derived cap rate). The appraisal(s) must meet VHFA Appraisal Standards.

Upon transfer of the property, the seller will be required to pay the Agency 0.25% of the Qualified Contract price. In addition, there may be third party costs for: marketing, appraisals, and capital needs assessments. Reports (appraisal, capital needs assessment, etc) must be commissioned from firms acceptable to VHFA, using methodologies acceptable to VHFA, and all third party costs shall be covered by the seller, including those paid by VHFA as part of its application review.

The Process

VHFA will review the information submitted (per the application requirements list above) and determine when an application is complete. VHFA reserves the right to request additional information. VHFA will have one year from the submittal of a complete application to present a Qualified Contract.

By submitting the application, the owner grants VHFA the authority to market the development and to provide development information to interested parties. The owner will provide access to the property for site visits and inspections. VHFA will contact the owner when an interested party is requesting financial information on the development. The owner will be responsible to: allow access to the property and to the tenant files; keep VHFA informed of potential purchasers

and offers to purchase. Lack of owner cooperation will cause the process to cease and the owner will be required to comply with the low-income requirements for the remainder of the Extended Use Period.

The owner is not required to accept the first or any of the purchase offers presented, however, if the owner rejects an offer at or above the Qualified Contract Price that has been presented by the Agency, the development will remain as affordable (retain the Housing Credit program restrictions as outlined in the Housing Subsidy Covenant) for the remainder of the Extended Use Period. The owner may accept less than the Qualified Contract Price, but cannot require a higher price.

Within one year, if the owner does not accept an offer at the Qualified Contract Price presented by the Agency, then the development will remain as affordable housing for the remainder of the Extended Use Period.

If a Qualified Purchaser is not found by the end of the one-year period, VHFA will allow the owner to cease its obligations under the HC programs (by discharging all but one provision of the Housing Subsidy Covenant), and the development will no longer be restricted to low-income requirements and compliance. Per IRC § 42 (h)(6)(E)(ii), for a three-year period following the termination, the owner will not be able to evict or displace tenants or terminate their tenancy for reasons other than good cause and will not be permitted to raise rents beyond the maximum HC rents. The owner will need to certify annually to VHFA for the three-year period that these requirements are met. This restriction will apply to any subsequent owner during this three-year period. (This would be the only provision of the Housing Subsidy Covenant to remain for an additional three years.)

VHFA will provide notice to the current tenants should the low-income restrictions be terminated, informing them of their protections during the three-year period.

Purchaser Characteristics & Responsibilities

A qualified purchaser may be a nonprofit or for-profit entity that agrees to maintain the affordable housing units and fulfill all requirements of the HC Housing Subsidy Covenant during the Extended Use Period. The owner is responsible for providing VHFA with a copy of any proposed purchase and sale agreement. VHFA must be satisfied that the purchaser is familiar with and prepared to comply with the requirements of the HC Program. VHFA may reject any purchaser who has failed to demonstrate proficiency or compliance with the HC Program, or other government sponsored programs. VHFA will require an attorney's opinion that the purchaser is in good standing with the respective Secretary of State, prior to transfer of the development. The purchaser will be required to fulfill the requirements during the remainder of the Extended Use Period, and will be subject to compliance monitoring as described in this policy.

The purchaser may be eligible for new Housing Credits. The purchaser should contact VHFA early in the process to investigate eligibility of the property for HC as well as HC availability. The purchaser may also want to investigate other sources of funding for acquisition and rehabilitation of the property including but not limited to: Vermont Housing & Conservation Board, HOME, and Vermont Community Development Program.

Application Form

I. Owner Information

Owner _____

Mailing Address _____

City/Town _____ State _____ Zip Code _____

Contact Person _____

Phone # _____ Fax # _____

Email Address _____

Taxpayer Identification Number _____

Principal(s) involved (e.g. general partners, controlling shareholders, etc.)

Name(s)	Phone	Type of Ownership	% Ownership

II. Development Information

Development (Project) Name _____

Address (street, town/city, zip) _____

_____

Management Company _____

Contact Name & phone number _____

Housing Credit Allocation Year _____

Minimum Set-aside (check one)

__ 20% units at 50% area median income
__ 40% units at 60% area median income

__ Applicable Fraction

__ Total # units in the development; Total square footage of all units _____
__ # HC units in the development; Total square footage of all HC units _____
__ # 0-Br __ # 1-Br __ # 2-Br __ # 3 –Br __ # 4-Br
__ # Units with project-based rental assistance
__ # 0-Br __ # 1-Br __ # 2-Br __ # 3 –Br __ # 4-Br
Source of Rental Assistance _____
Term (expiration date) of Rental Assistance _____
Will it be continued? ___ Yes ___ No ___ Uncertain
__ # Handicapped Accessible units
__ # Resident Manager units

Type of Housing
__ General Occupancy (individuals or families)
__ Senior
__ Single Family
__ Congregate Care
__ Assisted Living
__ Special Needs; Describe: _____

Type of Units
__ Apartments
__ Townhouses
__ Single Room Occupancy

Elevator: ___ Yes ___ No _____ Number of stories

Targeting of Units (indicate # units)
__ Families
__ Seniors
__ Individuals with Special Needs
__ Frail Seniors
__ Homeless

Support Services Provided to Residents ___ Yes ___ No
If yes, are they included in the rent? ___ Yes ___ No
Please describe all services provided _____

Amenities – please describe all amenities offered to residents _____

Utilities – please indicate below utilities paid by the tenant:

	Type	Cost		Type	Cost
Heating	____	____	Hot Water	____	____
Air Conditioning	____	____	Water	____	____
Cooking	____	____	Sewer	____	____
Lighting	____	____	Trash	____	____

Utility Allowance by Bedroom Size

$___ 0-Br $___ 1-Br $___ 2-Br $___ 3-Br $___ 4-Br

Applicant Acknowledgment and Certification

The undersigned acknowledges that:

1. This application form and all of its sections is provided by VHFA for purposes of better understanding the development for the Qualified Contract process, and any CFR or Code requirements cited are offered by VHFA as general guidelines and not as legal authority;

2. The undersigned is responsible for ensuring that all required documentation has been submitted, that there is no material misrepresentation with respect to the development, and the applicant will in all respects satisfy the applicable requirements of federal tax law and any other requirements imposed upon it by VHFA;

3. This application form is submitted to VHFA by the undersigned for purposes of marketing the development and identifying a Qualified Purchaser;

4. For purposes of reviewing the application and marketing the development, VHFA is entitled to rely upon the representations of the undersigned and is not warranting the development's compliance with the CFR and/or the Code requirements;

5. VHFA may request or require changes in the information submitted and may substitute actual figures for any estimated figures provided by the undersigned; and

6. VHFA has the authority to market the development based on the information provided in the application and supporting documentation and to release financial information to interested parties upon receipt of an executed release of information form from the applicant when necessary.

7. Upon transfer of the property, the undersigned will be required to pay the Agency 0.25% of the Qualified Contract price.

Further, the undersigned hereby certifies that:

1. The applicant shall not, in the provision of services, or in any other manner, discriminate against any person on the basis of race, color, creed, religion, sex, national origin, age, familial status, or handicap;

2. To the best of the undersigned's knowledge and belief, all factual information provided herein or in connection herewith is true and correct and all estimates are reasonable and can be obtained from any source named herein;

3. The undersigned will at all times indemnify and hold harmless VHFA against all losses,

costs, damages, expenses, and liabilities of any nature or indirectly resulting from arising out of or relating to VHFA's acceptance, consideration, approval, or disapproval of this request and the sale or non-sale of the development; and

4. That it provides VHFA the right to exchange information with federal and other state agencies, or other parties as deemed appropriate.

IN WITNESS WHEREOF, the undersigned, being duly authorized, has caused this document to be executed in its name on this _____day of _____, 2___.

I declare and affirm under the penalties of perjury that the application and accompanying information has been examined by me, and to the best of my knowledge and belief, is true and correct.

_____
Legal Name of Owner

_____
Signature

_____
Title

Qualified Contract Notification Letter

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

Re: (Development Name and Location)

Dear VHFA:

On behalf of (Development Owner), we hereby request that VHFA present a Qualified Contract for the purchase of (Development Name) ("the Development"). This request is made pursuant to Section 42(h)(6)(E)(i)(II) of the Internal Revenue Code. We understand that VHFA will have a One-Year Period from its receipt of this letter and the Complete Application to present a Qualified Contract for the purchase of the Development. *We hereby request to extend this period an additional __ months.*

We have enclosed with this request the following documents and information required by VHFA:

- Completed application & certification
- Application fee of $1,000
- A completed "Calculation of Qualified Contract Price", including Worksheets A-E. This form was completed by an independent accountant for the Development, (Accountant's Name)
- Written description of property & amenities
- Current rent & income restrictions from all funding sources (summary description and documentation)
- Most recent 12 month operating expenses (including comparison of actual vs. projected) and a current operating budget
- Three years of audited financial statements
- Description of owner paid utilities, copy of property tax bill, information on any special assessments
- Records of capital improvements
- Current tenant rent roll
- Sample tenant lease
- Land lease, if applicable
- Copy of most recent title insurance policy
- Copy of most recent Capital Needs Assessment
- Sale provisions anticipated by seller
- Copy of most recent appraisal (or calculated market price utilizing most recent year end net operating income and market-derived cap rate)

We understand that the above information may be shared with prospective purchasers, real estate brokers, and agents of VHFA, and information about the development may be posted on VHFA's website.

We will reasonably cooperate with VHFA and its agents with respect to VHFA's efforts in marketing and finding a Qualified Purchaser for the Qualified Contract and the purchase of the Development. In this regard, we understand that prior to the presentation of a Qualified Contract, we may need to share project "due diligence" with VHFA and prospective purchasers, including but not limited to, additional rent rolls, project tax returns, income certifications and other Section 42 compliance records, records with respect to repair and maintenance of the Development, operating expenses and debt service, reserve account balances; provided, however, that before information is shared with a prospective purchaser, we may require that such prospective purchaser enter into a commercially reasonable form of nondisclosure agreement. We will also share with VHFA, at its request, the documents and other information that were used to prepare the enclosed Calculation of Qualified Contract Price, including Worksheets A-E. We also agree to allow VHFA, its agents and prospective purchasers, upon reasonable prior written notice, to visit and inspect the Development, including representative apartment units.

We also understand that if VHFA finds a Qualified Purchaser willing to present an offer to purchase the Development for an amount equal to or greater than the Qualified Contract Price, we agree to enter into a commercially reasonable form of earnest money agreement or other contract of sale for the project which will allow the prospective purchaser a reasonable period of time to undertake additional customary due diligence prior to closing the purchase.

We further state our willingness (non-willingness) to amend the sale price to $_____ based on current market conditions and other pertinent considerations.

Sincerely,

Attachments

INSTRUCTIONS FOR CALCULATION OF QUALIFIED CONTRACT PRICE

The following "Calculation of Qualified Contract Price" will establish the minimum price at which VHFA will market your development and present an offer for its purchase. To complete the Calculation Form, you must complete Worksheets A through D and, if the project has market rate units, Worksheet E. The results of Worksheets A through E are transferred to the Calculation Form to determine the Qualified Contract Price for the property.

The Calculation Form is derived from a statutory formula set forth in Section 42(h)(6)(F) of the Internal Revenue Code. The statutory formula divides the purchase price between the low-income portion of the project and the market rate portion of the project, if any. Qualified Contract Price for the low-income portion of the project is equal to the sum of project indebtedness (Worksheet A), investor equity –see definition of Investor Equity on page 27 (Worksheet B), and other capital contributions (Worksheet C) reduced by the total cash that has been distributed, or is available for distribution – (see definition of Distributions on page 27), from the project (Worksheet D). If the project has any market rate units, the Qualified Contract Price is increased by the fair market value of those units (Worksheet E).

Please remember that the One-Year Period for finding a buyer will not commence until the Calculation Form and Worksheets A-E are completed and returned to VHFA with the notification letter and other required materials listed in the application. The Calculation Form must be prepared or reviewed and approved by an independent third-party CPA who is not an employee of the owner.

Calculation of Qualified Contract Price
Pursuant to Section 42(h)(6)(F) of the Internal Revenue Code
As of _____, 2__.

A. Calculation of Low-Income Portion of Project:

(i)	Outstanding Indebtedness secured by, or with respect to the Buildings (from Worksheet A)	$_____
(ii)	Adjusted Investor Equity (from Worksheet B)	$_____
(iii)	Other Capital Contributions not reflected in (i) or (ii) from (Worksheet C)	$_____
(iv)	Total of Lines (i), (ii), and (iii)	$_____
(v)	Cash Distributions from, or available from, the Project (Worksheet D)	$_____
(vi)	Line (iv) reduced by Line (v)	$_____
(vii)	Applicable Fraction (as set forth in the	

Housing Subsidy Covenant) _____%

(viii) Low-Income Portion of Qualified Contract Price (Line (vi) multiplied by Line (vii))

$_____

B. Fair Market Value of Non Low-Income Portion of Building (Worksheet E) $_____

Qualified Contract Price
(Sum of Line A (viii) and Line B) $_____

WORKSHEET A
Outstanding Indebtedness With Respect to Low-Income Building(s)
Code Section 42(h)(6)(F)(i)(I)

Instructions

The Qualified Contract Price includes the unpaid balance of all secured and unsecured indebtedness with respect to the low-income buildings. Worksheet A requires you to set forth certain information with respect to each mortgage loan and other project indebtedness: The name of the lender, the unpaid principal balance, the accrued interest, the maturity date, and other relevant information.

In the section marked "Other Information" (subsection (e) with respect to each loan), please set forth any information with respect to the loan that may be relevant to VHFA's efforts to market the project. Examples of relevant information include whether the loan has a "due-on-sale" clause or if any portion of the loan is payable from net cash flow (i.e. soft debt). Please also attach to the worksheet an amortization schedule for each loan, if available.

In addition to mortgage indebtedness, you should also list any unsecured, long-term debt the proceeds of which were used directly in the construction, rehabilitation, or operations of the project. If there are more than six loans, please attach a schedule with the additional loans.

The unpaid principal balance and accrued interest for each loan set forth on this worksheet should be totaled and that total should be transferred to Line A(i) of the Calculation Form.

Worksheet

1. First Mortgage Loan
   a. Lender: _____
   b. Principal Balance $_____
   c. Accrued Interest $_____
   d. Maturity Date _____
   e. Other Information _____
   Attach amortization schedule, if available

   Subtotal (add b and c) $_____

2. Second Mortgage Loan
   a. Lender: _____
   b. Principal Balance $_____
   c. Accrued Interest $_____
   d. Maturity Date _____
   e. Other Information _____
   Attach amortization schedule, if available

   Subtotal (add b and c) $_____

3. Other Loan

a. Lender: _____
b. Principal Balance $_____
c. Accrued Interest $_____
d. Maturity Date _____
e. Other Information _____
Attach amortization schedule, if available

Subtotal (add b and c) $_____

4. Other Loan
a. Lender: _____
b. Principal Balance $_____
c. Accrued Interest $_____
d. Maturity Date _____
e. Other Information _____
Attach amortization schedule, if available

Subtotal (add b and c) $_____

5. Other Loan
a. Lender: _____
b. Principal Balance $_____
c. Accrued Interest $_____
d. Maturity Date _____
e. Other Information _____
Attach amortization schedule, if available

Subtotal (add b and c) $_____

6. Other Loan
a. Lender: _____
b. Principal Balance $_____
c. Accrued Interest $_____
d. Maturity Date _____
e. Other Information _____
Attach amortization schedule, if available

Subtotal (add b and c) $_____

Total Indebtedness with respect to Low-Income Portion of Building(s) Sums of 1-6 subtotals above):

$_____

WORKSHEET B
Calculation of Adjusted Investor Equity in the Low-Income Building(s)
Code Section 42(h)(6)(F)(i)(II)

Instructions
The Qualified Contract Price includes the sum of the "Adjusted Investor Equity" with respect to the project. "Adjusted Investor Equity" means, with respect to each calendar year, the aggregate amount of cash that taxpayers invested with respect to the low-income buildings, increased by the applicable cost-of-living adjustment, if any.

Not all capital contributions with respect to the project qualify as "Adjusted Investor Equity." Specifically, **cash invested in the project should be included in this Worksheet B only if each of the following is true:**

(i) The cash is contributed as a capital contribution and not as a loan or advance;

(ii) The amount is reflected in the adjusted basis of the project (until there is further guidance from the Internal Revenue Service, VHFA will interpret this to mean cash contributions used to directly fund adjusted basis and cash contributions used to pay off a construction or bridge loan, the proceeds of which directly funded adjusted basis); and

(iii) There was an obligation to invest the amount as of the beginning of the credit period (until there is further guidance from the Internal Revenue Service, VHFA will interpret this to include cash actually invested before the beginning of the credit period and cash invested after the beginning of the credit period for which there was an obligation to invest at the beginning of the credit period).

With respect to Worksheet B, subsection (a) for each calendar year requires you to set forth the identity of the investor. Typically, this will be the tax credit investor (i.e. the investor limited partner); however, it may include a general partner if the cash investment by a general partner otherwise satisfies the requirements set forth above.

Subsection (b) requires you to set forth the amount of qualifying cash equity that was invested in the project for that calendar year. This amount should include only cash that was actually contributed to the project that year; it should not include amounts for which there was a mere obligation to invest.

Subsection (c) sets forth how the cost-of-living adjustment for each calendar year will be applied. Investment amounts qualifying as investor equity are entitled to a cost-of-living adjustment. Pursuant to Sections 1(f) and 42(h)(6)(G)(ii) of the Code, the CPI adjustment is calculated for each 12-month period ending August 31.

For each calendar year, the amount of "Adjusted Investor Equity" is the sum of the qualifying investment amount and the cost-of-living adjustment. After calculating the investment amount and cost-of-living adjustment, if any, per year, these amounts must be totaled and set forth in line #15 of the worksheet. This total is then transferred to Line A(ii) of the Calculation Form.

Worksheet B, Cont'd

1. Year 1_____ Adjusted Investor Equity
   a. Investor:_____
   b. Investment Amount $_____
   c. Cost-of-living Adjustment (___%) $_____
   Subtotal (b) plus (c) $_____

2. Year 2_____ Adjusted Investor Equity
   a. Investor:_____
   b. Investment Amount $_____
   c. Cost-of-living Adjustment (___%) $_____
   Subtotal (b) plus (c) $_____

3. Year 3_____ Adjusted Investor Equity
   a. Investor:_____
   b. Investment Amount $_____
   c. Cost-of-living Adjustment (___%) $_____
   Subtotal (b) plus (c) $_____

4. Year 4_____ Adjusted Investor Equity
   a. Investor:_____
   b. Investment Amount $_____
   c. Cost-of-living Adjustment (___%) $_____
   Subtotal (b) plus (c) $_____

5. Year 5_____ Adjusted Investor Equity
   a. Investor:_____
   b. Investment Amount $_____
   c. Cost-of-living Adjustment (___%) $_____
   Subtotal (b) plus (c) $_____

6. Year 6_____ Adjusted Investor Equity
   a. Investor:_____
   b. Investment Amount $_____
   c. Cost-of-living Adjustment (___%) $_____
   Subtotal (b) plus (c) $_____

7. Year 7_____ Adjusted Investor Equity
   a. Investor:_____
   b. Investment Amount $_____
   c. Cost-of-living Adjustment (___%) $_____
   Subtotal (b) plus (c) $_____

8. Year 8_____ Adjusted Investor Equity

a. Investor:_____

b. Investment Amount $_____

c. Cost-of-living Adjustment (___%) $_____

Subtotal (b) plus (c) $_____

9. Year 9_____ Adjusted Investor Equity

a. Investor:_____

b. Investment Amount $_____

c. Cost-of-living Adjustment (___%) $_____

Subtotal (b) plus (c) $_____

10. Year 10_____ Adjusted Investor Equity

a. Investor:_____

b. Investment Amount $_____

c. Cost-of-living Adjustment (___%) $_____

Subtotal (b) plus (c) $_____

11. Year 11_____ Adjusted Investor Equity

a. Investor:_____

b. Investment Amount $_____

c. Cost-of-living Adjustment (___%) $_____

Subtotal (b) plus (c) $_____

12. Year 12_____ Adjusted Investor Equity

a. Investor:_____

b. Investment Amount $_____

c. Cost-of-living Adjustment (___%) $_____

Subtotal (b) plus (c) $_____

13. Year 13_____ Adjusted Investor Equity

a. Investor:_____

b. Investment Amount $_____

c. Cost-of-living Adjustment (___%) $_____

Subtotal (b) plus (c) $_____

14. Year 14_____ Adjusted Investor Equity

a. Investor:_____

b. Investment Amount $_____

c. Cost-of-living Adjustment (___%) $_____

Subtotal (b) plus (c) $_____

15. Total Adjusted Investor Equity (Sum of 1-14 subtotals above):

$_____

WORKSHEET C
Other Capital Contributions
Code Section 42(h)(6)(F)(i)(III)

Instructions

The Qualified Contract Price includes the amount of other capital contributions made with respect to the project. For this purpose, "other capital contributions" are not limited to cash (at least until there is contrary guidance from the Internal Revenue Service) and, therefore, include "in-kind" contributions, such as, land. However, if you include any non-cash contributions in this worksheet, please describe in detail the type of contribution, the value you have assigned to the contribution, and your justification for assigning that value.

Do not include in this Worksheet C any amounts included in Worksheets A or B. Further, all amounts included in this worksheet must constitute contributed capital and not be a debt or advance.

After setting forth the required information with respect to each contribution, please total the contribution amounts and then transfer the total to Section A(iii) of the Calculation Form.

Worksheet

1. Investment Amount $_____
   a. Name of Investor _____
   b. Date of Investment _____
   c. Use of Contributions/Proceeds: _____
      _____
   d. Other Information: _____
      _____

2. Investment Amount $_____
   a. Name of Investor _____
   b. Date of Investment _____
   c. Use of Contributions/Proceeds: _____
      _____
   d. Other Information: _____
      _____

3. (Add as Needed) $_____

Total of Other Capital Contributions **$**_____

WORKSHEET D
Cash Distributions From or Available From the Project
Code Section 42(h)(6)(F)(ii)

Instructions

The Qualified Contract Price is reduced by the total of all cash distributions from, or available from, the project. To assist you in this calculation, we have divided Worksheet D into three sections.

In Section A, set forth all cash distributions with respect to the project for fourteen consecutive calendar years. Generally, this will include all cash payments and distributions from net operating income (i.e. "below the line" distributions and payments, after the payment of operating expenses, debt service, and reserves). Distributions set forth in Section A of the worksheet will include, but are not limited to: (i) amounts paid to partners or affiliates as fees (including investor fees, partnership management fees, incentive management fees and guaranty fees) and (ii) amounts distributed to partners as a return of capital or otherwise. Until guidance is provided by the Internal Revenue Service, VHFA will not reduce the Qualified Contract Price by payments of deferred Developer Fee to the extent the amount of fee was within VHFA's guidelines. We require, however, that you list all payments and distributions from net cash flow. If you believe any portion of a payment or distribution should be excluded from the calculation (such as deferred Developer Fee), please identify such payments or distributions and provide an explanation of why it should be excluded.

Section A of the worksheet provides for up to five types of distributions of net operating income for each year (items (a) – (e)). If there were more in any calendar year, you will need to attach an addendum to the worksheet setting forth the recipient, characterization and amount of such distribution.

The Qualified Contract Price is reduced not only by cash distributions made with respect to the project but also all cash that is available for distribution. In Section B you are required to set forth amounts held in reserve and other project accounts and the amounts thereof that are available for distribution. Until such time as guidance is provided by the Internal Revenue Service, VHFA will interpret "available for distribution" to mean all cash held in project accounts the distribution of which is not prohibited by mortgage restrictions, regulatory agreements or similar third-party contractual prohibitions. An amount currently held in a project account that will become unrestricted and available for distribution on or before the expiration of the One-Year Period should be listed as available for distribution in Section B.

Finally, Section C requires you to set forth and describe all non-cash distributions that have been made with respect to the project. Absent unusual circumstances, the amount of "non-cash distributions" will not be applied to reduce the Qualified Contract Price (until contrary guidance from the Internal Revenue Service).

To complete Worksheet D, please total the qualifying cash distributed for all calendar years under Section A and the cash available (or that will be available) for distribution in Section B. The total of Sections A and B should be transferred to Section A(v) of the Calculation Form.

Worksheet D - Section A

Year 1 _____ (actual year)

a. Recipient _____ Description _____ Amount $ _____
b. Recipient _____ Description _____ Amount $ _____
c. Recipient _____ Description _____ Amount $ _____
d. Recipient _____ Description _____ Amount $ _____
e. Recipient _____ Description _____ Amount $ _____

Year 2 _____ (actual year)

a. Recipient _____ Description _____ Amount $ _____
b. Recipient _____ Description _____ Amount $ _____
c. Recipient _____ Description _____ Amount $ _____
d. Recipient _____ Description _____ Amount $ _____
e. Recipient _____ Description _____ Amount $ _____

Year 3 _____ (actual year)

a. Recipient _____ Description _____ Amount $ _____
b. Recipient _____ Description _____ Amount $ _____
c. Recipient _____ Description _____ Amount $ _____
d. Recipient _____ Description _____ Amount $ _____
e. Recipient _____ Description _____ Amount $ _____

Year 4 _____ (actual year)

a. Recipient _____ Description _____ Amount $ _____
b. Recipient _____ Description _____ Amount $ _____
c. Recipient _____ Description _____ Amount $ _____
d. Recipient _____ Description _____ Amount $ _____
e. Recipient _____ Description _____ Amount $ _____

Year 5 _____ (actual year)

a. Recipient _____ Description _____ Amount $ _____
b. Recipient _____ Description _____ Amount $ _____
c. Recipient _____ Description _____ Amount $ _____
d. Recipient _____ Description _____ Amount $ _____
e. Recipient _____ Description _____ Amount $ _____

Year 6 _____ (actual year)

a. Recipient _____ Description _____ Amount $ _____
b. Recipient _____ Description _____ Amount $ _____
c. Recipient _____ Description _____ Amount $ _____
d. Recipient _____ Description _____ Amount $ _____
e. Recipient _____ Description _____ Amount $ _____

Year 7 _____ (actual year)

a. Recipient _____ Description _____ Amount $ _____
b. Recipient _____ Description _____ Amount $ _____

c. Recipient _____ Description _____ Amount $_____
d. Recipient _____ Description _____ Amount $_____
e. Recipient _____ Description _____ Amount $_____

Year 8 _____ (actual year)
a. Recipient _____ Description _____ Amount $_____
b. Recipient _____ Description _____ Amount $_____
c. Recipient _____ Description _____ Amount $_____
d. Recipient _____ Description _____ Amount $_____
e. Recipient _____ Description _____ Amount $_____

Year 9_____ (actual year)
a. Recipient _____ Description _____ Amount $_____
b. Recipient _____ Description _____ Amount $_____
c. Recipient _____ Description _____ Amount $_____
d. Recipient _____ Description _____ Amount $_____
e. Recipient _____ Description _____ Amount $_____

Year 10 _____ (actual year)
a. Recipient _____ Description _____ Amount $_____
b. Recipient _____ Description _____ Amount $_____
c. Recipient _____ Description _____ Amount $_____
d. Recipient _____ Description _____ Amount $_____
e. Recipient _____ Description _____ Amount $_____

Year 11 _____ (actual year)
a. Recipient _____ Description _____ Amount $_____
b. Recipient _____ Description _____ Amount $_____
c. Recipient _____ Description _____ Amount $_____
d. Recipient _____ Description _____ Amount $_____
e. Recipient _____ Description _____ Amount $_____

Year 12 _____ (actual year)
a. Recipient _____ Description _____ Amount $_____
b. Recipient _____ Description _____ Amount $_____
c. Recipient _____ Description _____ Amount $_____
d. Recipient _____ Description _____ Amount $_____
e. Recipient _____ Description _____ Amount $_____

Year 13 _____ (actual year)
a. Recipient _____ Description _____ Amount $_____
b. Recipient _____ Description _____ Amount $_____
c. Recipient _____ Description _____ Amount $_____
d. Recipient _____ Description _____ Amount $_____
e. Recipient _____ Description _____ Amount $_____

Year 14 _____ (actual year)

a. Recipient _____ Description _____ Amount $ _____
b. Recipient _____ Description _____ Amount $ _____
c. Recipient _____ Description _____ Amount $ _____
d. Recipient _____ Description _____ Amount $ _____
e. Recipient _____ Description _____ Amount $ _____

Total Amount of Distributions $ _____

Worksheet D - Section B

Cash Available for Distribution

1.	Amount Held in Replacement Reserve Account(s)	$_____
	a. Amount Available for Distribution	$_____
2.	Amount Held in Operating Reserve Account(s)	$_____
	a. Amount Available for Distribution	$_____
3.	Amount Held in Other Reserve Account(s) (Identify each account, the terms, and amount in each)	$_____
	a. Amount Available for Distribution	$_____
4.	Amount Held in Partnership Account(s)	$_____
	a. Amount Available for Distribution	$_____

Total Amount Available for Distribution (Sum of Lines 1a, 2a, 3a, 4a) $_____

Total Cash Distributed and Available for Distribution $_____
(Sum of Sections A & B) Enter this total in Section A(v) of the Calculation Form

Worksheet D - Section C

List of all Non-Cash Distributions (identify asset distributed, recipient value, and characterization of distribution)

1. Asset Distributed: _____
   a. Recipient _____
   b. Date of Distribution _____
   c. Estimated Value of Asset when Distributed $_____
   d. Reason for and /or Characterization of Distribution: _____
      _____

2. Asset Distributed: _____
   a. Recipient _____
   b. Date of Distribution _____
   c. Estimated Value of Asset when Distributed $_____
   d. Reason for and /or Characterization of Distribution: _____
      _____

3. Asset Distributed: _____
   a. Recipient _____
   b. Date of Distribution _____
   c. Estimated Value of Asset when Distributed $_____
   d. Reason for and /or Characterization of Distribution: _____
      _____

WORKSHEET E

Fair Market Value of Non-Low-income Portion of Building(s)

The fair market value of the non-low-income portion of the project building(s) is $_____

Please attach the appraisal, study, methodology proof or other support for the fair market value of the non-low-income portion of the building(s). The fair market value set forth above should be transferred to Section B of the Calculation Form.

Note: The appraisal(s) must meet VHFA Appraisal Standards.

Definitions of Key Terms:

Distributions

Includes:

(1) All cash payments and distributions from net operating income (i.e. below the line distributions and payments, after the payment of operating expenses, debt service and reserves). This includes but is not limited to: (a) amounts paid to partners or affiliates as fees (asset management fees, investor service fees, partnership management fees, incentive management fees, guaranty fees), and (b) amounts distributed to partners as a return of capital or otherwise. Asset Management fees taken "above the line" may be excluded from this calculation; however, the portion of asset management fees taken "below the line" (per VHFA policy which limits the asset management fee to be taken "above the line") will be included in the calculation. VHFA will not include payment of deferred development fees as a distribution to the extent the fee was within VHFA guidelines. Owner shall identify all payments and distributions from net cash flow. If an owner believes any portion of a payment or a distribution should be excluded from this calculation, please list it and the rationale for Agency review; and

(2) Cash available for distribution – this includes all cash held in project accounts the distribution of which is not prohibited by mortgage restrictions, regulatory agreements, or similar third-party contractual prohibitions. An amount currently held in a project account that will become unrestricted and available for distribution on or before the expiration of the one-year period should be listed as available for distribution. The owner may list third party payables separately and derive a 'cash available for distribution net of payables'.

Investor Equity

Refers to all capital contributions (not loans or advances), reflected in the adjusted basis of the project (includes cash contributions funding adjusted basis and cash contributions used to pay off construction or bridge loans), and for which there was an obligation to invest as of the beginning of the credit period. "Adjusted investor equity" is defined at IRC Section 42(h)(6)(G).

Qualified Contract

IRC § 42 (h)(6)(F) Qualified Contract –
For purposes of subparagraph (E), the term "qualified contract" means a bona fide contract to acquire (within a reasonable period after the contract is entered into) the non-low-income portion of the building for fair market value and the low-income portion of the building for an amount not less than the applicable fraction (specified in the extended low-income housing commitment) of

(i) the sum of –
(I) the outstanding indebtedness secured by, or with respect to, the building,
(II) the adjusted investor equity in the building, plus
(III) other capital contributions not reflected in the amounts described in sub-

clause (I) or (II), reduced by

(ii) *cash distributions from (or available for distribution from) the project. The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out this paragraph, including regulations to prevent the manipulation of the amount determined under the preceding sentence.*

Part Two

Compliance Monitoring After Year 15
FACT SHEET

EXTENDED USE PERIOD (POST YEAR 15)
Major focus is to ensure that these properties remain affordable and that physically they are maintained appropriately during the Extended Use Period.

Owner's Certificate of Extended Use Period Compliance

- Must submit the Owner's Certificate annually indicating that the number of restricted units (as reflected in the VHFA Housing Credit Subsidy Covenant) have been rented to income eligible tenants at initial occupancy only. Annual recertifications are no longer required.
- Rents must not exceed tax credit maximums throughout the Extended Use Period.
- The new certification includes the required good cause eviction and gross rent compliance language required under Section 42.
- The applicable fraction is calculated using the total number of restricted unit method (do not use the square footage method) and is now applied on a project-wide basis.
- The Student and Next Available Unit rule will no longer be enforced.

Extended Use Project Status Report

- Must submit status report annually. The report will list the resident's name, rent, income at initial occupancy and other move-in and unit information.

Audits and Physical Inspections

- Annual desk audits will continue to be performed by reviewing the above annual submissions.
- An on-site physical inspection will be done every 5 years along with tenant file reviews on a limited number of units and files (20% of low-income units).

Rent Schedule

- Rent will be calculated based on bedroom size during Extended Use Period.

Compliance Monitoring Fees

- Fees for monitoring will be $2 per unit per month. The $2 fee will be assessed only to the number of restricted units.

OWNER'S CERTIFICATE OF EXTENDED USE PERIOD COMPLIANCE

To: **Vermont Housing Finance Agency** P.O. Box 408 Burlington, VT 05402

Certification Dates:	**From:** January 1, 20____	**To:** December 31, 20____	
Project Name:			
Project Address:		**City:**	**Zip:**
Tax ID # of Ownership Entity:			

The undersigned_____ on behalf of _____ (the "Owner"), hereby certifies that:

1. The project meets the minimum requirements of: (check one)

   ☐ 20 – 50 test (20% of the units at 50% of area median income)
   ☐ 40 – 60 test (40% of the units at 60% of area median income)

2. During the Extended Use Period, the **applicable fraction** requirement is calculated on a project-wide basis and uses the number of unit's method as specified in the original allocation of credits. (Applicable fraction is no longer calculated using square footage method.)

3. Based on the project-wide applicable fraction, the following number of units must be rented to income qualified residents _____.

4. Rules are applied on a project-wide basis during the Extended Use Period.

5. The owner has received a Tenant Income Certification from each low-income resident and documentation to support that certification at their initial occupancy only.
   ☐ YES **☐ NO**

6. Each low-income unit in the project has been rent-restricted:
   ☐ YES **☐ NO**

8. All low-income units in the project are and have been for use by the general public and used on a non-transient basis (except for transitional housing for the homeless):
   ☐ YES **☐ NO** **☐ HOMELESS**

9. No finding of discrimination under the Fair Housing Act, 42 U.S.C 3601-3619, has occurred for this project. A finding of discrimination includes an adverse final decision by the Secretary of Housing and Urban Development (HUD), 24 CFR 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency, 42 U.S.C 3616a(a)(1), or an adverse judgment from a federal court:
   ☐ NO FINDING **☐ FINDING**

9. Each building in the project is and has been suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards), and the state or local government unit responsible for making building code inspections did not issue a report of a violation for any building or low income unit in the project:
☐ **YES** ☐ **NO**

If "**No**", state nature of violation on page 3 and attach a copy of the violation report and any documentation of correction.

10. If the income of tenants of a low-income unit in any building increased above the area median income limit, the rent remained restricted in order to maintain the unit as low-income:
☐ **YES** ☐ **NO**

11. An extended low-income housing commitment as described in section 42(h)(6) is in effect, including the requirement under section 42(h)(6)(B)(iv) that an owner cannot refuse to lease a unit in the project to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, 42 U.S.C. 1437s. Owner has not refused to lease a unit to an applicant based solely on their status as a holder of a Section 8 voucher and the project otherwise meets the provisions, including any special provisions, as outlined in the extended low-income housing commitment:
☐ **YES** ☐ **NO** ☐ **N/A**

12. During the preceding 12-month period no tenants in low-income units were evicted or had their tenancies terminated other than for good cause and that no tenants had an increase in the gross rent with respect to a low-income unit not otherwise permitted under Section 42 of the Code.
☐ **YES** ☐ **NO**

13. There has been no change in the ownership or management of the project:
☐ **NO CHANGE** ☐ **CHANGE**

If "**Change**", complete page 3 detailing the changes in ownership or management of the project.

Note: Failure to complete this form in its entirety could jeopardize future allocations of housing credits. In addition, any individual other than an owner or general partner of the project is not permitted to sign this form, unless permitted by the state agency.

The project is otherwise in compliance with the Extended Use Period requirements, the applicable State Allocation Plan, and all other applicable laws, rules and regulations. This Certification and any attachments are made UNDER PENALTY OF PERJURY.

_____
(Ownership Entity)

By: _____

Title: _____

Date: _____

PLEASE EXPLAIN ANY ITEMS THAT WERE ANSWERED "NO", "CHANGE" OR "FINDING" ON QUESTIONS 1-11.

Question #	Explanation

CHANGES IN OWNERSHIP OR MANAGEMENT
(completed **ONLY if "CHANGE"** marked for question 11 above)

TRANSFER OF OWNERSHIP

Date of Change:	
Taxpayer ID Number:	
Legal Owner Name:	
General Partnership:	
Status of Partnership (LLC, etc):	

CHANGE IN OWNER CONTACT

Date of Change:	
Owner Contact:	
Owner Contact Ph #:	
Owner Contact Fax:	
Owner Contact Email:	

CHANGE IN MANAGEMENT CONTACT

Date of Change:	
Management Co. Name:	
Management Address:	
Management city, state, zip:	
Management Contact:	
Management Contact Ph #:	
Management Contact Fax:	
Management Contact Email:	

VHFA Housing Credit Extended Use Period Status Report

For Year Ending _____

Project Name _____ Owner Name _____ Management Agent _____

Location _____ Owner Address _____ Management Address _____

County _____ Owner Phone # _____ Management Phone # _____

Unit Type: HC = Housing Credit; Mkt = Market Unit; MU = Manager's Unit

Subsidy Type: N/A = Not Applicable; RD = Rural Development; PBA = Project Based Assistance (Section 8)
TBA = Tenant Based Assistance (Section 8); HOME; HOPWA

Address:											
Unit #	# BRs	Tenant Name	Initial # in Hshld	Move-In Date	Move-In Income	Tenant Rent	Utility Allow	Gross Rent	Sub Type	Unit Type	Move-Out Date

vhfa

Vermont Housing Finance Agency

MEMORANDUM

To: VHFA Board of Commissioners
From: Maura Collins, Policy and Planning Coordinator
Re: Supportive Housing Proposal
Date: March 26, 2007

The VHFA Board has long discussed being more pro-active in seeking out housing development opportunities that match with the Agency's mission. Also, the VT Interagency Council on Homelessness has placed the creation of permanent supportive housing units a priority in its 10 Year Plan to End Homelessness. And at the same time, VHCB called together several housing agencies across the state to work on how to best serve the "hard to house" and that group's recommendations include creating new permanent supportive housing.

In that spirit, I reviewed how each state uses tax credits for supported housing (housing combined with some level of supportive services).[1] North Carolina's award winning approach to this population stood out because of its feasibility, scale, success, and ability to reproduce in Vermont.[2] A team from VHFA – Sam Falzone, Joe Erdelyi, Cindy Reid, Kim Roy, Dave Adams and I – took this information and worked out many details and questions and created a draft proposal for Vermont's housing and service agencies to consider. Attached is that draft proposal that would target 10 percent of all tax credit units in each project to people who are disabled and extremely low income.

This proposal will **require** support and agreement from several other agencies, most notably the Agency of Human Services to succeed. In order to garner that support and agreement, I've drafted a work plan to pursue over the course of the year which includes meetings with each state housing agency and AHS to discuss the proposal, answer questions, revise as necessary, and create a single plan moving forward. From there an MOU between all partnering agencies would be created. The outline of that MOU is in the attached document under the *Roles and Responsibilities* section.

This proposal may very well change from how it's drafted currently after meetings with other agencies. Therefore, staff is not asking for a full endorsement of the proposal as written today, but instead a general sense of support for this process and its goals.

Board Recommendation

To endorse staff's work on a proposal to dedicate Housing Credit resources to supported housing for people who are extremely low income.

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[1] I relied on a publication from the Corporation for Supportive Housing: *Using the Housing Credit for Supportive Housing.* www.csh.org/index.cfm?fuseaction=page.viewPage&pageID=3696&nodeID=81

[2] NCHFA won the 2006 NCSHA Annual Excellence Awards for Supportive Housing: www.ncsha.org/uploads/06AW_NC_Needs_Special.pdf

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EQUAL HOUSING OPPORTUNITY

Outline of a Plan to Increase Permanent Supportive Housing in Vermont

Purpose:

Increase the supply of permanent supportive housing units in Vermont by dedicating existing housing resources to the most vulnerable Vermonters.

Proposal Overview[3]:

Policy Change Proposed –

10% of all bond and allocated tax credit financed units would be targeted to people with disabilities earning disability income in permanent supportive housing units. (The number of units would be rounded to the nearest whole number of units.)

Permanent Supportive Housing –

The primary purpose of this proposal is to assist people with disabilities to live independently in the community while meeting the obligations of tenancy. Tenants have leases, may have individual or shared apartment units, and there is no time limitation on the length of stay as long as tenant is in compliance with lease. Tenants will be provided access to a flexible array of services, which can include (but not limited to) medical and wellness, mental health, substance use management and recovery, vocational and employment, money management, coordinated support (case management), life skills, household establishment, and tenant advocacy.

Development funding –

Projects can finance the lowered rent standard on targeted units in a number of ways:

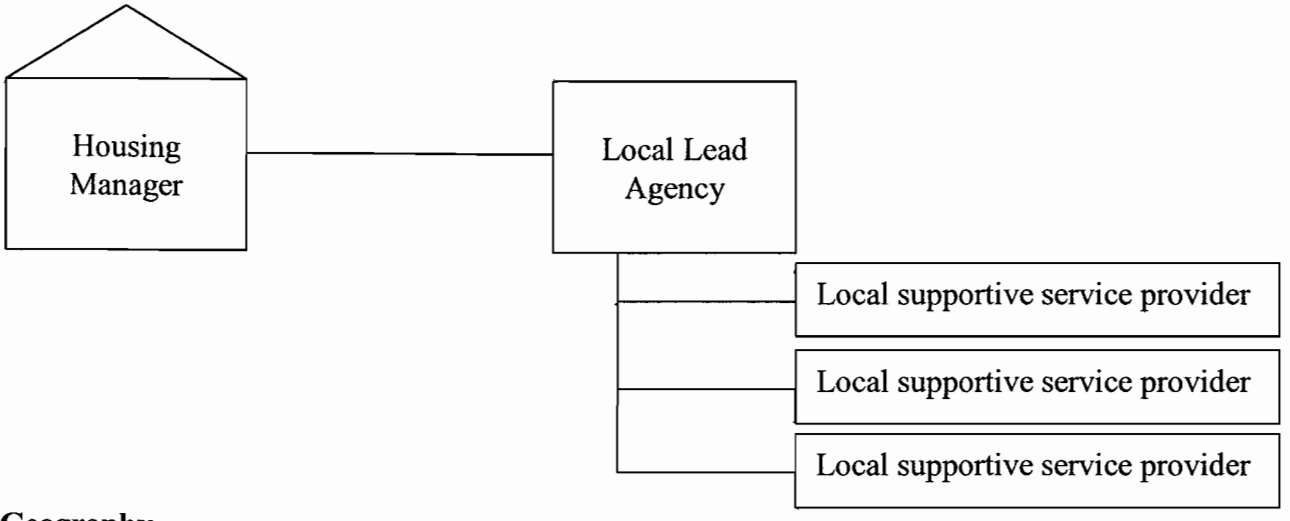
1. Developments will request project based rental assistance for targeted units;
2. Housing managers will prioritize eligible applicants with tenant based rental assistance; and/or
3. Developments should consider an internal project subsidy if at all possible.

Relationship between manager, lead entity, and service providers –

Under this proposal, housing developers would enter an agreement with one Local Lead Agency to coordinate the supportive services for all tenants eligible for a permanent supportive housing unit under this targeting requirement. This allows the housing manager to have one Local Lead Agency to contact when there are questions or concerns about tenants. It also allows the manager to not need to know the nature of the tenant's disability or be involved in the services being provided.

The Local Lead Agency will in turn work with a network of area supportive service providers to ensure that each tenant's service needs are being met. This proposal does not intend for the Local Lead Agency to provide all services to all tenants, but instead would make certain that tenants' needs are addressed appropriately. A diagram of the relationships follows.

[3] This proposal is modeled on the award winning and highly successful targeted tax credit program in North Carolina. Some text and concepts were taken directly from their QAP.



Geography –

All parts of the state are covered by this proposal. If a housing manager cannot find a local lead agency to coordinate supportive services for 10 percent of the building's tenants, the Agency of Human Services (AHS) and state housing funding agencies will meet to consider waiving the requirement.

Affordable transportation and availability of services for several types of disabilities are crucial for the success of the permanent supportive housing units and tenants. Ideally, local supportive service providers, the housing developer, AHS, and housing funding agency(ies) will ensure that transportation and services are reasonably available prior to targeting units as permanent supportive housing.

Tenant Eligibility –

Households that qualify for targeted units include those where a head of household receives disability income, which includes homeless households. Households can qualify while a household is awaiting SSI determination assuming the SSI application has been submitted, if the housing manager so chooses. Households awaiting determination will qualify towards a targeted unit through their SSI application process including appeals, but if a final rejection of benefits occurs then that household will not qualify for a targeted unit on the first of the month after the SSI final decision.

Application Process –

Developers would identify a local lead service agency with which to partner for a housing development. This supportive services agency, in conjunction with the housing developer, would write a Targeting Plan that would be submitted with the tax credit application. AHS will review all targeting plans at application.

Targeting Plans –

At a minimum Targeting Plans must include:

(a) A description of how the project will meet the needs of the targeted tenants including access to supportive services, transportation, proximity to community amenities, etc.
(b) A description of the experience of the local lead agency and their capacity to provide access to supportive services, and to maintain relationships with the management agent and community service providers for the duration of the compliance period.
(c) A Memorandum of Understanding (MOU) between the developer(s), management agent (if available or to be added once selected) and the lead local agency. The MOU will include-
    (i) A commitment from the local lead agency to provide, coordinate and/or act as a referral agent to assure that supportive services will be available to the targeted tenants.
    (ii) The referral and screening process that will be used to refer tenants to the project, the screening criteria that will be used, and the willingness of all parties to negotiate reasonable accommodations to facilitate the admittance of persons with disabilities into the project.
    (iii) A communications plan between the project management and the local lead agency that will accommodate staff turnover and assure continuing linkages between the project and the local lead agency for the duration of the compliance period.
(d) Certification that participation in supportive services will not be a condition of tenancy (not required for projects where all of the units are providing transitional housing for the homeless).
(e) Agreement that for a period of ninety (90) days after certificate of occupancy, the number of units specified in the application for persons with disabilities will be held vacant other than for such population(s).
(f) Agreement to maintain a separate waiting list for persons with disabilities and prioritizing these individuals for any units that may become vacant after the initial rent-up period, based upon the minimum number of units specified in the application. Waiting lists can be prioritized for applicants with tenant based rental assistance, and selection of applicants for the next available unit will be based on an appropriate match of household size with the number of bedrooms. If an appropriate applicant is not available immediately from the targeted waiting list, the unit will be held for at least 30 days and the housing manager must contact the local lead service agency notifying them of the vacancy.
(g) All housing applicants on the housing waiting list are strongly encouraged to immediately apply for tenant based rental assistance, if the applicant hasn't already done so.
(h) Agreement to affirmatively market to persons with disabilities.
(i) Agreement to include a section on reasonable accommodation in property management's application for tenancy.
(j) Agreement to accept rental assistance if available.
(k) A description of how the project will make the targeted units affordable to persons with extremely low incomes.

Roles and Responsibilities of State Agencies:

To increase the number of permanent supportive housing units in Vermont, a cohesive network of agencies must work together to blend the normally disparate areas of supportive services and housing. This proposal is built on the idea of keeping agencies focused on their specialty: housing agencies

should be responsible for housing matters, and supportive service agencies responsible for service provision.

Below are the elements of an interagency MOU drafted by VHFA based on a similar MOU in Connecticut. This would provide the framework for a formal MOU.

Goal(s) of MOU:

To outline the roles and responsibilities of the statewide housing agencies – namely the VT Housing Finance Agency (VHFA), VT Housing and Conservation Board (VHCB), VT State Housing Authority (VSHA), and the Department of Housing and Community Affairs (DHCA) – as well as the Agency of Human Services (AHS). This MOU is designed to be expandable to other agencies such as local Public Housing Authorities (PHA) as needed in the future.

Responsibilities of Parties:

Agency of Human Services:

- Lead a committee of housing and service agencies to create a Targeting Plan template to be used by developers and service providers as a starting place for local, individualized Plans.
- Review Targeting Plans for every housing application in a reasonable time period and report back to housing funding agencies with approval or recommended changes.
- Provide technical assistance to developers and local social service partners who are sponsoring the development of projects together.
- Serve as a mediator upon request of the Project Owner and/or Service Provider in the event there is a dispute between the two parties.

VHFA:

- Participate in a committee to create a Targeting Plan template.
- Ensure timely and adequate communication during development process between AHS, other housing funding agencies, and developers.
- Incorporate the proposed targeting language and Targeting Plan requirements in the Qualified Allocation Plan.
- Allocate Housing Credits according to the Qualified Allocation Plan.
- Monitor units for appropriate tenancy for the length of the requirement.

VSHA:

- Prioritize Project Based Rental Assistance for Targeted Units
- Actively pursue opportunities for additional rental assistance

VHCB:

- Prioritize HOME & VHCB loans and grants for Targeted Units

DHCA:

- Prioritize VCDP loans and grants for Targeted Units

ALL PARTIES:

- Work in partnership with all of the parties in this MOU to ensure communication and program success.
- Participate in a MOU Oversight Committee – to facilitate inter-Agency coordination and set policies; as well as ensure program stays on track and meets its goals.

TIMELINE FOR CREATING MORE PERMANENT SUPPORTIVE HOUSING UNITS IN VERMONT:

Earlier	March (2007)	April	May	June	July	Aug	Sept	Oct	Nov	Dec
Participate in GA pilot process, ensure all pilots have consistent outcome measures, nurture non-pilot proposals										
VHFA: flesh out details of 10% target										
	Introduce concept to VICH									
	Get housing agencies on board with 10% target									
	List what's needed from AHS for this to work and lay the groundwork for partnership									
		Get technical assistance from CSH or TAC to help us learn sources of AHS money for services and help plan our approach for pushing this issue in the legislature. (Including, but not limited to Medicaid)								
		VHFA work in partnership with other organization(s) to issue a VT-based report quantifying the public costs of permanent supportive housing compared to continued homelessness. To be released in early January 2008.								
		Organize hearings with Health and Welfare committees for CSH-CT to describe cost savings of PSH over homelessness								
			Get all 4 housing agencies and AHS to agree on target							
				Draft MOU effective FY08						
					Create boilerplate Targeting Plan template with AHS and others via committee					
					Identify sources of AHS $ to support paying for services					
						Publicly propose 10% targeting in QAP and other documents as needed				
							Introduce 10% target idea to developers and managers in several formats			
										Vote on QAP targeting language
										Propose for 2008 ConPl

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Tom Connors, Chief Financial Officer

RE: **Summary of VHFA Credit Facilities for Working Capital and Construction Projects**

DATE: March 30, 2007

There is an item on the agenda for the April Board of Commissioners Meeting titled "TD Banknorth Draw Down Bond". At the March meeting, during the discussion about "Renewal of Keybank Lines of Credit" the Board expressed concern about the aggregate amount of credit being approved for the Agency. In order to ease the Board's concern, we felt it was important to provide a summary of what financing facilities are currently available for funding Construction loans, including facilities established not only with Keybank, but also with TD Banknorth. The analysis will include a comparison of the available credit to the projected pipeline for Construction loans in the next 12 months. We will also explain how our current financing strategy compares to what has been done in the past to fund construction loans.

The Board also expressed concern about the Agency having too much credit with one bank and the need to maintain competition between multiple funding sources. We feel that a summary of construction funding sources, which include both Keybank and TD Banknorth, will ease the Board's concern.

A report is currently being finalized which will be reviewed with the Board at Monday's meeting. I hope to provide that summary via email before the end of the day today. However, if I am not able to complete it in time, I will make sure I bring copies to next week's meeting.

I look forward to seeing you all on Monday.

Summary of VHFA Short-term Financing Facilities

Existing Working Capital Facilities:	Date Opened	Extended	Term	Next Renewal Date	Original Limit	Revised Limit	Interest Rate	Collateral	Unused Fee Rate	3/24/2007 Current Balance	Available to Draw	Total Potential Debt 3/31/07	Expected Payoff	
Keybank Revolving Working Capital Line	3/29/05	3/28/07	1 yr	3/28/08	10,000,000	10,000,000	Libor plus 50 bps	GO	10 bps	3,195,000	6,805,000	10,000,000	Revolving	
TD Banknorth Working Capital Line	4/30/02	4/30/06	2 yrs	4/30/08	7,500,000	7,500,000	Libor + 75 bps	GO	10 bps	-	7,500,000	7,500,000	Revolving	
Total Existing Working Capital Lines of Credit					17,500,000	17,500,000				3,195,000	14,305,000	17,500,000		
Existing Construction Loan Facilities: (existing loans)														
Keybank Non-Revolving Purpose & Ability (aka 2005 Construction Line)	3/29/05	3/29/07	1 yr	NA	15,000,000	2,000,000	Taxable - Libor plus 115 bps Tax-exempt -(Libor + 195 BPS) x 65%	GO+ (1)	None	424,213	75,787	500,000	6/10/07	(2)
Keybank Non-Revolving Purpose & Ability (aka 2006 Construction Line)	5/3/06	12/6/06	1 yr	NA	15,000,000	35,000,000	Taxable - Libor plus 115 bps Tax-exempt -(Libor + 266 BPS) x 65%	GO+ (1)	None	13,303,382	20,183,618	33,487,000	4/10/09	(2)
TD Banknorth Construction Line	3/29/05		18 mos	9/11/06	15,000,000	15,000,000	Libor + 110-115 bps	GO+ (1)	up to 10 bps	6,250,000	1,126,261	7,376,261	12/31/07	(3)
Total Loan Facilities (existing Construction Loans)										19,977,595	21,385,666	41,363,261		
Credit Available for New Construction Loans:														
Keybank Non-Revolving Purpose & Ability (aka 2007 Construction Line)	3/31/07		1 yr	3/31/08	15,000,000	15,000,000	Taxable - Libor plus 115 bps Tax-exempt -(Libor + 266 BPS) x 65%	GO+ (1)	None	-	15,000,000	15,000,000	3/31/10 (est)	(4)
Keybank Non-Revolving Purpose & Ability (aka 2007 Construction Line - as needed)	3/31/07		1 yr	3/31/08	15,000,000	15,000,000	Taxable - Libor plus 115 bps	GO+ (1)	None	-	15,000,000	15,000,000	3/31/10 (est)	(4)
TD Banknorth Construction Line	4/17/07			4/12/08	15,000,000	15,000,000	Libor + 75 bps	GO+ (1)	up to 10 bps		7,623,739	7,623,739		
TD Banknorth Construction Line Renewal	4/17/07									-	7,376,261	7,376,261		(5)
Total Credit available for New Construction loans					45,000,000	45,000,000				-	45,000,000	45,000,000		

Notes:

(1) "GO+" represents General Obligation with negative pledge on mortgage assets funded with the facility

(2) No new projects can be added after 3/31/07

(3) Balance of Banknorth Construction financing facility currently used for existing loans, which will be recycled as loans are paid off during 2007.

(4) New facility approved by the Board at March 7, 2007 Board Meeting. Total amount approved by Board was $30 million. First amount requested from Keybank is $15 million. Balance will be requested as needed.

(5) As part of our settlement with TD Banknorth regarding the conversion of trustee services to Bank of New York, TD Banknorth came back with some favorable rates and have added the ability to do taxable loans. This will give us more flexibility and also meet the Board's concern about having too much credit with one bank and will continue to encourage competition between the two banks.

Summary of VHFA Short-term Financing Facilities

Summary of Debt Facilities - Keybank and TD Banknorth	3/24/2007 Current Balance	Available to Draw	Total Potential Debt 3/31/07
Working Line of Credit - Keybank	3,195,000	6,805,000	10,000,000
Working Line of Credit - TD Banknorth	-	7,500,000	7,500,000
Facilities to fund existing Construction Projects - Keybank	13,727,595	20,259,405	33,987,000
Facilities to fund existing Construction Projects - TD Banknorth	6,250,000	1,126,261	7,376,261
Facilities to fund new Construction Projects - Keybank	-	30,000,000	30,000,000
Facilities to fund new Construction Projects - TD Banknorth	-	7,623,739	7,623,739
Facilities to fund new Construction Projects - TD Banknorth (recycling of credit as old loans are paid off)	-	7,376,261	7,376,261
Less double count of recycled Banknorth Construction financing	-	(7,376,261)	(7,376,261)
Total All Facilities	23,172,595	73,314,405	96,487,000

Credit Available for Financing New Projects	Banknorth	15,000,000	Existing revolving facility to be renewed 4/07
	Keybank	15,000,000	Available as of 3/31/07
	Keybank	15,000,000	Will not be requested unless needed
	Total	45,000,000	
Estimated Pipeline - Construction Projects Next 12 Months		$40,000,000	

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Tom Connors, Chief Financial Officer

RE: General Obligation Multiple Purpose Bonds

DATE: March 23, 2007

Board Action Requested: Adoption of the attached resolution.

The Agency has been issuing single-family bonds under its Single Family Housing Bond Resolution adopted on September 20, 1990. Multi-family mortgages have previously been funded through a combination of private placement and public sale bonds. Recently, we haven't had enough permanent activity to justify the cost of a public sale, so we have used some creative options such as the KeyBank Series 1 bonds facility.

The main reason for moving to a multi-purpose bond indenture is to refund the 1995 multi-family bond issue at a lower borrowing rate and to gain the benefit of absorbing remaining excess yield by combining single family and multi-family bond issues under one indenture.

The Agency is now requesting adoption of the attached resolution, authorizing a new indenture to be used for the issuance of both single family and multi-family bonds. This indenture has been deliberately worded to allow significant flexibility in issuing supplemental resolutions for funding single family and multi-family loans in the future.

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phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

RESOLUTION AUTHORIZING AND APPROVING THE EXECUTION AND DELIVERY OF A (GENERAL) TRUST INDENTURE, PROVIDING FOR THE ISSUANCE OF GENERAL OBLIGATION MULTIPLE PURPOSE BONDS.

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized and empowered by the Vermont Housing Finance Agency Act, being No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (the "Act"), to make mortgage loans to finance, and to purchase from mortgage lenders mortgage loans with respect to, residential housing for persons of low and moderate income, and to issue bonds to finance the same, all to promote the expansion of the supply of funds available for mortgages for residential housing and to encourage an adequate supply of safe and decent housing at reasonable costs, and to otherwise carry out its powers as authorized by the Act; and

WHEREAS, the Agency has previously implemented both multifamily and single-family mortgage loan and mortgage purchase programs and has funded such programs through the issuance of both general obligation and revenue bonds, including its single-family housing bonds and its multi-family program bonds, and through the use of lines of credit and short-term bonds to provide interim financing for such programs; and

WHEREAS, the Agency desires to complement and supplement its present bond-issuing programs, as well as provide an alternate source of funding for both existing and future programs and projects and take full advantage of various federal tax law provisions, by approving and adopting a Trust Indenture which provides for the issuance of general obligation multiple purpose bonds of the Agency, which bonds can be issued to finance any program of the Agency and which bonds will be payable from the general funds and assets of the Agency not otherwise pledged to secure specific issues of bonds or other indebtedness; and

WHEREAS, a form of general Trust Indenture (the "Indenture") providing for the issuance of such general obligation multiple purpose bonds has herewith been presented to the Board;

NOW, THEREFORE, BE IT RESOLVED BY THE VERMONT HOUSING FINANCE AGENCY and the Commissioners thereof as follows:

Section 1. The Agency does hereby find and determine, 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, it is reasonable and necessary that the Agency provide for the issuance of its general obligation multiple purpose bonds, with or without the pledge of additional security, to provide a complementary and supplemental source of funds for its programs and thereby promote an adequate supply of safe and decent housing in the State at reasonable costs.

Section 2. The Agency hereby approves the Indenture, to be entered into between the Agency and a commercial bank designated by the Executive Director, as trustee, in substantially the form presented at this meeting with such amendments, deletions and additions as the authorized Agency signatory officer, in the exercise of such officer's independent judgment and discretion, determines to be necessary or appropriate, and the Chair, Vice Chair, Executive Director, Chief of Program Operations, or Treasurer and Chief Financial Officer are each hereby authorized to execute and deliver the same, to be attested by any other such officer or the Secretary or any Assistant Secretary, all as such Agency signatory officer shall determine necessary or desirable in order to effectuate the purposes of this Resolution.

Section 3. Bonds may be issued under the Indenture only to the extent authorized by separate resolution adopted by the Commissioners of the Agency.

Section 4. This Resolution shall take effect immediately.

TRUST INDENTURE

by and between

VERMONT HOUSING FINANCE AGENCY

and

[ ],
as Trustee

Securing
Multiple Purpose Bonds

Dated as of _____ 1, 2007

ARTICLE XII

MISCELLANEOUS

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TRUST INDENTURE

THIS TRUST INDENTURE, dated as of _____ 1, 2007 (this "Indenture"), is by and between **VERMONT HOUSING FINANCE AGENCY**, a body politic and corporate organized and existing under the Vermont Housing Finance Agency Act, as amended (the "Agency"), and [ ], a national banking association organized and existing under the laws of the United States of America, as trustee (the "Trustee").

W I T N E S S E T H :

WHEREAS, pursuant to the Constitution and the laws of the State of Vermont, particularly the Vermont Housing Finance Agency Act, being No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (the "Act"), the Agency is authorized to carry out the public purposes described in the Act by issuing its general obligation bonds and by entering into any agreements made in connection therewith; and

WHEREAS, to provide a source of funds for its programs authorized by the Act, the Agency has determined to authorize the issuance of its general obligation Multiple Purpose Bonds (the "Bonds") pursuant to this Indenture and one or more supplemental indentures or series certificates ("Supplemental Indentures") and to enter into this Indenture to secure the Bonds as hereafter described; and

WHEREAS, all things necessary to make the Bonds, when authenticated by the Trustee and issued as in this Indenture and the related Supplemental Indentures provided, the valid, binding and legal obligations of the Agency according to the import thereof, and to constitute this Indenture a valid assignment and pledge of the amounts pledged to the payment of principal of and interest on the Bonds and other obligations secured hereunder, and the creation, execution and delivery of this Indenture, and the creation, execution and issuance of the Bonds, subject to the terms hereof and of the related Supplemental Indentures, have in all respects been duly authorized; and

WHEREAS, the Trustee has accepted the trusts created by this Indenture and in evidence thereof has joined in the execution hereof;

NOW, THEREFORE, THIS TRUST INDENTURE WITNESSETH:

GRANTING CLAUSES

The Agency, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds to be issued hereunder from time to time by the holders thereof, and for other good and valuable consideration, the receipt of which is hereby acknowledged, in order to secure the payment of the principal of, interest and redemption premium, if any on the Bonds and other obligations secured hereunder according to their tenor and effect and to secure the performance and observance by the Agency of all the covenants expressed or implied herein and in the Bonds and other obligations secured hereunder, does hereby, on the terms herein provided and subject to the provisions hereof permitting the application of amounts held hereunder and the exercise of rights in connection

with the following properties, pledge and assign all right, title and interest of the Agency in and to the following unto the Trustee, and its successors in trust and assigns forever, for the securing of the performance of the obligations of the Agency hereinafter set forth and for the equal and proportionate benefit and security, from time to time, of the owners of the Bonds or any other creditors secured hereunder, without preference, priority or distinction as to lien or otherwise, except as otherwise hereinafter provided, of any one Bond over any other Bond or any other creditor secured hereunder, by reason of priority in the issue, sale or negotiation thereof or otherwise, all in accordance with the terms hereof:

> All moneys and securities, including Bond proceeds (other than proceeds deposited in trust for the retirement of any outstanding Bonds or other indebtedness of the Agency), and other assets from time to time held by the Trustee under and subject to the terms of this Indenture or any Supplemental Indenture (other than amounts held in the Rebate Fund, if any) and any and all other real or personal property of every name and nature from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security hereunder by the Agency, or by anyone in its behalf or with its written consent, to the Trustee which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof;

TO HAVE AND TO HOLD all and singular the trust estate (the "Trust Estate"), whether now owned or hereafter acquired, unto the Trustee and its respective successors in trust and assigns forever;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit and security of all present and future owners of all Bonds without preference of any Bond over any other Bond or any other creditor secured hereunder, except as otherwise herein provided, and for enforcement of the payment of the Bonds or any other creditors secured hereunder in accordance with their terms, and all other sums payable hereunder or on the Bonds and for the performance of and compliance with the obligations, covenants and conditions of this Indenture, as if all the Bonds at any time outstanding had been authenticated, executed and delivered simultaneously with the execution and delivery of this Indenture, all as herein set forth;

PROVIDED, HOWEVER, that if the Agency, its successors or assigns shall well and truly pay, or cause to be paid, the principal of, premium, if any, and interest on the Bonds or any other obligations due or to become due thereon, at the times and in the manner mentioned in the Bonds or such obligations according to the true intent and meaning thereof, and shall cause the payments to be made as required under Article VII hereof, or shall provide, as permitted hereby, for the payment thereof by depositing with the Trustee the entire amount due or to become due thereon, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of this Indenture and each and every Supplemental Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee all sums of money due or to become due in accordance with the terms and provisions hereof and each and every Supplemental Indenture, then upon such final payments this Indenture and each and every Supplemental Indenture and the rights hereby and thereby granted shall cease, terminate and be

void; otherwise this Indenture and each and every Supplemental Indenture to be and remain in full force and effect;

THIS INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Bonds or other obligations issued and secured hereunder and under each and every Supplemental Indenture are to be issued, authenticated and delivered, and all said property, rights and interests, including, without limitation, the amounts hereby assigned and pledged, are to be dealt with and disposed of, under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes hereinafter and in the related Supplemental Indenture expressed, and the Agency has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective owners from time to time, or at any time, of the Bonds, or any part thereof, as follows (subject, however, to the provisions of Section 1.02 hereof):

ARTICLE I

DETERMINATIONS AND DEFINITIONS

Section 1.01. Authority and Purpose. This Indenture is entered into under authority and in accordance with the provisions of the Act, for the purpose of effectuating the public purposes as set forth in the Act; and for the purpose of establishing covenants, agreements and procedures to assure that amounts will be sufficient for the repayment of money borrowed for this purpose, and that any amounts pledged hereunder exceeding the amounts needed for this purpose will be applied in accordance with law for other purposes authorized by the Act.

Section 1.02. Contract With Trustee and Bondholders. As provided in the Act and in consideration of the acceptance by the Trustee of the trusts herein created and of the purchase and acceptance of Bonds issued hereunder by any who shall from time to time be holders thereof and of any other obligations of the Agency secured hereunder:

(a) the provisions of this Indenture shall be a contract of the Agency with the holders of the Bonds and any other obligations secured hereunder;

(b) the Agency pledges to the Trustee for the payment of the principal of, premium, if any, and interest on the Bonds, and the Sinking Fund Installments for the retirement thereof, if any, and any other obligations secured hereunder, at the times and in the manner provided in this Indenture and any Supplemental Indenture, and grants a security interest in, all money, Permitted Investments and other assets and income held in and receivable by the Funds and Accounts (except the Rebate Fund, if any) established by or pursuant to this Indenture and any Supplemental Indenture, subject to the right of the Agency to direct withdrawals of amounts from said Funds and Accounts upon the conditions set forth in this Indenture, which pledge constitutes a first lien on such pledged moneys and revenues;

(c) the pledge made and security interests granted herein and the covenants and agreements herein set forth shall be for the equal benefit, protection and security of holders of any and all such Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any

Bond over any other Bond, and any other obligations secured hereunder, except as expressly provided or permitted herein;

(d) this pledge is valid and binding from the time when made, and the property so pledged and hereafter received by the Agency shall immediately be subject to the lien thereof without any physical delivery or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Agency, whether or not such parties have notice thereof, and neither this Indenture nor any other instrument by which such pledge is created need be recorded;

(e) the Bonds are general obligations of the Agency, for which its full faith and credit are pledged, and are payable from any of the Agency's revenues, assets or moneys, subject only to agreements made with holders of notes and bonds or other indebtedness, other than the Bonds, pledging particular revenues, moneys or assets for the payment thereof. The Bonds will not constitute a debt of the State or any political subdivision thereof, and neither the State nor any of its political subdivisions are liable thereon. The Bonds will not constitute a debt or liability or obligation or a pledge of the faith and credit of the State but will be payable solely from the revenues or assets of the Agency. The State is not liable on the Bonds and the Bonds are not a debt of the State and neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of or the interest on the Bonds; and

(f) the State has agreed that it will not limit or restrict the rights vested in the Agency to perform its obligations and to fulfill the terms of any agreement made with the Holders of the Bonds, or in any way impair the rights and remedies of the Bondholders, until the Bonds, together with the interest thereon and interest on any unpaid installments of interest, are fully met, paid and discharged.

Section 1.03. Definitions. In this Indenture, unless a different meaning clearly appears from the context, the following terms have the following respective meanings:

"*Accountant*" means the accountant or firm of accountants who regularly audit the books and accounts of the Agency.

"*Accountant's Certificate*" means an opinion or report signed by any Accountant.

"*Accounts*" means the Accounts established pursuant to this Indenture or any Supplemental Indenture.

"*Act*" means the Vermont Housing Finance Agency Act, No. 260 of Vermont Acts of 1973, Adjourned Session, as amended from time to time.

"*Agency*" shall mean the Vermont Housing Finance Agency and any successor thereto.

"*Amortized Value*" means, for securities purchased at a premium above or a discount below par, the value as of any given date obtained by amortizing the premium or discount over

the period from the date of such purchase to the date of calculation at the original yield to maturity.

"*Appreciated Amount*" means with respect to a Deferred Interest Bond, (a) as of any date of computation with respect to any Deferred Interest Bond up to the date, *if any*, set forth in the Supplemental Indenture authorizing such Deferred Interest Bond as the date on which such Deferred Interest Bond shall commence to bear interest payable thereafter on applicable Interest Payment Dates, an amount equal to the initial principal amount of such Deferred Interest Bond plus the interest accrued on such Deferred Interest Bond from the date of original issuance of such Deferred Interest Bond to the applicable Interest Payment Date next preceding the date of computation or the date of computation if an applicable Interest Payment Date, such increased amount to accrue at the rate per annum set forth in the Supplemental Indenture authorizing such Deferred Interest Bonds, compounded on each applicable Interest Payment Date, plus, if such date of computation shall not be an applicable Interest Payment Date, a portion of the difference between the Appreciated Amount as of the immediately preceding applicable Interest Payment Date (or the date of original issuance if the date of computation is prior to the first applicable Interest Payment Date succeeding the date of original issuance) and the Appreciated Amount as of the immediately succeeding applicable Interest Payment Date, calculated based upon an assumption that the Appreciated Amount accrues in equal daily amounts on the basis set forth in the Supplemental Indenture authorizing such Deferred Interest Bonds; and (b) as of any date of computation on and after the date, if any, set forth in the Supplemental Indenture authorizing such Deferred Interest Bond as the date on which such Deferred Interest Bond shall commence to bear interest payable thereafter on applicable Interest Payment Dates, the Appreciated Amount as of such current interest payment commencement date.

For the purposes of (a) actions, requests, notifications, consents or directions of Bondowners under this Indenture, (b) required payment upon default or anticipated default pursuant to acceleration of maturity or otherwise as described in Article VIII hereof, the calculation of the Appreciated Amount shall be as of the applicable Interest Payment Dates for such Deferred Interest Bond, as specified in a Supplemental Indenture, preceding such date of calculation (unless such date of calculation shall be an Interest Payment Date, in which case, as of the date of calculation).

"*Authorized Officer*" means the Chair, Vice Chair, Executive Director and Secretary, Chief Financial Officer and Treasurer, and Chief of Program Operations of the Agency or any other person authorized by resolution of the Agency to perform an act or sign a document.

"*Bond*" or "*Bonds*" means any Bond or Bonds authorized and issued pursuant to this Indenture and a Supplemental Indenture.

"*Bondholder*" or "*holder of Bonds*" or "*owner of Bonds*" means the registered owner of any Bond.

"*Bond Year*" means a 12-month period (or shorter initial or ending year period) commencing on July 1 in each year that Bonds are Outstanding and ending on June 30 of the succeeding year.

"*Book Entry System*" means such system for registering the Bonds of one or more Series set forth in a Supplemental Indenture.

"*Business Day*" means any day other than a Saturday, Sunday, a day on which the offices of the Agency are closed, or any other day on which the New York Stock Exchange or banks are authorized or obligated by law or executive order to close in New York, New York or in any city in which is located the corporate trust operations office of the Trustee or such other date as set forth in a Supplemental Indenture.

"*Cash Equivalent*" means a letter of credit, insurance policy, surety, guarantee or other security arrangement (as defined and provided for in a Supplemental Indenture), which Cash Equivalent shall have such terms necessary to maintain the Rating of the Bonds.

"*Certificate*" means a certificate of an Authorized Officer.

"*Code*" means the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder; each reference to a Section of the Code herein shall be deemed to include the United States Treasury regulations proposed or in effect thereunder and applied to the Bonds or the use of the proceeds thereof, and also includes all amendments and successor provisions unless the context requires otherwise.

"*Counsel*" means any attorney or firm of attorneys (who may be employed by or of counsel to the Agency or an attorney or firm of attorneys retained by it in other connections) licensed to practice in the state in which he/she or it maintains an office (and if the opinion is with respect to an interpretation of federal tax laws or regulations or with respect to the issuance of an additional Series of Bonds or interpretation or application of this Indenture, is also a nationally recognized attorney or firm of attorneys experienced in such matters), selected or employed by the Agency.

"*Counsel's Opinion*" means an opinion signed by any Counsel.

"*Current Interest-Bearing Bonds*" means Bonds as to which interest is payable on each Interest Payment Date.

"*Date of Original Issuance*" means, with respect to a particular Series of Bonds, the date on which the Agency initially issues such Series of Bonds.

"*Debt Service Fund*" means the Fund so designated which is established by Section 5.01 hereof.

"*Deferred Interest Bonds*" means the Bonds so designated in a Supplemental Indenture but shall not include any such Bond from and after the date, if any, on which such Bond will bear interest that is payable to the holder of such Bond prior to its scheduled maturity.

"*Depositary*" means any bank or trust company or national banking association selected by the Agency as a depositary of moneys or securities held under the provisions of this Indenture and may include the Trustee and any Paying Agent.

"*Event of Default*" means the occurrence of any event specified in Section 8.01 hereof.

"*Excess Earnings*" means excess investment earnings, net of any credits or offsets thereto, which must be rebated to the United States of America pursuant to Section 143(g) of the Code.

"*Executive Director*" means the Executive Director of the Agency appointed pursuant to the Act, or his or her designee.

"*Executive Director's Determination*" means a Certificate signed by the Executive Director, delivered to the Trustee and the Rating Agency, reflecting modifications to this Indenture with respect to one or more Series of Bonds, as permitted or required by the express terms of this Indenture or the Supplemental Indenture related to such Series.

"*FDIC*" means the Federal Deposit Insurance Corporation or any successor thereto.

"*Federal Agency Obligations*" means bonds, debentures or other obligations issued by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Farm Credit Bank, any Federal Home Loan Bank, the Student Loan Marketing Association (more commonly known as Sallie Mae), the Resolution Funding Corporation, the Tennessee Valley Authority, any Federal Loan Bank or the Government National Mortgage Association and any other obligations of any agency controlled or supervised by and acting as an instrumentality of the United States Government pursuant to authority granted by the Congress of the United States.

"*Federal Obligations*" means direct obligations of the United States or other obligations the timely payment of principal and interest of which is fully and unconditionally guaranteed by the United States.

"*Fiduciary*" means the Trustee and any Paying Agent.

"*Fiscal Year*" means the period of 12 calendar months commencing on July 1 in any calendar year and ending on June 30 in the following year.

"*Hedge Agreement*" means a payment exchange agreement, swap agreement, forward purchase agreement or any other hedge agreement entered into by the Agency providing for payments between the parties based on levels of, or changes in, interest rates or other indices or contracts to exchange cash flows or a series of payments or contracts, including, without limitation, interest rate floors, or caps, options, puts or calls, which allows the Agency to manage or hedge payment, rate, spread or similar risk with respect to all or a portion of any Series of Bonds or any assets pledged under this Indenture.

"*HUD*" means the Department of Housing and Urban Development and any successor thereto and shall include FHA, as dictated by context.

"*Indenture*" means this Trust Indenture dated as of _____, 1, 2007 between the Agency and the Trustee, as amended and supplemented from time to time in accordance with its terms.

"*Interest Payment Date*" means any date upon which interest on Bonds is payable in accordance with their terms and the terms of this Indenture or any Supplemental Indenture.

"*Interest Period*" means the period or periods specified in a Supplemental Indenture.

"*Notice Address*" means the address designated in writing by the Agency, the Trustee or the Rating Agency to the other party to which subsequent notices, certificates or other communications hereunder shall be sent.

"*Original Principal Amount*" shall mean the aggregate original amount at which each maturity of the Deferred Interest Bonds of any Series shall initially be offered to the public, as set forth in the Supplemental Indenture.

"*Outstanding*" or "*Bonds Outstanding*" means all Bonds which have been authenticated and delivered by the Trustee under this Indenture, except:

(a) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;

(b) Bonds for the payment or redemption of which cash funds or Federal Obligations or any combination thereof shall have been theretofore deposited with the Trustee (whether upon or prior to the maturity or redemption date of any such Bonds); provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee;

(c) Bonds in lieu of which other Bonds have been executed and delivered under Section 3.09 hereof; and

(d) Bonds otherwise specified in a Supplemental Indenture.

"*Paying Agent*" means any bank or trust company designated pursuant to this Indenture to serve as a paying agency or place of payment for a Series of Bonds, and any successors designated pursuant to this Indenture or a Supplemental Indenture.

"*Permitted Investments*" means any of the following which at the time are legal investments under the law of the State for funds held under the Indenture which are then proposed to be invested hereunder: (a) Federal Obligations; (b) obligations of any state of the United States of America or any political subdivision of such a state (such obligations of which are rated in the highest long-term rating category by the Rating Agency); (c) Federal Agency Obligations; (d) repurchase agreements collateralized by securities described in (a), (b) or (c) above with any institution that will not adversely affect the Rating of the Bonds at the time of purchase; (e) investment agreements, secured or unsecured as required by the Agency, with any institution that will not adversely affect the Rating of the Bonds at the time of execution; (f) any of the following obligations that would not adversely affect the Rating of the Bonds at the time of purchase: (i) time deposits, certificates of deposit or any other deposit with federally or state-chartered banks (including the Trustee and its affiliates), the deposits of which are fully

insured by the FDIC, (ii) commercial paper, (iii) shares of a money market mutual fund or other collective investment fund registered under the Investment Company Act of 1940, as amended, whose shares are registered under the Securities Act of 1933, as amended, having assets of at least $100 million, and (iv) any other investment with a financial institution, provided that it is expressly understood that the definition of Permitted Investments shall be, and be deemed to be, expanded, or new definitions and related provisions shall be added to the Indenture, thus permitting investments with different characteristics from those permitted which the Executive Director deems from time to time to be in the interest of the Agency to include as Permitted Investments, as reflected in an Executive Director's Determination, or in a Supplemental Indenture if at the time of inclusion such inclusion will not, in and of itself, adversely affect the then current Rating on the Bonds.

"*Principal*" or "*principal*" means (a) unless otherwise provided herein or in a Supplemental Indenture, as such term references the principal amount of a Deferred Interest Bond or Deferred Interest Bonds, the Appreciated Amount thereof, and (b) as such term references the principal amount of any other Bond or Bonds, the principal amount at maturity of such Bond or Bonds.

"*Program Fund*" means the Fund so designated which is established by Section 5.01 hereof.

"*Provider*" means any person or entity providing a Qualified Hedge Agreement pursuant to agreement with or upon the request of the Agency.

"*Qualified Hedge Agreement*" means a Hedge Agreement which meets the tests of Section 1.04(a).

"*Qualified Institution*" means (a) a bank, a trust company, a national banking association, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, or an insurance company or association chartered or organized under the laws of any state of the United States of America, a corporation, a trust, a partnership, an unincorporated organization, or a government or an agency, instrumentality, program, account, fund, political subdivision or corporation thereof, in each case the unsecured or uncollateralized long-term debt obligations of which, or obligations secured or supported by a letter of credit, contract, agreement or surety bond issued by any such organization, at the time a Qualified Hedge Agreement is entered into by the Agency are either (i) rated at least as high as the Bonds by each Rating Agency which rates such obligations or (ii) such that entering into a Qualified Hedge Agreement with such entity will not adversely affect the then current Ratings, if any, assigned to the Bonds by each Rating Agency or (b) the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality the obligations of which are backed by the full faith and credit of the United States of America.

"*Rating*" means, with respect to any Series of Bonds, the then-current rating or ratings assigned by the Rating Agency pursuant to the request of the Agency without regard to the benefit of any bond insurance or other credit enhancement relating to any Bond.

"*Rating Agency*" means a nationally recognized organization that has an outstanding rating on the Bonds pursuant to the request of the Agency.

"*Rebate Fund*" means the Fund so designated which is established, if so elected by the Agency, pursuant to Section 5.01 hereof.

"*Record Date*" means any Regular Record Date, Special Record Date or Redemption Record Date.

"*Redemption Record Date*" means the date or dates set forth in the Supplemental Indenture authorizing the particular Series of Bonds.

"*Refunding Issue*" means any Bonds delivered pursuant to Section 2.03 hereof.

"*Regular Record Date*" means the date or dates set forth in the Supplemental Indenture authorizing the particular Series of Bonds.

"*Reserve Fund*" means the Fund so designated which is established by Section 5.01 hereof.

"*Reserve Requirement*" means, as of any particular date of calculation, the aggregate of the amounts specified, if any, as the Reserve Requirement in the Supplemental Indentures authorizing the outstanding Series of Bonds.

"*Revenue Fund*" means the Fund so designated which is established by Section 5.01 hereof.

"*Serial Bonds*" means the Bonds which are so designated as Serial Bonds in a Supplemental Indenture.

"*Series*" means, unless otherwise specified in a Supplemental Indenture, all of the Bonds authenticated and delivered on original issuance in a simultaneous transaction pursuant to a Supplemental Indenture, and any Bonds thereafter delivered in lieu of or in substitution for such Bonds pursuant to Article III, regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

"*Sinking Fund Installment*" means any amount of money required by or pursuant to this Indenture or a Supplemental Indenture to be paid on a specified date toward the retirement of any particular Term Bonds of a Series before maturity.

"*Special Program Fund*" means the Fund so designated which is established, if so elected by the Agency, pursuant to Section 5.01 hereof.

"*Special Record Date*" means the date described in Section 3.01 hereof.

"*State*" means the State of Vermont.

"*Supplemental Indenture*" means an indenture supplemental to or amendatory of this Indenture, adopted by the Agency in accordance with Article IX.

"*Term Bonds*" means that portion of a Series of Bonds so designated in a Supplemental Indenture as Term Bonds.

"*Trustee*" means _____, a national banking association, its successor or successors and any other corporation or association which may at any time be substituted in its place pursuant to this Indenture.

Section 1.04. Hedging Transaction.

(a) A Hedge Agreement is a Qualified Hedge Agreement if (i) the Provider of the Hedge Agreement is a Qualified Institution or the Provider's obligations under the Hedge Agreement are unconditionally guaranteed by a Qualified Institution and (ii) the Agency designates it as such by a certificate of an Authorized Officer.

(b) If the Agency shall enter into any Qualified Hedge Agreement with respect to any Bonds and the Agency has made a determination that the Qualified Hedge Agreement was entered into for the purpose of hedging or managing the interest due with respect to specified Bonds, then during the term of the Qualified Hedge Agreement and so long as the Provider of the Qualified Hedge Agreement is not in default:

(i) for purposes of any calculation of debt service, the interest rate on the Bonds with respect to which the Qualified Hedge Agreement applies shall be determined as if such Bonds had interest payments equal to the interest payable on those Bonds less any payments reasonably expected to be made to the Agency by the Provider and plus any payments reasonably expected to be made by the Agency to the Provider in accordance with the terms of the Qualified Hedge Agreement (other than fees or termination payments payable to such Provider for providing the Qualified Hedge Agreement);

(ii) any such payments (other than fees and termination payments) required to be made by the Agency to the Provider pursuant to such Qualified Hedge Agreement shall be made from amounts on deposit in the Debt Service Fund pursuant to Section 5.05(a) or (b), unless otherwise specified by the Agency to be paid from other moneys;

(iii) any such payments received by or for the account of the Agency from the Provider pursuant to such Qualified Hedge Agreement shall be deposited in the Revenue Fund; and

(iv) fees not equivalent to regular Bond debt service payments and termination payments, if any, payable to the Provider may be deemed to be debt service and paid from amounts on deposit in the Revenue Fund but subordinate to payment of principal, interest and Sinking Fund Installments on the Bonds (and

amounts equivalent to such payments payable to a Provider under a Hedge Agreement) or such funds in Section 5.03(e) as are specifically designated by the Agency in each case if and to the extent expressly provided in the Qualified Hedge Agreement or applicable Supplemental Indenture (otherwise such fees and termination payments shall be payable solely from amounts on deposit in the Reserve Fund not needed to restore the Reserve Fund to the Reserve Requirement).

Section 1.05. Interpretation. The following principles govern the interpretation of other words and phrases used in this Indenture and any Supplemental Indenture:

(a) Articles, sections, paragraphs and clauses mentioned by number only are those so numbered which are contained in this Indenture;

(b) Captions, titles or headings preceding any article or section herein, and any table of contents or index attached hereto, are solely for convenience of reference and are not part of this Indenture and shall not affect its meaning, construction or effect;

(c) Terms such as "herein," "hereunder," "hereby," "hereto" and "hereof" refer to this Indenture, or when used in conjunction with a subsection refer to the Section of which such subsection is a part and not to any particular section hereof unless so indicated, and "heretofore" and "hereafter" mean before and after the date of execution and delivery of this Indenture, respectively;

(d) Words importing the masculine gender include the feminine and neuter genders;

(e) Words importing persons include firms, associations, corporations and any other legal entities;

(f) Words importing the redemption or redeeming or calling for redemption of a Bond do not include or connote the payment of such Bond at its stated maturity or the purchase of such Bond;

(g) Words importing the singular number include the plural number, and vice versa; and

(h) Except as otherwise specifically provided herein, all references to a particular time shall be to New York City time.

ARTICLE II

ISSUANCE OF BONDS

Section 2.01. Authorization.

(a) To provide sufficient funds to carry out its public purposes and programs as set forth in the Act and to refund outstanding bonds and other obligations of the

Agency, Bonds may be issued under and secured by this Indenture subject to the provisions of this Article. The Agency has ascertained and it is hereby determined and declared that the execution and delivery of this Indenture is necessary to carry out the powers and duties expressly provided by the Act, that each and every act, matter, thing or course of conduct as to which provision is made herein is necessary or convenient in order to carry out and effectuate the purposes of the Agency in accordance with the Act and to carry out powers expressly given in the Act, and that each and every covenant or agreement herein contained and made is necessary, useful or convenient in order to better secure the Bonds and is a contract or agreement necessary, useful and convenient to carry out and effectuate the purposes of the Agency under the Act.

The Bonds issued hereunder, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any Bond over any other Bond, except as expressly provided or permitted herein. There is hereby created, in the manner and to the extent provided herein, a continuing pledge and lien on the Trust Estate to secure the full and final payment of the principal and redemption price of and interest on all the Outstanding Bonds. The aggregate principal amount of the Bonds which may be executed, authenticated and delivered under this Indenture is not limited except as is or may hereafter be provided in this Indenture, any Supplemental Indenture or as may be limited by law.

The Bonds may, if and when authorized pursuant to one or more Supplemental Indentures, be issued in one or more Series, and the designation thereof, in addition to the name "Vermont Housing Finance Agency Multiple Purpose Bonds," shall include such further appropriate particular designation, added to or incorporated in such title for the Bonds of any particular Series, as specified in such Supplemental Indenture or Supplemental Indentures. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

(b) The Bonds shall be general obligations of the Agency, for which its full faith and credit are pledged, and are payable from any of the Agency's revenues, assets or moneys, subject only to agreements made with Holders of notes and bonds or other indebtedness, other than the Bonds, pledging particular revenues, moneys or assets for the payment thereof. The Bonds will not constitute a debt of the State of Vermont or any political subdivision thereof, and neither said State nor any of its political subdivisions are liable thereon. The Bonds will not constitute a debt or liability or obligation or a pledge of the faith and credit of the State of Vermont or of any political subdivision thereof but will be payable solely from the revenues or assets of the Agency. The State of Vermont is not liable on the Bonds and the Bonds are not a debt of the State of Vermont or of any political subdivision thereof and neither the faith and credit nor the taxing power of the State of Vermont or of any political subdivision thereof is pledged to the payment of the principal of or the interest on the Bonds and the Bonds of each Series shall contain on the face thereof substantially the following statement: THIS BOND IS A GENERAL OBLIGATION OF THE AGENCY FOR WHICH ITS FULL FAITH AND CREDIT ARE PLEDGED, AND IS PAYABLE FROM ANY OF THE AGENCY'S REVENUES, ASSETS OR MONEYS, SUBJECT ONLY TO AGREEMENTS MADE WITH HOLDERS OF OTHER NOTES AND BONDS OF THE AGENCY PLEDGING

PARTICULAR REVENUES, MONEYS OR ASSETS FOR THE PAYMENT THEREOF. THE AGENCY HAS NO TAXING POWER. THIS BOND DOES NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE OF VERMONT OR OF ANY POLITICAL SUBDIVISION THEREOF OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF VERMONT OR OF ANY POLITICAL SUBDIVISION THEREOF. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF VERMONT OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THIS BOND.

Section 2.02. Conditions Precedent to the Issuance of Bonds.

(a) All (but not less than all) of the Bonds of each Series, except in connection with a Refunding Issue, shall be executed by the Agency for issuance and delivery under this Indenture, delivered to the Trustee for authentication and, upon authentication by the Trustee, delivered upon order of the Agency, but only upon receipt by the Trustee of:

(i) A Counsel's Opinion, dated the date of delivery thereof, with respect to the issuance of the Bonds in a form acceptable to the Agency as specified in the Supplemental Indenture.

(ii) A request and authorization to the Trustee on behalf of the Agency, signed by an Authorized Officer, to authenticate and deliver such Bonds to the purchaser or purchasers therein identified upon payment to the Trustee for the account of the Agency of the purchase price therefor.

(iii) A copy of the Supplemental Indenture authorizing such Bonds, which shall specify:

(A) The authorized principal amount and Series designation of such Bonds;

(B) The purpose or purposes for which such Series of Bonds is being issued;

(C) The Date or Dates of Original Issuance, the maturity date or dates and amounts of each maturity (or the method of determining the same) and, if interest is to be paid, the Interest Payment Dates and the first Interest Payment Date of the Bonds of such Series;

(D) The interest rate or rates (if any) or the maximum interest rate of the Bonds of such Series, or the manner of determining such rate or rates;

(E) The portion, if any, of the Series of Bonds that is Term Bonds, that is Serial Bonds or that is otherwise designated by a specific name or term;

(F) The amount and due date of each Sinking Fund Installment, if any, or the method of determining the same, for the Term Bonds or other Bonds subject to a Sinking Fund Installment;

(G) The denominations of, and the manner of dating, numbering and lettering, the Bonds of such Series, the forms of the Bonds and the Record Date or Dates and Redemption Record Dates for such Series of Bonds;

(H) The provisions of the Trustee's certificate of authentication;

(I) If not already determined pursuant hereto, the Paying Agent or Paying Agents, Depositaries, market agents, auction agents, securities depositary, if any, and the place or places of payment of the principal and redemption price, if any, of the Bonds of such Series;

(J) The redemption price or prices, if any, and, subject to Article IV hereof, the redemption terms (including the time or times and the terms and conditions upon which the Bonds of such Series may be redeemed prior to their maturities, including, without limitation, the method of selection for redemption as among maturities and Series), if any, for the Bonds of such Series;

(K) The use of the proceeds of the Bonds of such series, including the amounts (if any) to be deposited in any Fund or Account from the proceeds of the Bonds of such Series or otherwise;

(L) The Reserve Requirement for such Series and the amount, if any, necessary for deposit in the Reserve Fund in order that amounts therein equal or exceed the Reserve Requirement;

(M) The time, place and manner of the sale for the Bonds of such Series, as provided in the Act;

(N) Whether Bonds of such Series are to be secured by credit enhancement and, if so, the form of credit enhancement to be obtained, the identity of the credit enhancement agency and the substantial form of the significant documents relating to the credit enhancement;

(O) Whether Bonds of such Series are to contain any tender or put options or the like and, if so, whether and to what extent such tender or put option will be secured by a liquidity facility and any alternative liquidity facility, whether such Bonds are to be remarketed following or in connection with such tender or put and, if so, the identity of any remarketing agent and the substantial form of any remarketing agreement relating to such Bonds, and whether and upon what terms such Bonds may be converted to fixed interest rates;

(P) Whether interest on the Bonds of such Series is intended to be excludable from gross income for federal income tax purposes pursuant to Section 103(a) of the Code or any successor statute thereto;

(Q) Such additional matters as may be necessary or appropriate to cause interest on the Bonds of the Series to be issued pursuant to such Supplemental Indenture to be excludable from gross income for federal income tax purposes pursuant to Section 103(a) of the Code if it is intended that interest on the Bonds be so exempt and to prevent the issuance of such Series from adversely affecting the federal income tax treatment of any Outstanding Bonds and the interest thereon intended to be so exempt; and

(R) Any other provisions deemed advisable by the Agency as shall not conflict with the provisions of this Indenture or the Act.

(iv) A Certificate stating that (A) the principal amount of the Bonds then to be issued, together with the principal amount of the Bonds, notes and other obligations theretofore issued pursuant to the Act, will not exceed in aggregate principal amount any limitation thereon imposed herein or by law; (B) upon the issuance and delivery of such Bonds, the Reserve Requirement will be met; and (C) except in the case of Refunding Bonds, at the time of issuance of such additional Bonds, the Agency shall not be in default in the performance of any of the covenants, conditions, agreements or provisions contained in this Indenture.

(v) With respect to each Series of Bonds issued pursuant to this Indenture (other than the initial Series of Bonds), evidence that the Rating Agency has confirmed that such Series will have a Rating no lower than the Rating assigned to Bonds issued prior to the issuance of such Series of Bonds to be issued.

(vi) If such Series of Bonds is to have the benefit of a liquidity facility or be secured by credit enhancement, the executed liquidity facility or credit enhancement or evidence that all conditions precedent to the issuance of such liquidity facility or credit enhancement have been met as of the date of issuance of such Series of Bonds.

(vii) Such further documents and moneys as are required by the provisions of Article IX or any related Supplemental Indenture adopted pursuant to Article IX.

(b) All the Bonds of each Series shall be in fully registered form and, to the extent so provided herein and in the related Supplemental Indenture, may be issued in book-entry form only. After the original issuance of Bonds of any Series, no Bonds of such Series shall be issued except in exchange or transfer for other Bonds of such Series pursuant to Article III.

Section 2.03. Provisions for Refunding Issue.

(a) Subject to the laws of the State, including, but not limited to, the Act, as amended from time to time, Bonds of one or more Series may be issued and delivered, in accordance with the terms and conditions of this Section 2.03, for the purpose of refunding any Bonds then Outstanding or any other bonds of the Agency. The Supplemental Indenture authorizing each such Series of Bonds of a Refunding Issue shall set forth that the purposes for which such Series of Bonds is issued are the payment or redemption of any part or all of the Bonds of any one or more Series then Outstanding, and, if the expenses of such issuance and payment or redemption are not otherwise provided for, the payment of the expenses of such issuance and redemption, and shall contain a description of the bonds so to be redeemed.

(b) The Bonds of the Series of a Refunding Issue may be issued, and authenticated by the Trustee, only if:

(i) There shall thereupon be deposited with the Trustee either:

(A) moneys in an amount sufficient to effect payment at the applicable maturity or redemption price of the Bonds to be refunded, together with accrued interest on such Bonds to the maturity or redemption date, which moneys shall be held by the Trustee in a separate account irrevocably in trust for the holders of Outstanding Bonds being refunded; or

(B) Permitted Investments in such principal amounts, having such maturities, bearing such interest and otherwise having such terms and qualifications as shall be required to pay the applicable maturity or redemption price of the Bonds to be refunded, together with accrued interest on such Bonds to the maturity or redemption date, which Permitted Investments shall be held in trust for the holders of Outstanding Bonds being refunded;

(ii) The Trustee has received instructions, satisfactory to it, to give due notice of redemption of all the Bonds so to be redeemed on a redemption date specified in such instructions, as such date may be revised in a Certificate, and to give notice in the manner provided in Section 4.05 that the moneys payable upon such redemption will be available on said redemption date for payment to the holders of the Bonds entitled thereto;

(iii) The Trustee shall furnish to the Agency at the time of delivery of the Series of Bonds of the Refunding Issue a certificate or other evidence satisfactory to the Trustee stating that it holds or there is being held in trust the Permitted Investments and/or moneys required to effect such redemption; and

(iv) The requirements set forth in Section 2.02 hereof have been satisfied.

Section 2.04. Other Obligations. So long as any Bonds are Outstanding, the Agency hereby covenants that it will not create or permit the creation of or issue any obligations or create any additional indebtedness (other than additional Series of Bonds) which will be secured by a superior or equal charge or superior or equal lien on the amounts pledged hereunder or will be payable, on an equal or superior basis, from any of the Funds or Accounts established and created by or pursuant to this Indenture. The Agency may, however, issue evidences of indebtedness (including general obligations of the Agency) not issued and secured under this Indenture.

ARTICLE III

GENERAL BOND PROVISIONS

Section 3.01. Medium of Payment; Form and Date.

(a) The Bonds shall be payable, with respect to interest, principal and premium, if any, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, or in such other coin or currency as set forth in a Supplemental Indenture. Payment of interest (other than at a stated maturity date) and premium, if any, on, and principal (payable upon redemption) of, the Bonds will be made by wire transfer to the person in whose name each Bond is registered at the close of business on the Regular Record Date or the Redemption Record Date, as the case may be, so long as ownership of such Bond is registered in book-entry form; provided, however, that, if the event of a default in the payment of interest due on any Interest Payment Date, such interest shall cease to be payable to the person in whose name such Bond was registered on such Record Date and shall be payable, when and if paid, to the person in whose name such Bond is registered at the close of business on the record date fixed therefor by the Trustee (each a "Special Record Date"), which shall not be more than 15 days and not less than 10 days prior to the date of the proposed payment. Interest on the Bonds shall be paid when due, if ownership of such Series of the Bonds is not maintained in book-entry form, by check or draft drawn on the Trustee and mailed by the Trustee to the registered owner at the address shown on the registration books of the Trustee as of the Record Date. Payment of principal and interest on the stated maturity date on each of the Series of Bonds will be made upon presentation and surrender of each Bond of such Series, at the office of the Trustee or the Paying Agent maintained for that purpose. CUSIP number identification with appropriate dollar amount of payment pertaining to each CUSIP number (if such payment represents payment on more than one Bond identified by a particular CUSIP number) shall accompany all payments of principal of, premium, if any, and interest on the Bonds.

(b) Current Interest-Bearing Bonds of each Series issued prior to the first Interest Payment Date thereof shall be dated as of the date or dates specified in the Supplemental Indenture authorizing the issuance thereof. Bonds issued on or subsequent to the first Interest Payment Date shall be dated as of the date of authentication of the Bonds and interest shall be paid from the Interest Payment Date next preceding the date of authentication, unless such date of delivery shall be an Interest Payment Date in which case they shall be dated as of such date of delivery; provided, however, that if, as shown

by the records of the Trustee, interest on the Bonds of any Series shall be in default, the Bonds of such Series issued in lieu of Bonds surrendered for transfer or exchange shall be dated as of the date to which interest has been paid in full on the Bonds surrendered. Deferred Interest Bonds of any Series shall be dated as of the date or dates specified in the Supplemental Indenture authorizing the issuance thereof. Except as set forth in a Supplemental Indenture, Bonds of each Series shall bear interest from their dated date until the first Interest Payment Date and thereafter from the Interest Payment Date next preceding the date of their authentication by the Trustee (unless authenticated on an Interest Payment Date, in which case they shall bear interest from such Interest Payment Date or, in the case of Bonds issued while interest on the Bonds shall be in default, from the date to which interest has been paid in full).

(c) For all purposes of the Act relating to or dealing with the date of the Bonds, Bonds of any Series shall be deemed to be dated as of the Date of Original Issuance specified for the Bonds of such Series in the Supplemental Indenture authorizing the issuance thereof.

(d) All Bonds of each Series shall mature or be subject to a Sinking Fund Installment, if any, on the date or dates fixed by a Supplemental Indenture. Interest on all Current Interest-Bearing Bonds of each Series shall be payable on the dates set forth in the applicable Supplemental Indenture. The first installment of interest due on the Bonds of a Series may be for such period as set forth in a Supplemental Indenture. Interest on any Deferred Interest Bonds of a Series shall be payable as set forth in a Supplemental Indenture (which may be upon maturity or earlier redemption of such Bonds or such date or dates prior to maturity or earlier redemption of such Bonds as specified in a Supplemental Indenture).

Section 3.02. Legends. The Bonds of each Series may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Indenture as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or any usage or requirement of law with respect thereto or as may be authorized by the Agency prior to the delivery thereof.

Section 3.03. Execution and Authentication.

(a) The Bonds of each Series shall be signed by, or bear the facsimile signature of, the Chair or Vice Chair and attested by the Secretary or such other person or persons designated in the applicable Supplemental Indenture, and, if required by the Act or other applicable law, the seal of the Agency or a facsimile thereof shall be impressed or imprinted on the Bonds. In case any officer who shall have signed any of the Bonds or whose signature appears on any of the Bonds shall cease to be such officer before the Bonds are actually delivered, such Bonds may, nevertheless, be delivered as herein provided, and may be issued as if the persons who signed them or whose signatures appear thereon had not ceased to hold such office or be so employed. Any Bond of a Series may be signed by such persons as at the actual time of the execution of such Bond shall be duly authorized or shall be the proper officers to sign such Bond, although on the

Date of Original Issuance of a Series of Bonds such persons may not have been such officers.

(b) Only such of the Bonds as shall have endorsed thereon a certificate of authentication substantially in the form set forth in the applicable Supplemental Indenture, duly executed by the Trustee, shall be entitled to any benefit or security under this Indenture. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Indenture unless and until a certificate of authentication on such Bond shall have been duly executed by the Trustee, and such executed certificate of the Trustee upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Indenture. The Trustee's certificate of authentication on any Bond shall be deemed to have been executed by it if signed by an authorized officer or signatory of the Trustee, but it shall not be necessary that the same officer or signatory sign the certificate of authentication on all of the Bonds issued hereunder.

Section 3.04. Interchangeability. Bonds, upon surrender thereof at the principal office of the Trustee, with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or his attorney duly authorized in writing, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount or Original Principal Amount, as the case may be, of Bonds of the same Series, maturity and interest rate, subject to any provisions contained in the applicable Supplemental Indenture relating to the registration of a Series of Bonds pursuant to a Book Entry System.

Section 3.05. Negotiability and Registry. All the Bonds issued pursuant to this Indenture shall be negotiable as provided in Article 8 of the Uniform Commercial Code, as adopted by the State, subject to the provisions for registration and transfer contained in the Bonds and this Indenture and applicable State law. So long as any of the Bonds shall remain Outstanding, the Trustee shall maintain and keep, for the benefit of the Agency, at the corporate trust operations office of the Trustee, books for the registration and transfer of Bonds which books shall be open to inspection by the Agency; and, upon presentation thereof for such purpose at said office, subject to any provisions in a Supplemental Indenture relating to the registration of a Series of Bonds pursuant to a Book Entry System, the Agency shall register or cause to be registered therein, and permit to be transferred thereon, under such reasonable requirements as it or the Trustee may prescribe, any Bond entitled to registration or transfer. So long as any of the Bonds remain Outstanding, the Agency shall make all necessary provisions to permit the exchange of Bonds at the corporate trust operations office of the Trustee, subject to any provisions contained in a Supplemental Indenture relating to the registration of a Series of Bonds pursuant to a Book Entry System.

Section 3.06. Transfer of Bonds. Subject to any provisions contained in a Supplemental Indenture relating to the registration of a Series of Bonds pursuant to a Book Entry System, each Bond shall be transferable only upon the books of the Agency kept for registration of transfers of Bonds, at the corporate trust operations office of the Trustee, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney. Upon the surrender for transfer of any such

Bond, the Agency shall execute and the Trustee shall authenticate and deliver in the name of the transferee a new registered Bond or Bonds of the same Series, aggregate principal amount or Original Principal Amount, interest rate and maturity as the surrendered Bond.

The Agency, the Trustee and any Paying Agent may deem and treat the person in whose name any Outstanding Bond shall be registered upon the books of the Agency as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal, Appreciated Amount, premium, if any, of and interest on such Bond and for all other purposes, and all such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid; neither the Agency, the Trustee nor any Paying Agent shall be affected by any notice to the contrary.

The transfer of Bonds of a particular Series may be further limited as provided in the Supplemental Indenture relating thereto.

Section 3.07. Regulations for Exchange and Transfer. Subject to any provisions contained in a Supplemental Indenture relating to the registration of a Series of Bonds pursuant to a Book Entry System and Section 3.06, in all cases in which the privilege of exchanging Bonds or transferring Bonds is exercised, the Agency shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of this Indenture and the Supplemental Indenture under which any such Bond is issued. All Bonds surrendered in any such exchanges or transfers shall be cancelled by the Trustee. For every such exchange or transfer of Bonds, whether temporary or definitive, the Agency or, at the direction of the Agency, the Trustee may make a charge to the Bondholder sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer. Neither the Agency nor the Trustee shall be obligated to make any such exchange or transfer of Bonds called for redemption or, in the case of any proposed redemption of Bonds, during the 15 days prior to the first mailing of notice calling such Bonds or portions thereof for redemption as herein provided.

Section 3.08. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Trustee shall authenticate and deliver, in accordance with the laws of the State, including, but not limited to, the Act, as amended from time to time, and, to the extent not inconsistent therewith, the provisions of this Section, a new Bond of like Series, maturity, interest rate and principal amount or Original Principal Amount, as the case may be, as the Bond, if any, so mutilated, destroyed, stolen or lost, provided, however, that in the case of any mutilated Bond, the mutilated Bond must first be surrendered to the Trustee, and in the case of any lost, stolen or destroyed Bond, there must be first furnished to the Agency and the Trustee evidence satisfactory to them of the ownership of the Bond, and of the loss, theft or destruction, together with indemnity satisfactory to the Agency and the Trustee and compliance with such other reasonable requirements as the Agency and the Trustee may prescribe and paying such expenses as the Agency or the Trustee may incur in connection therewith. All Bonds so surrendered to the Trustee shall be cancelled by it.

Upon the issuance of any new Bond under this Section, the Agency or, at the direction of the Agency, the Trustee may require the payment of a sum sufficient to cover any tax, fee or

other governmental charge that may be imposed in relation thereto and any other expenses, including counsel fees, of the Agency, any Paying Agent or the Trustee connected therewith.

Section 3.09. Preparation of Definitive Bonds; Temporary Bonds. Until the definitive Bonds of any Series are prepared, there may be executed, and, upon request of an Authorized Officer, the Trustee shall authenticate and deliver, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds, except as to the denominations thereof, one or more temporary Bonds, substantially of the tenor of the definitive Bonds in lieu of which such temporary Bond or Bonds are issued, in any authorized denominations, and with such omissions, insertions and variations as may be appropriate to temporary Bonds. The Agency shall cause to be prepared and to be executed and delivered to the Trustee, upon the surrender of such temporary Bonds deliver in exchange therefor, at the corporate trust operations office of the Trustee, definitive registered Bonds, of the same Series, aggregate principal amount or Original Principal Amount, as the case may be, interest rate and maturity as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds issued and authenticated pursuant to this Indenture. All temporary Bonds surrendered in exchange for a definitive Bond or Bonds shall be forthwith cancelled by the Trustee. No charge for taxes or governmental charges shall be made against the owner upon an exchange of a temporary Bond for a definitive Bond.

Section 3.10. Extension of Payment of Bonds. The Agency shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds, or the time of payment of any claims for interest by the purchase or funding of such Bonds or claims for interest, or by any other arrangement; in case the maturity of any of the Bonds or the time for payment of any such claims for interest shall be extended, such Bonds, or claims for interest shall not be entitled, in case of any default under this Indenture, to the benefit of this Indenture or the Funds or Accounts (except funds held in trust for the payment of particular Bonds) held by the Trustee or any Paying Agent, except after the payment of the principal of all Bonds issued and Outstanding the maturity of which has occurred and has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest. Nothing herein shall be deemed to limit the right of the Agency to enter into agreements with particular Bondholders as provided in Section 9.04 hereof or to issue refunding Bonds as provided in Article II hereof, and such issuance shall not be deemed to constitute an extension of the maturity of any Bond or of the time of payment of any claim for interest.

Section 3.11. Money Held for Particular Bonds. The amounts held for the payment of the interest, principal, Appreciated Amount or premium, if any, due on any date with respect to particular Bonds shall be held by the Paying Agent and shall, pending such payment, be held in trust by it for the owners of the Bonds entitled thereto and the Paying Agent shall maintain adequate records for the purpose of segregating the funds, and for the purposes of this Indenture, such interest, principal or premium, after the due date thereof, shall no longer be considered to be unpaid. The Trustee shall notify the Agency of any moneys so held for the payment of interest or principal or premium due with respect to particular Bonds which remain in the custody of the Trustee or Paying Agent on the date which is two years after the date on which such Bonds matured or were redeemed (or 90 days prior to the day such moneys would, under the laws of the State, escheat or be required to be paid to the State, if either of such dates is earlier) and, upon a

written request from the Agency, shall return such funds to the State upon such request, and the owners of such Bonds shall thereafter look only to the State for payment and then only to the extent of the funds so received from the Trustee without any interest thereon.

Section 3.12. Cancellation of Bonds. All Bonds purchased, redeemed or paid shall be cancelled upon the purchase, redemption or payment of such Bonds. No such Bonds shall be deemed Outstanding under this Indenture and no Bonds shall be issued in lieu thereof. All such Bonds cancelled under any of the provisions of this Indenture shall be destroyed in accordance with the Act, as amended, or the applicable laws of the State, and notice thereof delivered to the Agency upon request.

Section 3.13. Book-entry Form of Bonds. Notwithstanding anything herein to the contrary, the Agency may elect, in the related Supplemental Indenture, that Bonds for a particular Series be registered pursuant to a Book Entry System, without certificates being provided or available to the registered owner thereof.

ARTICLE IV

REDEMPTION OF BONDS

Section 4.01. Procedure and Prices. Bonds of a Series redeemable prior to maturity pursuant to a Supplemental Indenture shall be subject to redemption upon notice as provided in this Article, at such times, at such redemption prices and upon such terms in addition to the terms contained in this Article IV as may be specified in the Supplemental Indenture authorizing such Series.

Section 4.02. Redemption at the Election or Direction of Agency. In the case of any redemption of Bonds at the election or direction of the Agency, the Agency shall give written notice to the Trustee of its election or direction so to redeem, of the redemption date, of the Series, and of the principal amounts of the Bonds of each maturity of such Series to be redeemed, which Series maturities and principal amounts thereof to be redeemed shall be determined by the Agency in its sole discretion, subject to any limitations with respect thereto contained in the applicable Supplemental Indenture or in this Indenture. Such notice shall be given at least 30 days but no more than 60 days prior to the redemption date or such shorter period as shall be acceptable to the Trustee or contained in the applicable Supplemental Indenture. In the event notice of redemption shall have been given as provided in Section 4.05 (except for a conditional notice as authorized by the last paragraph thereof), there shall be paid on or prior to the redemption date (but not necessarily prior to the date on which notice of redemption shall have been given as provided in Section 4.05) to the appropriate Paying Agents, an amount in cash which, in addition to other moneys, if any, available therefor held by such Paying Agents, will be sufficient to redeem on the redemption date at the redemption price thereof, plus interest accrued and unpaid to the redemption date, all of the Bonds to be redeemed. The Agency shall promptly notify the Trustee in writing of all such payments by it to a Paying Agent.

Section 4.03. Redemption Otherwise Than at Agency's Election or Direction. Whenever, by the terms of this Indenture and pursuant to a Supplemental Indenture, the Trustee

is required or authorized to redeem Bonds other than at the election or direction of the Agency, the Trustee shall select the Bonds to be redeemed, give the notice of redemption and pay out of moneys available therefor (or pay to any Paying Agent, if applicable) the redemption price thereof, plus interest accrued and unpaid to the redemption date, to the appropriate Paying Agents in accordance with the terms of this Article IV and the terms of the applicable Supplemental Indenture.

Section 4.04. Selection of Bonds To Be Redeemed. In the event of redemption of less than all of the Outstanding Bonds of like Series, interest rate and maturity, the Bonds to be redeemed in part shall be selected pursuant to the written notice described in Section 4.02 hereof, or if not so provided, randomly in such manner as the Trustee in its discretion deems fair, unless otherwise specified in the Supplemental Indenture authorizing such Series of Bonds.

Section 4.05. Notice of Redemption. This Section shall govern the provision of notice of redemption *unless* otherwise provided in a Supplemental Indenture, provided, however, that if any terms set forth in this Section or in any Supplemental Indenture are inconsistent with the laws of the State, including, but not limited to, the Act, as amended from time to time, the laws of the State shall govern, and provided that the Trustee shall not be responsible for and shall be held harmless for any failure to comply with laws of the State that are inconsistent with this Indenture or any Supplemental Indenture unless the Agency shall have provided the Trustee with written notice of such laws. When the Trustee shall be required or authorized to redeem Bonds, the Trustee shall, in accordance with the terms and provisions of the Bonds and of this Indenture, give notice (which notice shall be dated the date given) of the redemption of Bonds, which notice shall specify (a) the name of the Bonds, (b) the Series, (c) the date of issue, (d) the redemption price, (e) the maturities, interest rates and CUSIP numbers of the Bonds to be redeemed, (f) the redemption date and the place or places where amounts due upon such redemption will be payable (including name and address of the Trustee or redemption agent, with contact person and telephone number), (g) if less than all of the Bonds of any like Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed (i.e., certificate numbers), (h) in the case of a Bond to be redeemed in part only, such notice shall also specify the portion of the principal amount or Original Principal Amount, as the case may be, thereof to be redeemed and (i) such other information as may be specified in a Supplemental Indenture with respect to a particular Series of Bonds. Such notice shall further state that, except as otherwise provided in the last paragraph of this Section, on the Redemption Date there shall become due and payable upon each Bond to be redeemed the redemption price thereof, or the redemption price of the specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, with interest accrued and unpaid to such date, and that from and after such date, interest thereon shall cease to accrue and be payable. Such notice shall be given by mailing a copy of such notice, first-class mail, postage prepaid, at least 30 days but no more than 60 days prior to such Redemption Date, to the registered owner of any Bond, all or a portion of which is to be redeemed, at his last address, if any, appearing upon the registry books, but failure so to mail any such notice or any defect in such notice shall not be a condition precedent to or affect the validity of any proceedings for the redemption of other Bonds.

In addition, the Trustee will send (no more than 60 days after the date for redemption) a further notice of redemption to each registered owner who has not presented his or her Bond for

redemption within 30 days subsequent to the Redemption Date. Each such notice will be sent by first-class mail, postage prepaid.

Any notice of redemption pursuant to this Section may, if directed by the Agency, be given specifying that the redemption of the Bonds so called for redemption is made conditional upon the deposit of sufficient amounts to pay the redemption price therefor on the Redemption Date and, if amounts are not so available, such notice of redemption shall be cancelled and be null and void and the Bonds so called for redemption and subject to such conditional redemption notice shall continue to remain Outstanding.

Section 4.06. Payment and Cancellation of Bonds Redeemed and Purchased. Notice having been given in the manner provided in Section 4.05, the Bonds or portions thereof called for redemption and specified in said notice shall, except as provided in Section 4.05, become due and payable on the Redemption Date specified in said notice at the redemption prices thereof applicable on such date, plus unpaid interest on said Bonds or portions thereof accrued to such date, and upon presentation and surrender thereof at the place or places specified in said notice, said Bonds or portions thereof shall be paid at the said redemption prices, plus unpaid interest on said Bonds or portions thereof accrued to such date. CUSIP number identification with appropriate dollar amounts for each CUSIP number shall accompany all redemption payments and interest payments, whether by check or by wire transfer. If there shall be so called for redemption less than all of a Bond, the Agency shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Bond to the Trustee, without charge to the owner thereof, for the unredeemed balance of the principal amount or Original Principal Amount of the Bond so surrendered, Bonds of like Series, designation, interest rate and maturity. If, on such redemption date, money for the redemption of all the Bonds or portions thereof of any like Series and maturity to be redeemed, together with interest thereon accrued and unpaid to such date, shall be held by or on behalf of the Trustee so as to be available therefor on such date, and if notice of redemption thereof shall have been given as aforesaid, then from and after such redemption date, interest on the Bonds or portions thereof of such maturity so called for redemption shall cease to accrue and become payable, and said Bonds or portions of Bonds shall no longer be considered Outstanding hereunder.

Section 4.07. Redeemed Bonds as Satisfaction of Sinking Fund Installments. Upon any purchase or redemption of Bonds of any Series and maturity for which Sinking Fund Installments shall have been established pursuant to a Supplemental Indenture (other than by application of Sinking Fund Installments), an amount equal to the applicable redemption prices thereof (as specified in a Supplemental Indenture) shall be credited toward a part of all or any one or more of such Sinking Fund Installments, as directed by the Agency in a Certificate delivered to the Trustee by the fortieth day preceding the next date a Sinking Fund Installment is due or as directed in a Supplemental Indenture, or, failing any such direction, toward such Sinking Fund Installments on a proportionate basis. Such applicable redemption prices shall be the respective redemption prices which would be applicable upon the redemption of such Bonds from the respective Sinking Fund Installments on the due dates thereof. The portion of any such Sinking Fund Installment remaining after the deduction of any such amounts credited toward the same (or the original amount of any such Sinking Fund Installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of the calculation of principal installments due on a future date.

Section 4.08. Purchase of Bonds; Tenders. Unless expressly provided otherwise herein, if at any time moneys are held in any Fund or Account hereunder or in a Supplemental Indenture to be used to redeem Bonds, in lieu of such redemption the Agency may direct the Trustee to use part or all of such moneys to purchase Bonds of the respective Series, interest rates and maturities that would otherwise be subject to redemption from such moneys. The purchase price of such Bonds shall not exceed the applicable redemption price of the Bonds which would be redeemed but for the operation of this Section (accrued interest to be paid from the same Fund or Account from which accrued interest would be paid upon the redemption of such Bonds); provided, however, that the purchase price of such Bonds may include a premium if the payment thereof does not adversely affect the Rating of the Bonds. Any such purchase must be completed prior to the time notice would otherwise be required to be given to redeem the related Bonds. All Bonds so purchased shall be cancelled by the Trustee and applied as a credit against the obligation to redeem such Bonds from such moneys. Savings resulting from the purchase of Bonds at less than their respective redemption prices shall be used to purchase or redeem additional Bonds to the extent permitted by the provisions hereof and the relevant Supplemental Indenture or, at the request of the Agency, and upon receipt of a Counsel's Opinion that such action will not adversely affect the tax-exempt status of interest on the tax-exempt Bonds, withdrawn and paid to the Agency free and clear of the lien of this Indenture.

The Agency may direct the Trustee, on behalf of the Agency, to request the submission of tenders following notice requesting such submission prior to making the purchases authorized pursuant to the preceding paragraph. The Agency may specify the maximum and minimum periods of time which shall transpire between the date upon which such notice is to be given and the date upon which such tenders are to be accepted. No tenders shall be considered or accepted at any price exceeding the price specified in the preceding paragraph for the purchase of Bonds. The Agency shall accept bids with the lowest price and in the event the moneys available for purchase pursuant to such tenders are not sufficient to permit acceptance of all tenders and if there shall be tenders at an equal price above the amount of moneys available for purchase, then the Agency shall select randomly, or in such manner as it shall determine in its discretion, the Bonds tendered which shall be purchased.

ARTICLE V

ESTABLISHMENT OF FUNDS AND ACCOUNTS AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts and Application of Bond Proceeds.

(a) The following special Funds shall be held by the Trustee or by a Fiduciary, in segregated accounts, in the name of the Trustee to account for funds to be deposited therein pursuant to the terms hereof or of any Supplemental Indenture or as directed by a Certificate:

(i) a Program Fund;

(ii) a Revenue Fund;

(iii) a Debt Service Fund;

(iv) a Reserve Fund;

(v) a Special Program Fund; and

(vi) a Rebate Fund.

The designation of each such Fund set forth above shall include the term "Vermont Housing Finance Agency, Multiple Purpose Bonds," which term shall precede the designation as set forth above.

No amounts may be withdrawn, transferred or paid out of any of the above Funds except as provided in this Article or in a Supplemental Indenture.

(b) The Trustee shall also establish such other special funds, accounts or subaccounts as the Agency may direct pursuant to any Supplemental Indenture or any Certificate, including but not limited to a capitalized interest account, and moneys deposited therein shall be used and pledged only as provided in such Supplemental Indenture or Certificate. Each such fund, account and subaccount shall be held by the Trustee, in trust, separate and apart from all other funds of the Agency, for the purposes provided in this Indenture and any Supplemental Indenture.

(c) Unless otherwise provided in a Supplemental Indenture or a Certificate, the Trustee shall establish in each Fund a separate Account for each Series of Bonds. Except as otherwise provided, the proceeds of a particular Series of Bonds issued pursuant to a Supplemental Indenture and the earnings on investments of moneys in the Funds or Accounts relating to a particular Series of Bonds, when required to be deposited in any Fund, shall be deposited or credited to the Account established therein for that particular Series of Bonds. Withdrawals from Funds and Accounts in connection with a particular Series of Bonds may be made and used (including for purposes of redemption) for such Series of Bonds as well as any other Series of Bonds unless specifically prohibited in a related Supplemental Indenture. For purposes of investment, the Trustee and the Agency may consolidate the Accounts required to be established in a particular Fund into one Fund so long as adequate records are maintained as to the amounts held in each such Fund allocable to each Series of Bonds.

(d) The proceeds from any Series of Bonds shall be deposited in the Funds and Accounts established under this Indenture in accordance with the terms of this Article V and of the Supplemental Indenture authorizing such Series of Bonds. The Trustee shall also deposit in the Funds and Accounts established under this Indenture such other moneys or assets of the Agency as the Agency may direct by a Certificate.

Section 5.02. Program Fund.

(a) At the direction of an Authorized Officer, the Trustee shall from time to time pay out, or permit the withdrawal of, money from the Program Fund, for any purpose set forth in a Supplemental Indenture.

(b) The Trustee shall, to the extent amounts are insufficient in the Revenue Fund to pay principal of or interest on the Bonds or any Sinking Fund Installment when due, transfer (after transferring amounts in any capitalized interest account established in connection with a Supplemental Indenture, the Special Program Fund and the Reserve Fund) moneys from the Program Fund (to the extent of amounts available therein) to the Revenue Fund to pay principal of or interest on the Bonds and any Sinking Fund Installments.

(c) Any investment earnings on moneys held in the Program Fund shall be credited to and retained in the Revenue Fund upon receipt unless directed by a Certificate to be transferred or credited by the Trustee to another Fund or Account or to the Agency upon receipt.

(d) Amounts or assets credited to the Program Fund may, upon the direction of an Authorized Officer, be transferred or credited by the Trustee to the Revenue Fund or another Fund or Account or to the Agency at such times as directed by such Authorized Officer.

Section 5.03. Revenue Fund.

(a) All moneys and amounts pledged hereunder shall, promptly upon receipt by the Agency, be deposited in the Revenue Fund. Such amounts which have been received by persons collecting them on behalf of the Agency but have not yet been paid over directly to the Agency by such persons shall not be required to be so deposited until so paid over; provided, however, that such amounts shall be deemed to have been received by the Agency for purposes of Section 1.02 hereof.

(b) On or before each Interest Payment Date for the Outstanding Bonds, or on such other dates as may be directed in any Supplemental Indenture, the Trustee shall apply the balance on deposit in the Revenue Fund as follows and in the following order of priority (provided that if the Agency by Supplemental Indenture shall have created one or more additional funds and accounts or subaccounts within Funds and Accounts in accordance with Section 5.01(b) hereof, the Agency may by Supplemental Indenture modify the priority set forth in this subsection after satisfaction of the requirements of clauses (i) and (ii) of this subsection);

(i) To the Debt Service Fund, an amount equal to the unpaid interest due on the Bonds on that date, and on any redemption date or purchase date pursuant to Section 4.08 hereof, an amount equal to the unpaid interest due on the Bonds to be paid, redeemed or purchased, and any amounts required to be paid to the Provider of a Qualified Hedge Agreement (other than fees or termination payments payable to such Provider of the Qualified Hedge Agreement) equivalent to interest;

(ii) To the Debt Service Fund, (A) an amount equal to the principal amount of the Outstanding Bonds, if any, due (whether by maturity, redemption or otherwise) on that date, and any amounts required to be paid to the Provider of

a Qualified Hedge Agreement (other than fees or termination payments payable to such Provider of the Qualified Hedge Agreement) equivalent to principal, if any, and (B) an amount equal to the Sinking Fund Installment, if any, due on that date; and

(iii) To the Reserve Fund, if and to the extent required so that the amount therein shall equal the Reserve Requirement.

(c) Any investment earnings on moneys held in the Revenue Fund shall remain in the Revenue Fund, unless directed by a Certificate to be transferred or credited by the Trustee to another Fund or Account or to the Agency.

(d) Amounts or assets in the Revenue Fund may, on and after each Interest Payment Date upon the direction of an Authorized Officer, be transferred or credited by the Trustee to another Fund or Account or to the Agency at such times as directed by such Authorized Officer.

(e) The Trustee shall, to the extent the amount in the Revenue Fund and the Debt Service Fund is insufficient to pay principal of or interest on the Bonds or amounts owed to a Provider under a Hedge Agreement equivalent to principal and interest (other than fees or termination payments, except as otherwise provided in Section 1.04) or any Sinking Fund Installment when due, transfer the amount of such deficiency from the following funds in the following order: (i) any amounts in any capitalized interest account established pursuant to a Supplemental Indenture, (ii) the Special Program Fund, if any, to the extent of amounts available therein and therefor, (iii) the Reserve Fund, to the extent of amounts available therein, and (iv) the Program Fund, to the extent of amounts available therein and therefor. In the event that the amount in such funds is insufficient, the Trustee shall immediately provide written notice thereof to the Agency, and the Agency shall transfer, or cause to be transferred, to the Trustee for deposit to the Revenue Fund an amount sufficient and available, when added to amounts in the Debt Service Fund, to pay principal of or interest on the Bonds or amounts owed to a Provider under a Hedge Agreement equivalent to principal and interest (other than fees or termination payment, except as otherwise provided in Section 1.04) or any Sinking Fund Installment when due.

(f) Fees and termination payments payable to the Provider under a Hedge Agreement shall be payable in accordance with Section 1.04 hereof.

(g) As long as no Event of Default shall have occurred and be continuing, the Trustee shall be entitled to rely on a certificate of an Authorized Officer as to the proper amounts to be deposited in the various Funds and Accounts as required by this Section. The Agency agrees to furnish the Trustee with such a certificate prior to each time the Trustee is required or directed to allocate amounts from the Revenue Fund. Such certificate shall identify separately all amounts so to be allocated as may be required by any applicable Supplemental Indenture, setting forth the Series of Bonds to which such amounts are attributable. The Trustee shall retain copies of such certificates while any of such Bonds remain Outstanding and shall also maintain appropriate records of the interest

and other income earned on investment or deposit of all such amounts while held hereunder in any Fund or Account identifying the Series of Bonds to which such interest and other income is attributable.

(h) Notwithstanding anything in this Section to the contrary, so long as there shall be held in the Debt Service Fund an amount sufficient to fully pay all Outstanding Bonds in accordance with their terms (including Principal Amount or Redemption Price and interest) and all amounts due the Provider of a Qualified Hedge Agreement pursuant to subsection (b) above, no deposits shall be required to be made into the Debt Service Fund.

Section 5.04. Debt Service Deposits. On or before the fifth Business Day preceding each Interest Payment Date and any other date on which principal of or interest on or any Sinking Fund Installment with respect to the Bonds is due, if the Trustee does not have on deposit in the Revenue Account and the Debt Service Fund an amount sufficient and available to pay the interest, principal or Sinking Fund Installment due on such Interest Payment Date or other date, the Trustee shall give the Agency notice of the amount so on deposit and the amount of the insufficiency; provided, however, that the failure by the Trustee to give such notice shall not relieve the Agency of the obligation to make or cause the transfers required in the immediately succeeding paragraph. Upon receipt of such notice, on or before the third Business Day preceding each Interest Payment Date and any other date on which principal of or interest on or any Sinking Fund Installment with respect to the Bonds is due, the Agency shall transfer, or cause to be transferred, to the Trustee for deposit to the Revenue Fund an amount sufficient and available to pay the interest, principal or Sinking Fund Installment due on such Interest Payment Date or other date for application as provided in Section 5.03 hereof.

Section 5.05. Debt Service Fund.

(a) On each Interest Payment Date and any other date on which interest on the Bonds is payable, the Trustee shall withdraw from the Debt Service Fund an amount equal to the unpaid interest due on the Bonds on that date, and on any redemption date or purchase date pursuant to Section 4.08 hereof, an amount equal to the unpaid interest due on the Bonds to be paid, redeemed or purchased, and any amounts required to be paid to the Provider of a Qualified Hedge Agreement (other than fees or termination payments payable to such Provider of the Qualified Hedge Agreement) equivalent to interest and shall cause it to be applied to the payment of said interest or amount when due, or shall transmit it to one or more Paying Agents, who shall apply it to such payment.

(b) The Trustee shall withdraw from the Debt Service Fund on each date on which principal of the Bonds is payable (i) an amount equal to the principal amount of the Outstanding Bonds, if any, due (whether by maturity, redemption or otherwise) on that date, and any amounts required to be paid to the Provider of a Qualified Hedge Agreement (other than fees or termination payments payable to such Provider of the Qualified Hedge Agreement) equivalent to principal, if any, which shall be applied to the payment or purchase of the principal of said Bonds or amount when due or transmitted to one or more Paying Agents who shall apply it to such payment and (ii) an amount equal to the Sinking Fund Installment, if any, due on that date, which shall be applied to the

redemption of Bonds to be redeemed on that date or transmitted to one or more Paying Agents who shall apply it to such redemption.

(c) Unless other dates are specified in the Supplemental Indenture authorizing a Series of Bonds, on or before the thirty-first day prior to each such date on which a Sinking Fund Installment is due, the Trustee shall proceed to select for redemption in the manner provided in this Section from all Outstanding Bonds of the Series subject to redemption from such Sinking Fund Installment an amount of such Bonds, equal to the aggregate principal amount of such Bonds redeemable with such Sinking Fund Installment, and shall call such Bonds for redemption from such Sinking Fund Installment on the next succeeding date for redemption, and give notice of such call in accordance with this Indenture. On or before the fortieth day next preceding any date on which a Sinking Fund Installment is due, the Agency, by a Certificate, may (i) deliver to the Trustee for cancellation Bonds which are subject to redemption from such Sinking Fund Installment, or portions thereof, in any aggregate principal amount desired or (ii) receive a credit in respect of its Sinking Fund Installment obligation for any such Bonds, which prior to said date have been delivered to the Trustee for cancellation or redeemed (otherwise than through redemption from a Sinking Fund Installment) and canceled by the Trustee and not theretofore applied as a credit against any Sinking Fund Installment obligation. Each Bond or portion thereof so delivered or previously redeemed shall be credited by the Trustee at the principal amount thereof on the obligation with respect to such Sinking Fund Installments as the Certificate shall direct and the principal amount of such Bonds to be redeemed by such Sinking Fund Installment shall be accordingly reduced.

(d) Any investment earnings on moneys held in the Debt Service Fund shall be transferred to the Revenue Fund, unless directed by a Certificate to be transferred or credited by the Trustee to another Fund or Account or to the Agency.

(e) Amounts or assets in the Debt Service Fund may, on and after each Interest Payment Date upon the direction of an Authorized Officer, be transferred or credited by the Trustee to another Fund or Account or to the Agency at such times as directed by such Authorized Officer.

Section 5.06. Reserve Fund.

(a) There shall be maintained in the Reserve Fund, from the proceeds of the sale of the Bonds or such other sources as specified by a direction of an Authorized Officer, an amount equal to the Reserve Requirement.

(b) The Trustee shall, to the extent the amount in the Revenue Fund is insufficient to pay principal of and interest on the Bonds and any Sinking Fund Installments and any amounts required to be paid to the Provider of a Hedge Agreement (other than fees or termination payments payable to such Provider) unless otherwise provided in such Hedge Agreement or any related Supplemental Indenture, transfer from the Reserve Fund (after transferring any amounts in any capitalized interest account established pursuant to a Supplemental Indenture or the Special Program Fund (to the

extent of amounts available therein and therefor)) to the Revenue Fund to pay the principal of and interest on the Bonds and any Sinking Fund Installments and any amounts required to be paid to the Provider of a Hedge Agreement (other than fees or termination payments payable to such Provider) unless otherwise provided in such Hedge Agreement or any related Supplemental Indenture. The Trustee shall notify the Agency in writing prior to any such withdrawal from the Reserve Fund. Within six months of any such withdrawal, the Agency shall, if permitted under the Act or applicable laws of the State, deposit in the Reserve Fund an amount sufficient to replenish the Reserve Fund to the Reserve Requirement.

(c) So long as any such credit or transfer does not reduce the amount in the Reserve Fund below the Reserve Requirement, any investment earnings on moneys held in the Reserve Fund shall be credited to the Revenue Fund, unless directed by a Certificate to be transferred or credited by the Trustee to another Fund or Account or to the Agency at such times as directed by such Authorized Officer.

(d) Any balance in the Reserve Fund in excess of the Reserve Requirement shall, upon the direction of a Certificate, be transferred or credited by the Trustee to the Revenue Fund or other Fund or Account or to the Agency at such times as directed by such Authorized Officer.

(e) The Reserve Requirement with respect to the applicable Series of Bonds may be funded through Cash Equivalents. In connection with any discussion in this Indenture of "moneys" on deposit in or held for the credit of the Reserve Fund, "moneys" shall be deemed to include said Cash Equivalents.

Section 5.07. Rebate Fund.

(a) There shall be deposited in the Rebate Fund, as directed by a Certificate of an Authorized Officer, such amounts determined by the Agency as are necessary to satisfy any "arbitrage rebate requirements" to comply with the requirements of Section 148 of the Code.

(b) Payments shall be made from the Rebate Fund, as directed by a Certificate of an Authorized Officer, at such times and in such amounts as are necessary to comply with the requirements of Section 148 of the Code.

(c) Any investment earnings on moneys held in the Rebate Fund shall remain in the Rebate Fund, unless directed by a Certificate to be transferred or credited by the Trustee to another Fund or Account or to the Agency.

Section 5.08. Special Program Fund.

(a) If and to the extent directed by a Certificate of an Authorized Officer, the Trustee shall create the Special Program Fund, or accounts therein, and from time to time (i) pay out money from the Special Program Fund for any purpose permitted under the Act and (ii) transfer funds to the Agency free and clear of the lien of this Indenture.

(b) The Trustee shall, to the extent the amount in the Revenue Fund is insufficient to pay the principal of and interest on the Bonds and any Sinking Fund Installment when due and any amounts required to be paid to the Provider of a Hedge Agreement (other than fees or termination payments payable to such Provider) unless otherwise provided in such Hedge Agreement or any related Supplemental Indenture, transfer (after transferring amounts in any capitalized interest account established in connection with a Supplemental Indenture) moneys from the Special Program Fund, to the extent of amounts therein which are not otherwise restricted for specific purposes, to the Revenue Fund to pay the principal of and interest on the Bonds and any Sinking Fund Installment and any amounts required to be paid to the Provider of a Hedge Agreement (other than fees or termination payments payable to such Provider) unless otherwise provided in such Hedge Agreement or any related Supplemental Indenture.

(c) Any investment earnings on moneys held in the Special Program Fund shall remain in the Special Program Fund, unless directed by a Certificate to be transferred or credited by the Trustee to another Fund or Account or to the Agency.

ARTICLE VI

COVENANTS

Section 6.01. General. The Agency hereby particularly covenants and agrees with the Trustee and with the holders of the Bonds of each Series and makes provisions which shall be a part of its contract with such holders, to the effect and with the purpose set forth in the following provisions and Sections of this Article. The provisions of this Article shall be effective from and after the time of the delivery of the Bonds of each Series issued under this Indenture.

Section 6.02. Payment of Bonds. The Agency shall duly and punctually pay or cause to be paid (from the Trust Estate and any other of the Agency's revenues, assets or moneys, subject only to agreements now or hereafter made with holders of notes and bonds, other than the Bonds, pledging particular revenues, moneys or assets for the payment thereof) the principal amount of and interest on the Bonds, at the dates and places and in the manner mentioned in the Bonds, according to the true intent and meaning thereof, and shall duly and punctually pay or cause to be paid (from the Trust Estate and any of the Agency's other revenues, assets or moneys, subject only to agreements now or hereafter made with holders of notes and bonds, other than the Bonds, pledging particular revenues, moneys or assets for the payment thereof) to the Trustee any part of any and all Sinking Fund Installments required pursuant to any provision of this Indenture and the related Supplemental Indentures.

Section 6.03. Personnel and Servicing of Programs. In accordance with the laws of the State and the Act, the Agency shall at all times appoint, retain and employ competent personnel for the purpose of carrying out its respective programs and shall establish and enforce reasonable rules, regulations, tests and standards governing the employment of such personnel at reasonable compensation, salaries, fees and charges, and all persons employed by the Agency shall be qualified for their respective positions.

Section 6.04. Tax Covenants.

(a) Subject to subsection (b) of this Section, the Agency shall at all times do and perform all acts and things necessary and may otherwise act as permitted by law in order to assure that interest paid on the Bonds shall, for the purposes of federal income taxation, be excludable from the gross income of the owners thereof and exempt from such taxation, except in the event that such recipient is a "substantial user" or "related person" within the meaning of the Code.

(b) Notwithstanding the foregoing, the Agency hereby reserves the right to elect to issue Bonds the interest on which is not exempt from federal income taxation, if such election is made prior to the issuance of such Bonds and, to the extent applicable, the requirements of the Act or similar law in effect are satisfied with respect to such election and the covenants contained in this Section shall not apply to such Bonds.

Section 6.05. Accounts and Reports. The Agency shall keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all its transactions relating to the Bonds and all Funds and Accounts established by or pursuant to this Indenture or any Supplemental Indenture, which shall at all reasonable times be subject to the inspection of the Trustee or of the holders (or beneficial owners if their names and addresses have been filed with the Trustee for such purposes) of an aggregate of not less than 5% in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

The Agency shall annually, within 270 days after the close of each Fiscal Year, prepare financial statements for such Fiscal Year. The financial statements shall be accompanied by the report of an Accountant stating that the financial statements examined present fairly the financial position of the Agency at the end of the Fiscal Year, the results of its operations and changes in financial position for the period examined, in conformity with generally accepted accounting principles, with such exceptions as may be noted in such report.

Any such financial statements may be presented with respect to the accounts for the Bonds or on a consolidated or combined basis with other reports of the Agency.

A copy of such financials and any Accountant's report relating thereto shall be mailed promptly thereafter by the Agency to each Bondowner who shall have filed his name and address with the Agency for such purposes.

Section 6.06. Compliance With Conditions Precedent. Upon the date of execution and delivery of a Series of Bonds, all conditions, acts and things required by law or by this Indenture to exist, to have happened or to have been performed precedent to or in the issuance of such Bonds shall exist, have happened and have been performed, and such Bonds, together with all other indebtedness of the Agency, shall be within every debt and other limit prescribed by law.

Section 6.07. Further Assurance. At any and all times, the Agency shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary and may otherwise act as permitted by law for the better assuring, conveying, granting, assigning

or confirming all and singular the rights, Funds and Accounts and assets pledged, assigned and established pursuant to this Indenture, including the moneys, securities and Permitted Investments hereby pledged or assigned, or assigned in trust, or intended so to be, or which the Agency may hereafter become bound to pledge or assign in trust.

Section 6.08. Powers as to Bonds and Pledge. The Agency is duly authorized, pursuant to law, to authorize and issue Bonds, to enter into this Indenture and to pledge the assets and revenues purported to be pledged by this Indenture, in the manner and to the extent provided in this Indenture and in any Supplemental Indenture. The assets and revenues so pledged and so held in trust are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge and assignment in trust created by this Indenture, and all corporate action on the part of the Agency to that end has been duly and validly taken. Each Series of Bonds and the provisions of this Indenture are and will be the valid and legally enforceable general obligations of the Agency in accordance with their terms and the terms of this Indenture and the related Supplemental Indenture subject only to agreements now or hereafter made with holders of notes and bonds, other than the Bonds pledging particular revenues, moneys or assets for the payment thereof. The Agency shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the assets and revenues so pledged under this Indenture and all the rights of the Bondholders or any other creditors secured under this Indenture, against all claims and demands of all persons whomsoever.

ARTICLE VII

DISCHARGE OF LIEN

If the Agency shall pay or cause to be paid, or there shall otherwise be paid or provision for payment made, to the holders of the Bonds the principal amount of, premium, if any, and interest due or to become due thereon at the times and in the manner stipulated therein, then unless there shall be delivered to the Trustee a Certificate to the contrary, these presents and the estate and rights hereby granted shall cease, determine and be void, whereupon the Trustee shall cancel and discharge the lien of this Indenture, and execute and deliver to the Agency such instruments in writing as shall be requisite to release the lien hereof, and reconvey, release, assign and deliver unto the Agency any and all the estate, right, title and interest in and to any and all rights or property assigned or pledged to the Trustee or otherwise subject to the lien of this Indenture, except cash held by the Trustee or any Paying Agent for the payment of the principal amount of, premium, if any, and interest on any Series of Bonds.

Any Bond shall be deemed to be paid within the meaning of this Article and for all purposes of this Indenture and any Supplemental Indenture when payment of the principal amount of and premium, if any, on such Bond, plus interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption as provided herein), either (a) shall have been made or caused to be made in accordance with the terms thereof or (b) shall have been provided by irrevocably depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment (i) moneys sufficient to make such payment and/or (ii) Federal Obligations (which may be subject to redemption prior to maturity only if such terms of redemption do not adversely affect the Rating of the Bonds) maturing as to principal and interest in such amount and at such time as will ensure the availability of sufficient moneys to make such

payment. At such times as a Bond shall be deemed to be paid hereunder, as aforesaid, it shall no longer be secured by or entitled to the benefits of this Indenture, except for the purposes of any such payment from such moneys or Federal Obligations.

Notwithstanding the foregoing, in the case of Bonds which by their terms may be redeemed prior to their stated maturity, no deposit under the immediately preceding paragraph shall be deemed a payment of such Bonds as aforesaid until the Agency shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instruction:

(i) stating the date when the principal amount (and premium, if any) of each such Bond is to be paid, whether at maturity or on a redemption date;

(ii) to call for redemption pursuant to this Indenture (and at such times as notice thereof may be given in accordance with this Indenture) any Bonds to be redeemed prior to maturity pursuant to in clause (b) of the preceding paragraph hereof; and

(iii) to mail, as soon as practicable, in the manner prescribed by Article IV hereof, a notice to the holders of such Bonds and to each Rating Agency that the deposit required by clause (b) of the preceding paragraph above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Article and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal amount or redemption price, if applicable, on said Bonds as specified in (i) hereof and, if a maturity date is stated, whether or not such Bonds continue to be subject to redemption.

All moneys so deposited with the Trustee as provided in this Article may at the direction of the Agency also be invested and reinvested in Federal Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from all Federal Obligations in the hands of the Trustee pursuant to this Article which is not required for the payment of the Bonds and interest and premium, if any, thereon with respect to which such moneys shall have been so deposited shall be deposited in the Revenue Fund as and when realized and collected for such an application as are other moneys deposited in such Fund.

Notwithstanding any provision of any other Article of this Indenture which may be contrary to the provisions of this Article, all moneys or Federal Obligations set aside and held in trust pursuant to the provisions of this Article for the payment of Bonds (including interest and premium thereon, if any) shall be applied to and used solely for the payment of the particular Bonds (including interest and premium thereof, if any) with respect to which such moneys and Federal Obligations have been so set aside in trust.

Anything in Article IX hereof to the contrary notwithstanding, if moneys or Federal Obligations have been deposited or set aside with the Trustee pursuant to this Article for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment to the provisions of this Article shall be made without the consent of the holder of each Bond affected thereby.

ARTICLE VIII

DEFAULTS AND REMEDIES

Section 8.01. Events of Default. Each of the following shall constitute an event of default under this Indenture and is herein called an "Event of Default":

(a) Interest on any of the Bonds is not paid on any date when due or the principal of any Bonds is not paid at maturity or the redemption price of any Bond is not paid at a Redemption Date at which such Bonds have been called for redemption;

(b) If there is a default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Agency in this Indenture, in any Supplemental Indenture or in the Bonds contained, and such default is not remedied within 60 days after notice thereof pursuant to Section 8.10 hereof; or

(c) The Agency files a petition seeking a composition of indebtedness under the federal bankruptcy laws or under any applicable law or statute of the United States of America or of the State, or if the State has limited or altered the rights of the Agency pursuant to the Act, as in force on the date of this Indenture, to fulfill the terms of any agreements made with the Holders of Bonds or in any way impaired the rights and remedies of Holders of Bonds while any Bonds are Outstanding.

Upon the occurrence of an Event of Default as set forth above and of which the Trustee has knowledge, and upon the cure, if any, of any such Event of Default, the Trustee shall provide written notice thereof to the Agency and the holders of the Bonds outstanding (and each beneficial owner who has filed a written notice with the Trustee requesting the same) within 10 days of learning of the Event of Default or the occurrence of such Event of Default.

Section 8.02. Remedies; Rights of Bondholders. Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy under the Act, at law or in equity, to enforce the payment of the principal of, premium, if any, and interest on the Bonds then Outstanding, and any other creditors secured hereunder, including, without limitation, the following:

(a) The Trustee may declare the principal amount of all Bonds Outstanding and the interest accrued thereon to be immediately due and payable, whereupon such principal amount and interest shall thereupon become immediately due and payable, if an Event of Default pursuant to Section 8.01(a) has occurred;

(b) The books and records of the Agency relating to the Bonds shall at all times be subject to the inspection and use of the Trustee and of its agents and attorneys, but only to the extent that such inspection and use does not challenge, in the Agency's discretion, the confidentiality of such books and records as well as other related communications of the Agency; and

(c) The Agency, whenever the Trustee shall demand, will account as if it were the trustee of an express trust for all money, securities and Funds and Accounts pledged or held under this Indenture for such period as shall be stated in such demand.

If an Event of Default shall have occurred and, if requested so to do by the holders of not less than a majority in aggregate principal amount of Bonds then Outstanding or, if such Event of Default is an Event of Default described in clause (a) of Section 8.01 hereof, by the holders of not less than a majority in the aggregate principal amount of Bonds then Outstanding of the Series with respect to which such Event of Default has occurred, and indemnified by such holders in a manner acceptable to the Trustee, the Trustee shall be obligated to exercise one or more of the rights and powers conferred by this Section, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Bondholders.

No remedy by the terms of this Indenture conferred upon or reserved to the Trustee or to the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bondholders hereunder or now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein; and every such right and power may be exercised from time to time as often as may be deemed expedient.

No waiver of any default or Event of Default hereunder, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

Section 8.03. Right of Bondholders To Direct Proceedings. Anything in this Indenture to the contrary notwithstanding, the holders of a majority in aggregate principal amount of Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture, or for the appointment of a receiver or any other proceedings hereunder, provided that such direction shall not be otherwise than in accordance with the provisions of law and of this Indenture.

Section 8.04. Appointment of Receivers. Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bondholders under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate and of the revenues, issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

Section 8.05. Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, following the satisfaction of any payments due the Trustee under the provisions of Sections 11.02 and 11.07

hereof, be deposited in the Revenue Fund and all moneys in the Revenue Fund (other than moneys held for redemption of Bonds duly called for redemption) shall be applied as follows:

(a) Unless the principal amount of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

FIRST, to the payment to the persons entitled thereto of all interest then due on the Bonds, in the order of the maturity of such interest and, if the amount available shall not be sufficient to pay in full said amount, then to the payment ratably, according to the amounts due to the persons entitled thereto, without any discrimination or privilege;

SECOND, to the payment to the persons entitled thereto of the unpaid principal amount of any of the Bonds which shall have become due (other than Bonds matured or called for redemption for the payment of which moneys are held pursuant to the provisions of this Indenture), in the order of their due dates, with interest on such Bonds from the respective dates upon which they became due at the rate borne by the Bonds and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege; and

THIRD, to be held for the payment to the persons entitled thereto as the same shall become due of the principal amount of and interest on the Bonds which may thereafter become due either at maturity or upon call for redemption prior to maturity and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with interest then due and owing thereon, payment shall be made ratably according to the amount of principal due on such date to the persons entitled thereto without any discrimination or privilege.

(b) If the principal amount of all the Bonds shall have become or shall have been declared due, all such moneys shall be applied to the payment of the principal amount and interest then due and unpaid upon the Bonds, without preference or priority of principal amount over interest or of interest over principal amount, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal amount and interest, to the persons entitled thereto without any discrimination or privilege.

(c) If the principal amount of all the Bonds shall have been declared due and payable, and if such Supplemental Indenture shall thereafter have been rescinded and annulled under the provisions of this Article then, subject to the provisions of subsection (b) of this Section in the event that the principal amount of all the Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of subsection (a) of this Section.

With respect to the foregoing, amounts due under a Qualified Hedge Agreement which are equivalent to Bond interest or principal shall be treated as Bond interest or principal under the counterparty under the Qualified Hedge Agreement is in default thereunder.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The deposit of such money with any Paying Agent, or otherwise setting aside such money, in trust for the proper purpose shall constitute proper application by the Trustee. The Trustee shall incur no liability to the Agency, to any Bondholder or to any other person for any delay in applying any such money, so long as the Trustee acts with reasonable diligence having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of this Indenture as may be applicable at the time of application by the Trustee. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the principal amount to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the holder of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all principal amounts of and interest on all Bonds have been paid under the provisions of this Section and all fees, expenses and charges of the Trustee and any Paying Agent have been paid, any balance remaining in the Revenue Fund shall be paid to the Agency.

Section 8.06. Remedies Vested in Trustee. All rights of action (including the right to file proof of claims) under this Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding related thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as the Trustee without the necessity of joining as plaintiffs or defendants any holder of the Bonds, and any recovery of judgment shall be for the equal and ratable benefit of the holders of the Outstanding Bonds.

Section 8.07. Rights and Remedies of Bondholders. No holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of this Indenture or for the execution of any trust hereof or for the appointment of a receiver or any other remedy hereunder, unless (a) a default has occurred of which the Trustee has been notified as provided in Section 11.03 hereof, or of which by said Section 11.03 it is deemed to have notice, (b) such default shall have become an Event of Default and the owners of not less than a majority in aggregate principal amount of Bonds then Outstanding or, if such Event of Default is an Event of Default described in clause (a) of Section 8.01 hereof, by the owners of not less than a majority in aggregate principal amount of Bonds then Outstanding of the Series with respect to which such Event of Default has happened, shall have given written notice to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in their own name or names, (c) such Bondholders have offered to the Trustee indemnity as provided in Article XI hereof and (d) the

Trustee shall thereafter fail or refuse to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its own name; and such notification, request and offer of indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of this Indenture, and to any action or cause of action for the enforcement of this Indenture, or for the appointment of a receiver or for any other remedy hereunder; it being understood and intended that no one or more holders of the Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of this Indenture by his action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal and ratable benefit of the holders of all Bonds then Outstanding, subject to the provisions of this Indenture. However, nothing contained in this Indenture shall affect or impair the right of any holder to enforce the payment of the principal of and interest on any Bond it owns at and after the maturity or upon the redemption thereof, or the obligation of the Agency to pay the principal of and interest on any such Bond issued hereunder to the holder thereof at the time, place, from the source and in the manner in the Bonds expressed, but in any case only from the Trust Estate.

Section 8.08. Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Agency, the Trustee and the Bondholders shall be restored, subject to any final determination in such proceeding, to their former positions and rights hereunder, respectively, with regard to the property herein subject to this Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 8.09. Waivers of Events of Default. The Trustee may at its discretion waive any Event of Default hereunder and its consequences, and shall do so upon the written request of the holders of (a) more than 66-2/3% in aggregate principal amount of all the Bonds then Outstanding in respect of which default in the payment of principal amount or interest, or both, exists or (b) at least a majority in aggregate principal amount of all Bonds then Outstanding in the case of any other default; provided, however, that there shall not be waived (i) any Event of Default in the payment of the principal amount of any Outstanding Bonds at the date of maturity or sinking fund redemption date specified therein or (ii) any default in the payment when due of the interest on any such Bonds unless, prior to such waiver or rescission, all arrears of interest or all arrears of payments of principal amount when due, as the case may be, with interest on overdue principal at the rate borne by the Bonds, and all reasonable fees and expenses of the Trustee in connection with such default shall have been paid or provided for. In case of any such waiver or rescission, the Agency, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

Section 8.10. Notice of Defaults Under Section 8.01(b); Opportunity of the Agency To Cure Such Defaults. Anything herein to the contrary notwithstanding, no default under Section 8.01(b) hereof shall constitute an Event of Default until actual notice of such default by first class mail (postage prepaid) shall be given to the Agency by the Trustee or by the holders of not less than a majority in aggregate principal amount of all Bonds Outstanding and the Agency

shall have had 60 days after receipt of such notice to correct said default or cause said default to be corrected, and shall not have corrected said default or caused said default to be corrected within the applicable period; provided, however, if said default be such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted by the Agency within the applicable period and diligently pursued until the default is corrected.

ARTICLE IX

SUPPLEMENTAL INDENTURES

Section 9.01. Supplemental Indentures Effective Upon Filing. Without the consent of or notice to any of the Bondholders, for any one or more of the following purposes and at any time or from time to time, a Supplemental Indenture of the Agency supplementing this Indenture may be adopted, which Supplemental Indenture, upon filing with the Trustee of a copy thereof certified by an Authorized Officer, shall be fully effective in accordance with its terms:

(a) to close this Indenture against, or provide limitations and restrictions in addition to the limitations and restrictions contained in this Indenture on, the delivery of Bonds or the issuance of other evidences of indebtedness;

(b) (i) to add to the covenants or agreements of the Agency in this Indenture other covenants or agreements to be observed by the Agency which are not contrary to or inconsistent with this Indenture as theretofore in effect or (ii) to make any change (other than a change requiring the consent of the holders of all Outstanding Bonds pursuant to Section 9.03 hereof) which is not materially adverse to the security of the Bondholders;

(c) to add to the limitations or restrictions in this Indenture other limitations or restrictions to be observed by the Agency which are not contrary to or inconsistent with this Indenture as theretofore in effect;

(d) to surrender any right, power or privilege reserved to or conferred upon the Agency by this Indenture, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Agency contained in this Indenture;

(e) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, this Indenture of any revenues, Funds, Accounts or other assets;

(f) to make any changes which, in the opinion of Counsel, are necessary to preserve the tax-exempt status of the interest on the Bonds;

(g) to make such changes to obtain or maintain the Rating on the Bonds, provided such changes do not result in a downgrade or withdrawal of the current Rating;

(h) to modify any of the provisions of this Indenture in any respect whatever, provided that (i) such modifications shall be, and be expressed to be, effective only after

all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Indenture shall cease to be Outstanding and (ii) such Supplemental Indenture shall be specifically referred to in the text of all Bonds of any Series delivered after the date of the adoption of such Supplemental Indenture and of Bonds issued in exchange therefor or in place thereof;

(i) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Indenture;

(j) to authorize Bonds of a Series and, in connection therewith, specify and determine the matters and things referred to in Section 2.02, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with this Indenture as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first delivery of such Bonds; and

(k) to insert such provisions clarifying matters or questions arising under this Indenture as are necessary or desirable and are not contrary to or inconsistent with this Indenture as theretofore in effect.

Section 9.02. Supplemental Indentures Requiring Consent of Bondholders. Exclusive of Supplemental Indentures covered by Section 9.01 hereof and subject to the terms and provisions contained in this Section, and not otherwise, (a) the holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding at the time such consent is given and (b) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, the holders of not less than a majority in aggregate principal amount of the Bonds of the particular Series Outstanding affected at the time such consent is given shall have the right, from time to time, anything contained in this Indenture to the contrary notwithstanding, to consent to and approve the execution by the Agency and the Trustee of such indentures supplemental hereto as shall be deemed necessary and desirable by the Agency for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in any Supplemental Indentures; provided, however, that, except as set forth in Section 9.03 hereof, nothing in this Section contained shall permit, or be construed as permitting, without the consent of the holders of all Outstanding Bonds, (i) an extension of the maturity or mandatory sinking fund redemption date of the principal of or the time for payment of the interest on any Bond issued hereunder, (ii) a reduction in the principal amount of any Bond or the rate of interest (except as otherwise provided in a Supplemental Indenture), or sinking fund redemption requirements, thereon, (iii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, (iv) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Indenture, or (v) any modification of the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of the Trustee without the written consent of the Trustee.

For the purposes of this Section, Bonds of any particular Series shall be deemed to be affected by a modification or amendment of this Indenture if the same materially or adversely affects or diminishes the rights of the holders of Bonds of such Series. The Trustee, relying upon Counsel's opinion, may determine whether or not, in accordance with the foregoing powers of amendment, Bonds of any particular Series or maturity would be affected by a modification or

amendment of the Indenture, and any such determination shall be binding and conclusive on the Agency and all holders of Bonds. With respect to matters affecting the security for the Bonds, the Trustee may conclusively rely upon written evidence from each Rating Agency that a change will not adversely affect the Rating on the Outstanding Bonds.

Section 9.03. Modifications by Unanimous Consent. Notwithstanding anything contained in the foregoing provisions of this Article, the terms and provisions of this Indenture, and the rights and obligations of the Agency and the holders of the Bonds, in any particular, may be modified or amended in any respect upon the execution by the Agency and filing in accordance with the provisions of this Article of a Supplemental Indenture of the Agency making such modification or amendment and the consent to such Supplemental Indenture of the holders of all of the Bonds then Outstanding, such consent to be given and proved as provided in Section 9.04, except that no notice to Bondholders, either by mailing or publication, shall be required; provided, however, that no such modification or amendment shall change or modify any of the rights, obligations, duties, remedies, immunities and privileges of the Trustee without the written consent of the Trustee.

In addition, the Agency may enter into an agreement with any Bondholder restricting one or more rights of such Bondholder, provided that such agreement shall affect only such Bondholder (or assigns) and such agreement shall not grant such Bondholder any rights or privileges not afforded other Bondholders.

Section 9.04. Consent of Bondholder. The Agency may at any time execute and file a Supplemental Indenture from the Agency making a modification or amendment permitted by the provisions of Section 9.02 or 9.03, to take effect when and as provided in this Section. A copy of such Supplemental Indenture (or brief summary thereof or reference thereto in form approved by the Agency), together with a request to the Bondholders for their consent thereto in form satisfactory to the Trustee, shall be mailed by the Agency to the Bondholders. Such Supplemental Indenture shall not be effective unless and until, and shall take effect in accordance with its terms when, (a) there shall have been filed with the Trustee (i) the written consent of the holders of the percentage of Outstanding Bonds specified in Section 9.02 or 9.03, as the case may be and (ii) a Counsel's Opinion stating that such Supplemental Indenture has been duly and lawfully adopted by the Agency in accordance with the provisions of this Indenture, is authorized or permitted by the provisions of this Indenture, and, when effective, will be valid and binding upon the Agency and enforceable in accordance with its terms and (b) a notice shall have been given as hereinafter provided in this Section. Each such consent shall be effective only if executed by a holder of Bonds as of the date such consent is given.

In connection with this Section 9.04, any such consent shall be binding upon the holder of the Bonds giving such consent and upon any subsequent holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent holder thereof has notice thereof), but, notwithstanding the provisions of Section 12.01, such consent may be revoked in writing by the filing with the Trustee, not later than the time when the written statement of the Trustee hereinafter in this Section provided for is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee to the effect that no revocation thereof is on file with the Trustee.

The Agency may establish a record date for purposes of the solicitation of consents from the holders of Bonds and shall give the Trustee notice thereof.

At any time after the holders of the required percentage of Bonds shall have filed their consents to such Supplemental Indenture, the Trustee shall make and file with the Agency a written statement that the holders of such required percentage of Bonds have filed and given such consents and that proof of the holding of such Bonds has been examined and found sufficient by the Trustee. Such written statement shall be conclusive that such consents have been so filed and have been given. At any time thereafter notice, stating in substance that such Supplemental Indenture (which may be referred to as a Supplemental Indenture adopted by the Agency on a stated date, a copy of which is on file with the Trustee) has been consented to by the holders of the required percentage of Bonds and will be effective as provided in this Section, shall be mailed to Bondholders. The Agency shall file with the Trustee proof of the mailing thereof. A record, consisting of the papers required or permitted by this Section to be made by or filed with the Trustee, shall be proof of the matters therein stated.

Section 9.05. Authorization to Trustee. The Trustee is authorized to accept the delivery of a certified copy of any Supplemental Indenture of the Agency referred to and permitted or authorized by Section 9.01, 9.02, 9.03 or 9.04, upon satisfaction of any requirements with respect thereto, to consent to such indenture as provided in such Section and to make all further agreements and stipulations which may be therein contained, and the Trustee, in taking such actions, shall be fully protected in relying on a Counsel's Opinion that such Supplemental Indenture is authorized or permitted by the provisions of this Indenture or contains no provisions which are contrary to or inconsistent with this Indenture as theretofore in effect.

Section 9.06. Exclusion of Bonds. Bonds owned or held by or for the account of the Agency shall be excluded and shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Article, and the Agency shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Article. At the time of any consent or other action under this Article, the Agency shall furnish the Trustee a Certificate, upon which the Trustee may rely, describing all Bonds so to be excluded.

Section 9.07. Notation on Bonds. Bonds delivered after the effective date of any action taken as in this Article provided may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the Agency and the Trustee as to such action. If the Agency or the Trustee shall so determine, new Bonds so modified as in the opinion of the Trustee and the Agency to conform to such action may be prepared and delivered, and upon demand of the holder of any Bond then Outstanding may be exchanged, without cost to such Bondholder, for Bonds of the same designation, maturity and interest rate then Outstanding, upon surrender of such Bonds. Every holder of any Outstanding Bond shall, however, by his purchase and retention of such Bond, be deemed to consent to be bound by every modification and amendment of this Indenture adopted in accordance with the provisions of this Article, whether or not noted or endorsed on or incorporated in such Bond.

Section 9.08. Copies of Supplemental Indentures. The Agency shall forward a copy of any Supplemental Indenture (in substantially final form) to the Rating Agency.

ARTICLE X

DEPOSITARIES OF MONEYS AND INVESTMENT OF FUNDS

Section 10.01. Depositaries. All moneys held by the Trustee under the provisions of this Indenture shall be deposited with the Trustee or one or more Fiduciaries in trust for the Trustee. All moneys deposited under the provisions of this Indenture with the Trustee or any Fiduciary shall be held in trust and applied only in accordance with the provisions of this Indenture and any related Supplemental Indenture, and each of the Funds and the Accounts, and any subaccounts, established by this Indenture shall be a trust fund for the purposes thereof. The Trustee and the Agency shall not permit the deposit of any moneys with any Fiduciary in an amount exceeding the amount insured by the FDIC, unless secured by Permitted Investments.

Section 10.02. Investment of Funds and Accounts Held by Trustee. Except as otherwise provided in this Indenture, the Agency may direct the Trustee to, and in the absence of direction the Trustee shall, invest moneys in the Funds and the Accounts held by the Trustee in Permitted Investments, the maturity or redemption date at the option of the holder of which shall not exceed the date or dates on which moneys in said Fund or Account for which the investments were made are reasonably expected to be required for the purposes provided in this Indenture and any related Supplemental Indenture. The Trustee agrees to take such actions, including, but not limited to, the giving of timely notices for payment, as are required pursuant to the terms of any Permitted Investment or any guarantee related thereto.

Obligations purchased as an investment of moneys in any Fund or Account held by the Trustee under the provisions of this Indenture shall be deemed at all times to be a part of such Fund or Account. Moneys in separate Funds and Accounts may be commingled for the purpose of investment or deposit, subject to instructions from an Authorized Officer, to the extent possible in conformity with the provisions of this Section, so long as adequate records are maintained as to the amounts held in each such Fund or Account allocable to each Series of Bonds.

In computing the amount in any Fund or Account held by the Trustee under the provisions of this Indenture, obligations purchased by the Trustee or transferred by the Agency to the Trustee as an investment of moneys therein shall be valued at the Amortized Value, plus the amount of accrued interest, except that securities covered by repurchase agreements shall be valued at market price. Where market prices for obligations held by the Trustee are not readily available, the Trustee may determine the market price for such obligations in such manner as it deems reasonable. To the extent that moneys are invested pursuant to an Investment Agreement, such Investment Agreement shall be valued at par, unless the provider of the Investment Agreement is in default of its payments thereunder in which case it shall be valued as provided in the immediately preceding sentence.

At the direction of an Authorized Officer, the Trustee shall sell outright or pursuant to a repurchase agreement at the best price reasonably obtainable, or present for redemption, any obligation purchased by it as an investment whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the Fund or Account for which such investment was made. When transferring moneys from one Fund or Account to another, investments need

not be liquidated, and all or a portion of such invested moneys may be credited to a particular Fund or Account from another.

At the direction of an Authorized Officer, the Trustee may sell Permitted Investments hereunder and purchase any Permitted Investments in exchange therefor.

Investments authorized to be made by the Trustee pursuant to this Article X may be made by the Trustee through its own bond or investment departments or any affiliates or subsidiaries wholly owned by the entity which wholly owns the Trustee.

The Agency acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory authority grant the Agency the right to receive brokerage confirmations of security transactions as they occur, the Agency specifically waives receipt of such confirmations to the extent permitted by law. The Trustee shall have no liability or responsibility for any loss or for failure to maximize earnings resulting from any investments made in accordance with the provisions of this Section. The Trustee shall be entitled to assume, absent receipt by the Trustee of written notice to the contrary, that any investment which at the time of purchase is Permitted Investment remains a Permitted Investment thereafter.

ARTICLE XI

THE FIDUCIARIES

Section 11.01. Trustee and Depositaries; Appointment and Acceptance.

(a) Any entity appointed as the Trustee hereunder shall be a bank, trust company or national banking association having trust powers and having either (i) a combined capital and surplus of not less than $75,000,000 or (ii) $500,000,000 of assets under trust, and shall have delivered to the Trustee a copy of this Indenture, certified by an Authorized Officer. The Trustee shall be and is hereby vested with all the property, rights, powers and duties granted, pledged and assigned to it by this Indenture, in trust for the Bondholders.

(b) The Agency, consistent with the laws of the State and the Act, may appoint Fiduciaries as depositaries of money held under the provisions of this Indenture and shall further advise such Fiduciaries as to any requirements with respect to such moneys. Each Fiduciary shall signify its acceptance of the duties and obligations imposed upon it by this Indenture by executing and delivering to the Agency and the Trustee written acceptance thereof.

Section 11.02. Paying Agents. The Agency hereby appoints the Trustee as the Paying Agent for the Bonds and may, at any time or from time to time by a Supplemental Indenture, appoint one or more other Paying Agents for such Bonds. Each Paying Agent shall be a bank, trust company or national banking association, having trust powers and having a capital and surplus aggregating at least $15,000,000, if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Indenture. Each Paying Agent, other than the Trustee, shall signify its acceptance of the duties and obligations imposed

upon it by this Indenture by executing and delivering to the Agency and the Trustee a written acceptance thereof. The Trustee may be appointed and may act as a Paying Agent.

Section 11.03. Responsibilities of Fiduciaries. The recitals of fact herein and in the Bonds contained shall be taken as the statements of the Agency, and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations for the validity or sufficiency of this Indenture or any Bonds issued hereunder or in respect of the security afforded by this Indenture, and no Fiduciary shall incur any responsibility in respect thereof. No Fiduciary shall be under any responsibility or duty with respect to the issuance of the Bonds for value or the application of the proceeds thereof or the application of any moneys paid to the Agency or others in accordance with this Indenture, except the Trustee to the extent such proceeds are paid to the Trustee in its capacity as Trustee. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability, to institute or defend any action or suit in respect of this Indenture or Bonds, or to advance any of its own moneys, unless properly indemnified. No Fiduciary shall be liable in connection with the performance of its duties hereunder, except for its own negligence or willful default.

In addition, no Fiduciary shall be under any obligation to effect or maintain insurance or to renew any policies of insurance or to inquire as to the sufficiency of any policies of insurance carried by the Agency, or to report, or make or file claims or proof of loss for, any loss or damage insured against or which may occur, or to keep itself informed or advised as to the payment of any taxes or assessments, or to require any such payment to be made. No Fiduciary shall be under any obligation to see that any duties herein imposed upon the Agency or any party other than itself, or any covenants herein contained on the part of any party other than itself to be performed, shall be done or performed, and no Fiduciary shall be under any obligation for failure to see that any such duties or covenants are so done or performed. No Fiduciary shall be liable or responsible because of the failure of the Agency or of any of its employees or agents to make any collections or deposits or to perform any act herein required of the Agency.

The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default has occurred (which has not been cured or waived) the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through agents, receivers or employees but shall be answerable for the conduct of the same in accordance with the standard specified above, provided that the immunities and exemptions from liability of the Trustee hereunder shall extend to such agents, receivers and employees, and shall be entitled to advice of counsel concerning all matters of trusts hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts hereof, subject to Section 11.07 hereof. The Trustee may act upon the opinion or advice of any attorneys (who may but need not be the attorney or attorneys for the Agency) approved by the

Trustee in the exercise of reasonable care. The Trustee shall not be responsible for any loss or damage resulting from any action or nonaction in good faith in reliance upon such opinion or advice.

Unless an officer of the corporate trust department of the Trustee shall have actual knowledge thereof, the Trustee shall not be required to take notice or be deemed to have notice of any default hereunder except defaults under Section 8.01(a) hereof unless the Trustee shall be specifically notified in writing of such default by the Agency or a court of law or by any owner of the Bonds. Except as otherwise specifically provided for in this Indenture, all notices or other instruments required by this Indenture to be delivered to the Trustee must, to be effective, be delivered at the corporate trust office of the Trustee, and, in the absence of such notice so delivered, the Trustee may conclusively assume there is no default except as aforesaid.

The permissive right of the Trustee to do things enumerated in this Indenture shall not, unless otherwise provided herein, be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct or failure to perform obligations under this Indenture.

At any and all reasonable times, the Trustee and its duly authorized agents, attorneys, experts, engineers, accountants and representatives shall have the right to inspect any and all of the books, papers and records of the Agency pertaining to the receipts under the Bonds, and to duplicate such memoranda in regard thereto as may be desired, provided that such inspection and duplication does not challenge, in the Agency's discretion, the confidentiality of such books, papers and records as well as other related communications of the Agency.

The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

Notwithstanding anything elsewhere in this Indenture contained, the Trustee shall have the right, but shall not be required, to demand, in respect of the authentication of any Bonds, the withdrawal of any cash, or any action whatsoever within the purview of this Indenture, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required, as a condition of such action by the Trustee deemed desirable for the purpose of establishing the right of the Agency to the authentication of any Bonds, the withdrawal of any cash, or the taking of any other action by the Trustee.

Section 11.04. Funds Held in Trust. All money held by any Fiduciary, as such, at any time pursuant to the terms of this Indenture shall be and is hereby assigned, transferred and set over unto such Fiduciary in trust for the purposes and under the terms and conditions of this Indenture.

Section 11.05. Evidence on Which Fiduciaries May Act. Each Fiduciary shall be protected in acting upon any notice, resolution, request, consent, order, certificate, opinion, bond or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be of counsel to the Agency, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good

faith and in accordance therewith. Whenever any Fiduciary shall deem it necessary or desirable that a fact or matter be proved or established prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate stating the same, and such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this Indenture, but in its discretion the Fiduciary may, in lieu thereof, accept other evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable. Except as otherwise expressly provided herein, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof by or on behalf of the Agency to any Fiduciary shall be sufficiently executed if executed by an Authorized Officer.

Section 11.06. Preservation and Inspection of Documents. All reports, certificates, statements and other documents received by any Fiduciary under the provisions of this Indenture shall be retained in its possession and shall be available at all reasonable times for inspection by the Agency, any other Fiduciary or any Bondholder, and their agents and their representatives, any of whom may make copies thereof, but any such reports, certificates, statements or other documents may, at the election of such Fiduciary, be destroyed or otherwise disposed of at any time six years after such date as the pledge created by this Indenture shall be discharged as provided in Article VII.

Section 11.07. Compensation and Expenses. Subject to the provisions of any contract between the Agency and each Fiduciary relating to the compensation of such Fiduciary, the Agency shall pay, from moneys available in the Trust Estate, to such Fiduciary reasonable compensation for all services performed by it hereunder and also all its reasonable expenses, charges and other disbursements and those of its attorneys, agents and employees incurred in and about the administration and execution of the trusts hereby created and the performance of its powers and duties hereunder, and, from such source only and to the extent permitted by law, shall indemnify and save each Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder and which are not due to its negligence or willful misconduct. Each Fiduciary accepting appointment hereunder agrees, as a condition to such appointment, to indemnify and save the Agency harmless against any liabilities which the Agency may incur as a result of the failure of such Fiduciary's negligence or willful misconduct.

Section 11.08. Certain Permitted Acts. Any Fiduciary may become the owner of or may deal in Bonds or transact other bank or trust business with the Agency as fully and with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as depositary for, and permit any of its officers or executive directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or this Indenture, whether or not any such committee shall represent the holders of a majority in principal amount of the Bonds Outstanding.

Section 11.09. Resignation of Fiduciary. A Fiduciary, or any successor thereof, may at any time resign and be discharged of its duties and obligations created by this Indenture by giving not less than 60 days' written notice to the Agency and delivering notice thereof to the

Bondholders, specifying the date when such resignation shall take effect. Such resignation shall take effect upon the day specified in such notice, but only if a successor has been appointed to succeed such Fiduciary, unless prior to the date specified in such notice a successor shall have been appointed by the Agency or Bondholders as herein provided, in which event such resignation shall take effect immediately on the appointment of such successor. Notwithstanding the above, the resignation of the Trustee shall not be effective unless a successor Trustee has been appointed and has accepted the duties of the Trustee.

Section 11.10. Removal. A Fiduciary, or any successor thereof, may be removed at any time by the Agency (if the Agency is not in default hereunder) or by the holders of not less than a majority in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Agency, by, in the case of removal by the Bondholders, an instrument or concurrent instruments in writing signed and duly acknowledged by such Bondholders or by their attorneys duly authorized in writing and delivered to the Agency and by, in the case of removal by the Agency, notice thereof to the Trustee. Copies of each such instrument shall be delivered by the Agency to each Fiduciary and any successor thereof. Notwithstanding the above, the removal of the Trustee shall not be effective unless a successor Trustee has been appointed and has accepted the duties of the Trustee.

Section 11.11. Appointment of Successor Fiduciary. In case at any time a Fiduciary, or any successor thereof, shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent or if a receiver, liquidator or conservator of such Fiduciary or of its property shall be appointed or if any public office or officer shall take charge or control of such Fiduciary or of its property or affairs, a successor may be appointed by the Agency or, if the Agency fails to act, by the holders of not less than a majority in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Agency, by an instrument or concurrent instruments in writing signed by such Bondholders or their attorneys duly authorized in writing and delivered to such successor Fiduciary, notification thereof being given to the Agency, the predecessor Fiduciary and any other Fiduciaries. Pending such appointment, the Agency shall forthwith appoint a Fiduciary to fill such vacancy until a successor Fiduciary shall be appointed by Bondholders as herein authorized. The Agency shall deliver notice to the Bondholders of any such appointment within 20 days after such appointment and shall give notice of such appointment to the Rating Agency. Any successor Fiduciary appointed by the Agency shall, immediately and without further act, be superseded by a Fiduciary appointed by Bondholders. If in a proper case no appointment of a successor Fiduciary shall be made pursuant to the foregoing provisions of this Section within 45 days after the Fiduciary shall have given to the Agency written notice as provided in Section 11.09 or after notice received pursuant to Section 11.10 or after the occurrence of any other event requiring or authorizing such appointment, the Fiduciary or any other Fiduciary or any Bondholder may apply to any court of competent jurisdiction to appoint a successor. Said court may thereupon, after such notice, if any, as said court may deem proper and prescribe, appoint such successor Fiduciary. Any Fiduciary appointed under the provisions of this Section shall have the qualifications prescribed for its predecessor in Section 11.01 or Section 11.02.

Section 11.12. Transfer of Rights and Property to Successor Fiduciary. Any successor Fiduciary appointed hereunder shall execute, acknowledge and deliver to its predecessor Fiduciary, and also to the Agency, an instrument accepting such appointment, and

thereupon such successor Fiduciary, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Fiduciary, with like effect as if named herein as such Fiduciary, but the Fiduciary ceasing to act shall, nevertheless, on the written request of the Agency or of the Successor Fiduciary, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Fiduciary all the right, title and interest of the predecessor Fiduciary in and to any property held by it under this Indenture and shall pay over, assign and deliver to the successor Fiduciary any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument in writing from the Agency be required by such successor Fiduciary for more fully and certainly vesting in and confirming to such successor Fiduciary any such moneys, estates, properties, rights, powers and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Agency to the extent allowed by law. Any such successor Fiduciary shall promptly notify the other Fiduciaries of its appointment as such Fiduciary.

Section 11.13. Merger or Consolidation. Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which such Fiduciary may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a financial institution which is qualified to be a successor to such Fiduciary under Section 11.01 or Section 11.02 and shall be authorized by law to perform all the duties imposed upon it by this Indenture, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act.

Unless an Event of Default, or an event which with notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing, in the event of an acquisition, merger or sale of a Fiduciary or the sale or assignment by a Fiduciary of its rights and duties hereunder, the Agency in its sole discretion shall have the right to remove the Fiduciary at any time upon filing with the Fiduciary an instrument in writing declaring such removal.

Section 11.14. Appointment of Co-Trustee. It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the law of the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that, in case of litigation under this Indenture, and in particular in case of the enforcement of such instrument or agreement upon default, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the properties, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, the Trustee may appoint an additional individual or institution as a separate or Co-Trustee, in which event each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate or Co-Trustee, but only to the extent necessary to enable such separate or Co-Trustee to exercise such powers, rights and remedies, and every covenant

and obligation necessary to the exercise thereof by such separate or Co-Trustee shall run to and be enforceable by either of them. In the event of such an appointment, Trustee shall notify the Agency of the appointment of such Co-Trustee and any reasonable fees and expenses of such Co-Trustee shall be payable solely from the Trust Estate as described in Section 11.07 hereof.

Should any deed, conveyance or instrument in writing from the Agency be required by the separate or Co-Trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to him or it such properties, rights, powers, trusts, duties and obligations, any and all such deeds, conveyances and instruments in writing shall, on request, be executed, acknowledged and delivered by the Agency to the extent allowed by law. In case any separate or Co-Trustee, or a successor to either, shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate or Co-Trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new Trustee or successor to such separate or Co-Trustee.

ARTICLE XII

MISCELLANEOUS

Section 12.01. Consents, etc., of Bondholders. Any consent, request, direction, approval, objection or other instrument required by this Indenture to be signed and executed by the Bondholders (other than an assignment of a Bond) may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondholders in person or by agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of this Indenture, and shall be conclusive in favor of the Trustee and any Paying Agent with regard to any action taken by it under such request or other instrument, namely:

(a) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or by an affidavit of any witness to such execution.

(b) The fact of ownership of Bonds and the amount or amounts, numbers and other identification of Bonds, and the date of holding the same shall be proved by the registration books of the Agency maintained by the Trustee pursuant to this Indenture.

Section 12.02. Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Indenture, any Supplemental Indenture or the Bonds is intended or shall be construed to give to any person other than the Agency, the Fiduciaries and the holders of the Bonds, any legal or equitable right, remedy or claim under or in respect to this Indenture or any Supplemental Indenture or any covenants, conditions and provisions herein contained; this Indenture, all Supplemental Indentures and all of the covenants, conditions and provisions hereof being intended to be and

being for the sole and exclusive benefit of the Agency, the Fiduciaries and the holders of the Bonds as herein provided.

Section 12.03. Severability. If any provision of this Indenture or any Supplemental Indenture shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein or therein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

Section 12.04. Payments Due on Saturdays, Sundays and Holidays. In any case where the date of maturity of interest on or principal of, or the date fixed for redemption of, any Bond shall not be a Business Day, then payment of interest or principal may be made on the succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for redemption.

Section 12.05. Applicable Provisions of Law. This Indenture and each Supplemental Indenture shall be governed by and construed in accordance with the laws of the State without regard to principles of conflicts of laws. If any terms set forth in this Indenture are inconsistent with the laws of the State, the laws of the State shall govern. In the event any action, claim or other legal proceeding arising out of this Indenture is filed, such proceeding shall be brought in the Superior Court of Chittenden County, Vermont, or, if a federal forum is required, in the Federal Courts of Vermont; provided, however, the Agency does not waive any immunities related to jurisdiction of the federal courts that may be available to it.

Section 12.06. No Recourse on Bonds. No recourse shall be had for the payment of the principal of, premium, if any, or the interest on the Bonds or for any claim based thereon or on this Indenture or any Supplemental Indenture against any officer, employee or agent of the Agency or any person executing the Bonds.

Section 12.07. Maximum Interest Rate. In no event shall the interest rate for the Bonds exceed the maximum rate permitted by applicable law.

Section 12.08. Notices. Any notice, request, complaint, demand, communication or other paper shall be sufficiently given and shall be deemed given when delivered or mailed by registered or certified mail, postage prepaid, or sent by telegram, addressed to the appropriate Notice Address. The Agency and the Trustee may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 12.09. Counterparts. This Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[SIGNATURE PAGE TO TRUST INDENTURE]

Executed as of this 1st day of _____, 2007.

VERMONT HOUSING FINANCE AGENCY

By _____
Its _____

[ ], as Trustee

By _____
Its _____

FY2008 VHFA BUDGET SCHEDULE

Date	Time	Individuals	Description	Comments
Tuesday, April 10th		Tim	Distribution of Budget Worksheets (with March 31st numbers)	
Monday, April 16th		Pat, Dave, Tom, Sr. Mgrs	All **Expense** budget info due to Tim from staff	
Wednesday, April 18th		Pat, Dave, Tom	All **Income** budget info due to Tim from Dave/Pat/Tom	
Wednesday, April 18th	1-4 PM	Sarah, Dave, Tom, Pat, Tim	1st Budget meeting	Review initial numbers - discuss strategy for the year - review Goals for year memo - modifications?
Monday, April 23rd	1-4 PM	Sarah, Dave, Tom, Pat, Tim	2nd budget meeting	Review modifications and confirm Salary/Benefit budget numbers for HR Comm mailing on 26th.
Thursday, April 26th		Pat	HR Budget mailing - Pat	
Monday, April 30th	1-4 PM	Sarah, Dave, Tom, Pat, Tim	3rd Budget meeting	Last meeting before Risk meeting mailing with Pat there.
Thursday, May 3rd	2-4:30 PM	Sarah, Pat	HR Board Budget Committee meeting – Burlington	Pat to get any modifications to salary and benefit budgets to Tim after meeting. Pat to have blurb for Board memo completed prior to leaving on vac.
Friday, May 4th	9-Noon	Sarah, Dave, Tom, Pat, Tim	4th Budget Meeting	Review any Salary/Benefit changes; review final memo and goals
May 8-9		Tim, Tom	Mailing of Risk Board Budget packet	EA to Assist
May 15-16			Risk board Budget Committee meeting	Tim to have changes from this meeting for Friday's meeting
Thursday, May 17th	1-3 PM	Sarah, Dave, Tom, Pat, Tim	Last meeting with Sarah before mailing to full Board	Review updates to memo from Risk meeting modifications. This meeting is early due to NCSHA - Sarah out the full week of the 21st
Friday, May 25th		Pat, Dave, Tom	Signoff on the budget memo and goals documents	
Tuesday, May 29th	3:00 PM	Tim, Tom, EA	Have packet ready for the full Board mailing	Packet to include financials, memo and goals
Monday, June 4th	9:30 - 2:00	All	Full Board review/approval of FY2008 Budget - Burlington	

Interesting Housing Fact

April 2007 Board Meeting

Prepared by Leslie Black-Plumeau

Media reports attribute recent mortgage market developments to the finale of a U.S. housing market expansion earlier this decade. Flattening home prices, increasing inventories of homes for sale, and an increase in the portion of mortgages that are past due during the final quarter of 2006, especially among "sub prime" mortgages, have all made headlines.

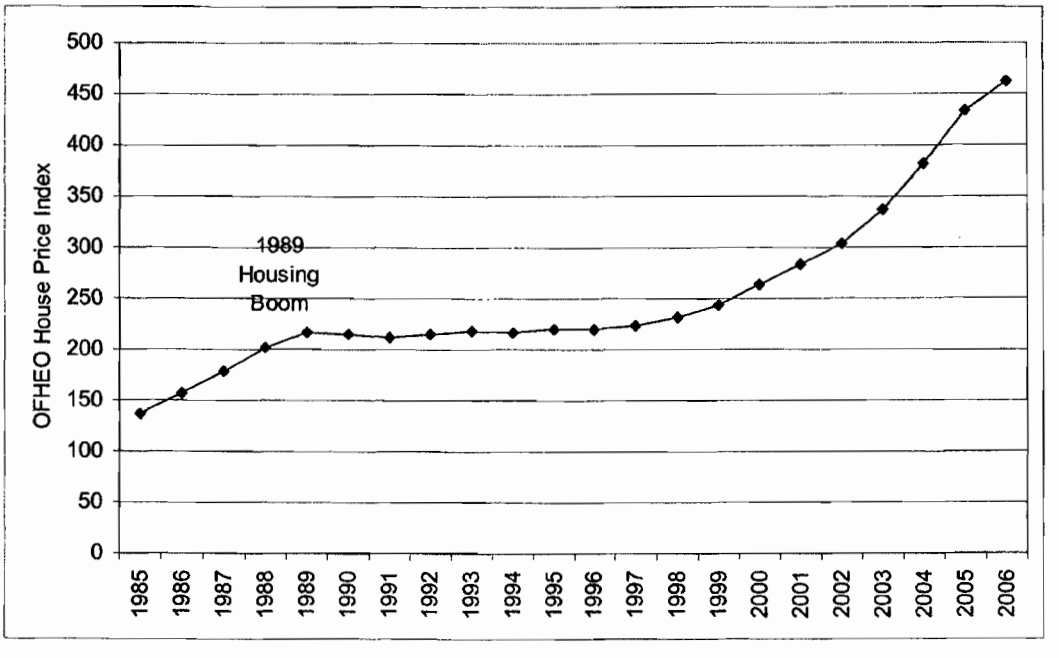
To look more closely at the signals of housing market down turns, the Federal Reserve Bank of Boston reviewed 30 years of historical state and metropolitan area level data. According to the report summarizing their results (http://www.bos.frb.org/economic/ppb/2006/ppb061.htm), most statewide housing price booms end after:

- Peaks in both home sales volume and housing starts; and
- After 90-day delinquency rates hit their low point.

The report shows that Vermont's last official "price boom" occurred in 1989 (when annual price appreciation rates over a 3-year period were at least twice the state's historical average appreciation rate). Unlike other New England states that shared in this housing boom, Vermont did not experience a subsequent home price decrease. In fact, the report points out that house prices are more likely to remain flat than to decrease in the absence of a state recession. Almost all of the state recessions examined in this paper appeared to be triggered by factors other than falling house prices.

Although the FRBB report focused on earlier periods, Vermont's housing market during the past few years appears to have reached boom or "near boom" status. According to OFHEO and Vermont PTT records, the rapid rate of growth in Vermont home prices that occurred in 2004-6 has recently ended. Although it is too soon to tell how home prices will change as Vermont enters a new phase of the housing market cycle, preliminary reports from the Vermont Tax Department indicate that the median home price in Vermont is flattening, rather than falling.

Primary Home Price Trends in Vermont, 1985-2006



vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Director of Homeownership Programs

DATE: March 26, 2007

RE: Summary of Homeownership Activities

INCOME AND PURCHASE PRICE LIMITS

Income Limits --HUD recently released new Section 8 income limits that are the basis for determining maximum income limits for Mortgage Revenue Bond programs. All of Vermont's counties and the state dropped except the Burlington MSA, which increased by $100. This is because HUD changed the methodology of how they calculate income limits. The impact on VHFA's homeownership programs is limited to Bennington County where we must decrease our limits by $1700 for one and two person households and $4700 for 3+ person households.

Purchase Price Limits – VHFA sets it purchase price limits based on Safe Harbor Limits established by the US Treasury. Safe Harbor Limits are based on a formula which uses FHA maximum loan limits derived from Freddie Mac and Fannie Mae's maximum loan limits. Since Freddie Mac and Fannie Mae did not adjust their limits for 2007, FHA maximum loan limits did not change. Since last year the Board approved purchase price limits that were close to the maximum allowable in all areas of the state, and HUD median income limits did not change, staff does not recommend changes to purchase price limits at this time.

PRODUCTION

Production reports as of February 28, 2007 were provided in the March board mailing. Reports as of March 31, 2007 are not yet available. VHFA's current pipeline is $35 million.

COLLECTIONS

Delinquency reports as of February 28, 2007 are attached. As of February 28, 2007, VHFA owned 3 properties; one sold during the month of March and one is under contract and expected to close in May.

If you have any questions please do not hesitate to call me at 652-3442 or email me at pcrady@vhfa.org.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

HOMEOWNERSHIP DELINQUENCY REPORT
FISCAL YEAR 2007

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
Total Portfolio #	4799	4876	4932	4946	4988	5041	5059	5070					4964
Total Portfolio $	388.6	401.9	412.7	417.9	426.3	436.9	439.7	442.5					420.8

NUMBER OF DELINQUENT LOANS

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	199	187	223	194	224	232	209	192					208
60 Days	50	41	42	44	55	78	59	63					54
90 Days	13	16	15	14	19	23	25	17					18
Foreclosure	41	41	37	35	39	34	37	44					39
Total Delq FY 07	303	285	317	287	337	367	330	316	0	0	0	0	318
Total Delq FY 06	331	315	323	288	347	353	338	319	271	310	286	280	313

PERCENT BY NUMBER OF DELINQUENT LOANS

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	4.15%	3.84%	4.52%	3.92%	4.49%	4.60%	4.13%	3.79%					4.18%
60 Days	1.04%	0.84%	0.85%	0.89%	1.00%	1.55%	1.17%	1.24%					1.07%
90 Days	0.27%	0.33%	0.30%	0.28%	0.38%	0.46%	0.49%	0.34%					0.36%
Foreclosure	0.85%	0.84%	0.75%	0.71%	0.78%	0.67%	0.73%	0.87%					0.78%
Total Delq FY 07	6.31%	5.85%	6.42%	5.80%	6.65%	7.28%	6.52%	6.24%	0.00%	0.00%	0.00%	0.00%	6.38%
Total Delq FY 06	7.21%	6.89%	7.05%	6.30%	7.60%	7.68%	7.31%	6.88%	5.81%	6.65%	6.09%	5.87%	6.78%

DOLLAR AMOUNT OF DELINQUENT LOANS

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	$11.2	$11.2	$13.2	$12.9	$13.7	$14.6	$13.1	$13.0					$12.9
60 Days	$2.9	$2.3	$2.5	$2.7	$3.2	$4.6	$3.5	$4.0					$3.2
90+ Days	$3.1	$3.2	$3.1	$2.9	$3.7	$3.8	$3.9	$3.7					$3.4
Total Delq FY 07	$17.2	$16.7	$18.8	$18.5	$20.6	$23.0	$20.5	$20.7	$0.0	$0.0	$0.0	$0.0	$19.5
Total Delq FY 06	$19.4	$17.6	$18.9	$16.8	$20.2	$20.3	$20.2	$18.9	$15.8	$17.6	$16.5	$16.2	$18.2

VERMONT HOUSING FINANCE AGENCY
HOMEOWNERSHIP PROGRAM MONTHLY DELINQUENCY REPORT
February 28, 2007

Lenders	Total Loans	30 Days		60 Days		90+ Days		In Foreclosure		Total Delinquent		REO	
Chittenden Mortgage Services	1221	69	5.65%	22	1.80%	8	0.66%	15	1.23%	114	9.34%	1	0.08%
Graystone Mortgage Company	2093	85	4.06%	28	1.34%	5	0.24%	26	1.24%	144	6.88%	2	0.10%
Opportunities CU	136	2	1.47%	3	2.21%	1	0.74%	2	1.47%	8	5.88%	0	0.00%
Brattleboro Savings & Loan	89	4	4.49%	1	1.12%	0	0.00%	0	0.00%	5	5.62%	0	0.00%
Community National Bank	318	13	4.09%	2	0.63%	0	0.00%	0	0.00%	15	4.72%	0	0.00%
Union Bank	321	8	2.49%	4	1.25%	2	0.62%	1	0.31%	15	4.67%	0	0.00%
Mascoma Savings Bank	45	2	4.44%	0	0.00%	0	0.00%	0	0.00%	2	4.44%	0	0.00%
Bank of Bennington	66	2	3.03%	0	0.00%	0	0.00%	0	0.00%	2	3.03%	0	0.00%
Peoples Trust Co.	107	2	1.87%	1	0.93%	0	0.00%	0	0.00%	3	2.80%	0	0.00%
Heritage Family Credit Union	130	1	0.77%	1	0.77%	1	0.77%	0	0.00%	3	2.31%	0	0.00%
Factory Point Nat. Bank	62	1	1.61%	0	0.00%	0	0.00%	0	0.00%	1	1.61%	0	0.00%
New England Federal CU	421	3	0.71%	1	0.24%	0	0.00%	0	0.00%	4	0.95%	0	0.00%
CitiMortgage	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Connecticut River Bank	56	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Randolph National Bank	4	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Totals	**5070**	**192**	**3.79%**	**63**	**1.24%**	**17**	**0.34%**	**44**	**0.87%**	**316**	**6.23%**	**3**	**0.06%**
Totals Previous Month	**5059**	**209**	**4.13%**	**59**	**1.17%**	**25**	**0.49%**	**37**	**0.73%**	**330**	**6.52%**	**2**	**0.04%**
Totals Same Mo. Last Yr.	**4637**	**195**	**4.21%**	**57**	**1.23%**	**29**	**0.63%**	**38**	**0.82%**	**319**	**6.88%**	**4**	**0.09%**

Note: Of the loans in foreclosure, a total of 18 are under a Chapter l3 Bankruptcy Plan

Monthly Delinquency by Servicer

Lenders	Feb 2006	March 2006	April 2006	May 2006	June 2006	July 2006	Aug 2006	Sept 2006	Oct 2006	Nov 2006	Dec 2006	Jan 2007	Feb 2007
Bank of Bennington	3.23%	3.23%	3.13%	3.08%	1.54%	1.52%	4.55%	1.52%	0.00%	4.55%	2.94%	6.06%	3.03%
Brattleboro Savings & Loan	2.41%	2.44%	0.00%	1.20%	3.57%	2.35%	3.53%	3.53%	3.57%	5.81%	7.87%	5.62%	5.62%
Chittenden Mortgage Services	9.88%	8.29%	10.36%	9.09%	9.08%	9.38%	8.39%	9.04%	8.08%	9.97%	1.08%	9.59%	9.34%
CitiMortgage	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Community National Bank	3.90%	3.52%	2.83%	4.51%	3.06%	5.72%	4.29%	6.27%	5.92%	5.70%	7.23%	6.29%	4.72%
Connecticut River Bank	1.96%	1.96%	2.00%	4.00%	1.92%	3.85%	3.70%	0.00%	0.00%	0.00%	3.64%	0.00%	0.00%
Factory Point Nat. Bank	0.00%	0.00%	0.00%	3.51%	3.45%	5.00%	1.56%	3.17%	1.67%	0.00%	0.00%	1.61%	1.61%
Graystone	8.10%	6.48%	7.45%	6.58%	6.21%	6.84%	6.38%	7.34%	6.75%	7.54%	7.65%	6.92%	6.88%
Heritage Family CU	0.00%	0.00%	0.88%	0.86%	1.71%	1.72%	2.56%	3.36%	3.31%	2.38%	2.38%	2.36%	2.31%
Mascoma Savings Bank	0.00%	2.86%	2.94%	0.00%	0.00%	2.70%	0.00%	2.50%	2.44%	2.44%	6.82%	2.22%	4.44%
New England Federal CU	0.70%	0.68%	0.34%	0.33%	0.62%	0.59%	0.56%	0.27%	0.26%	0.00%	0.74%	0.49%	0.95%
Opportunites CU	5.71%	7.04%	7.75%	6.29%	6.80%	8.28%	7.64%	6.34%	5.59%	6.38%	4.29%	6.62%	5.88%
Peoples Trust Co.	3.06%	3.00%	2.02%	2.04%	4.12%	3.09%	3.06%	3.92%	4.81%	4.76%	3.77%	4.72%	2.80%
Randolph National Bank	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Union Bank	5.26%	4.95%	4.63%	5.21%	4.89%	3.07%	4.32%	4.01%	3.06%	5.25%	6.13%	5.56%	4.67%

REO INVENTORY REPORT
As of February 28, 2007

Mortgagor	REO Date	City/Town	Princ. Bal.	Interest	Expenses	Receipts (1)	Total Cost Basis	Valuation Allowance	List Amount (2)	Current Appraisal	Date Last Appraised	Original Appraisal	Loan Date	Type	Comments
Hogan	**8/1/2006**	**East Barre**	**$ 85,803**	**$ 3,189**	**$ 12,287**	**$ 26,450**	**$ 74,829**	**$ -**	**$ 79,000**	**$ 81,000**	**5/18/06**	**$ 91,000**	**10/24/03**	**SF**	**Property Sold on 3/20/07**
Goble	**10/12/2006**	**Roxbury**	**$ 50,542**	**$ 4,340**	**$ 9,096**	**$ -**	**$ 63,978**	**$ -**	**$ 92,500**	**$ 106,000**	**3/23/06**	**$ 60,000**	**10/06/97**	**MH**	**UC $92,500; Closing 5/5/07**
Peryea	2/26/2007	Rutland	$ 24,516	$ 5,970	$ 12,404	$ -	$ 42,890	$ -				$ 80,000	12/17/01	SF	waiting for values; bal. after VHFA Pd goes to RD
3			**$ 160,861**	**$ 13,499**	**$ 33,787**	**$ 26,450**	**$ 181,697**	**$ -**	**$ 171,500**	**$ 187,000**		**$ 231,000**		**F**	

REOS that are under deposit

(1) Receipts column represents actual and projected/estimated mortgage insurance claim payments

(2) If Property is under deposit the List Price is the actual sale price.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia M. Loller, Director of Administration

DATE: March 26, 2007

RE: **Pension Plan Trustee February 28, 2007 Meeting Minutes**

The Agency's Pension Plan Trustees held its annual meeting on Wednesday, February 27, 2007. For you information, attached are the minutes from this meeting, which were approved by the Plan Trustees – Sarah Carpenter, Dave Adams, Tom Connors, Polly Thibault, Tom Candon and Pat Loller.

Please let me know if you have questions - 652-3425.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

VHFA 401(k) Retirement Plan Trustee Committee
Meeting Minutes
February 28, 2007

Attending: Dave Adams, Sarah Carpenter, Tom Connors, Polly Thibault, Pat Loller, Tom Candon; Chris Dubie, Smith Barney
Copied: Board of Directors

Annual Contract Review
Mr. Dubie from Smith Barney (SB) provided an overview of the Annual Contract Review document, provided by John Hancock (JH). Highlights are listed below:

- Investment Options – As noted in previous years, the Trustees have chosen to not offer the JH Morgan Stanley Stable Value Fund, as that precludes the availability of bond funds within the portfolio. John Hancock added some new funds this year – called JH Lifecycle funds, which run by participant age vs. fund risk factors. These funds will change investment types automatically as an individual grows older, vs. the Lifestyle funds which are based on fund risk factors.

  The question for the Trustees is whether the Agency should include the Lifecycle funds in the portfolio offered to staff – keeping in mind that our initial philosophy of fund offerings was to be all inclusive of available funds. Mr. Candon thought we should keep things as simple as possible with only one Life Style product. Mr. Adams and Ms. Thibault both were interested in obtaining more information on the performance of these funds. Ms. Carpenter stated that the Agency provides support for staff by supplying access to SB regarding fund performance, in order to assist with investment decision making to fit individual needs. The Trustees agreed that they would like to see some history on these funds prior to including them in the offered funds and that the Trustees will revisit these funds next year.

  There was some discussion regarding the availability of socially responsible funds. Mr. Dubie noted that JH is looking to add more socially responsible funds, but in the meantime Washington Mutual does not invest in tobacco, firearms or alcohol.

- Fund Management – Mr. Dubie explained that JH continually monitors and evaluates the various plan investments, making adjustments as necessary. He also reminded the committee that last year JH issued a Fiduciary Standards Warranty for funds selection, which means that JH has taken the fiduciary responsibility for funds selection. Should any issues arise regarding fund selection, JH would defend and pay the claim should the Agency be sued.

  Mr. Candon asked whether anyone looks at asset allocation and Mr. Dubie replied that JH rebalances the Lifestyle funds daily. Mr. Dubie also regularly reviews participant accounts to ensure proper allocation for those not within the Lifestyle funds.

- Fund Performance - The report highlighted the return and risk of funds underperforming and outperforming relative to Peer Groups, as well as detailing the standard deviation for three, five and ten years for each fund. Because JH scrutinizes the funds so carefully, these measurements were all within an acceptable range.

  The JH Lifestyle funds continue to be highly utilized by staff and have had excellent performance over the past several years out performing the S&P for the past 3-5 years. Mr. Dubie noted that in looking at the 3 year numbers, individuals doing the same mix of funds as with the Lifestyle funds, 79% do better with the Lifestyle funds. This is primarily due to the fact that individuals don't rebalance their funds on the frequency that JH does.

  The Annual Contract Review document noted some funds that have underperformed their peer group, along with having higher risk. Mr. Dubie noted that JH will most likely look to replace these funds during their spring review.

- The Contract Statistics review noted that the Plan continues to see asset growth due to Agency and employee contributions. However, the plan did not see the growth as in 2005 due to a sizable withdrawal of a terminated employee during 2006 Also, the asset growth is lower than it could be as some staff are still contributing to the State 457 plan, in addition to the 401(k) plan. Staff contributions to the plan for the year increased almost $14,000 over 2005 contributions. Average participant balances increased 12.2% for the year.

  The plan participants include all plan participants, which includes terminated employees. Mr. Dubie was going to contact Pension Works to request that these be noted differently for next years report.

- Participant Account Review – Mr. Dubie noted that he reviews employee accounts regularly to ensure adequate diversification among funds. He follows up with participants with any concerns. Mr. Dubie also noted that he and Mr. Milne had meetings with 27 staff for plan investment purposes and 14 staff has utilized SB for full financial planning. Ms. Loller will follow up with Mr. Dubie on developing a plan to increase staff participation with the financial planning service offered by SB.

  Charges /Fees – Mr. Dubie reviewed the fee structure associated with the Plan. On average the plan is paying investment charges of 16 basis points above the Morningstar comparative funds. Given the return on the funds on average, especially on the Lifestyle Funds, this is a reasonable difference. Ms. Loller inquired about the increase of the Morningstar expense ratio with the JH plan as it increased from 10 BP in 2005 to 16 PB in 2006. Mr. Dubie noted that a fee up to 25 BP for internal expenses would be reasonable.

  Of the 1.37% annual investment charge, the fund managers are paid, as are JH, Pension Works and Smith Barney. Ms. Carpenter asked what SB's fee is and Mr. Dubie responded that it consists of 25 basis points on all fund balances. Mr. Dubie also noted that SB (Citicorp) also has no funds within the JH plan.

401(k) Eligibility Legislation Status Report

Ms. Loller reported that she contacted Steve Magowan on the status of the pending regulations around the viability of 501(c)3 organizations that are also governmental organizations being allowed to have a 401(k) plan. As of February 2007 he still had not heard anything from the IRS. He had thought these regulations would have been released during 2006, so at this point he does not know when they will be released, but will let us know as soon as he hears anything.

Roth IRAs

The Committee revisited offering Roth IRAs within the JH 401(k) plan. Mr. Dubie noted that he has worked with 5 companies to implement and only one has had participants at this point. The Committee decided to revisit Roth IRAs next year.

Miscellaneous

Mr. Dubie reported that he will be retaining Mr. Milne's clients with Mr. Milne's departure from SB. He also noted this will have no negative impact on the quality of service for plan participants.

Respectfully Submitted,

Patricia M. Loller
Trustee

The minutes were approved unanimously by the Trustees (with noted changes by Mr. Candon) via email and phone the week of March 19, 2007.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director

DATE: March 27, 2007

RE: **EXECUTIVE DIRECTOR'S REPORT**

Administration

The Agency held its second United Way event on March 15th – a lunch auction, which included George Goldring, an authentic auctioneer, who graciously volunteered his time to help with the event. The lunches ranged from baskets of Chinese and Italian feasts, to soup and snacks for two, picnic baskets filled with goodies, painted boxes filled with wine and cheese, several St. Patty's day goodies and even a three martini lunch (which definitely was not consumed during work hours!) Along with having a great time, the event raised $1,286.50!!!

In conjunction with the live lunch auction, we also had a silent auction with four items generously donated by Andy Gurley, UBS, which raised $530. In total, the event raised $1,816.50 for the United Way!

Chris MacAskill and Rick Jean conducted another disaster recovery test at the SunGard facility in Massachusetts. They successfully loaded the system software and conducted remote communications to Vermont. There were some problems with getting the Mitas systems operational. We will be working on this in the next two months with a test server here at the Agency. Staff will also be working with Mitas as we commence the system upgrade, to streamline the many years worth of files on the system, which should allow for more efficient and timely restoration of files.

While our search for an Executive Assistant (Renee's replacement) continues, we are very pleased to have just hired Josh Slade as the new Multifamily Operations Specialist. Josh will replace Erin Philbrick, who has moved into the new Management Officer I position. Josh worked for us as an intern from Champlain College and then has been working for the last several years at the Champlain Housing Trust. We are very pleased to have him back with us. Josh will start April 16th.

The Agency has formed a Health Insurance Review Committee to review the various health insurance options available to the Agency – primarily new products such as high deductible plans with HSAs or HRAs attached. Tom Rugg and Marci Taks from Hickok and Boardman (VHFA's insurance broker) will be facilitating the meetings with the committee. The first meeting was on March 21st and there will be two to three more meetings before a recommendation would be ready for Executive Management. Our goal is to have a recommendation for this year's budget process.

Staff continues to spend a great deal of time reviewing and negotiating the contracts for the computer conversion. We hope to have the Mitas contract finalized this week. The Section 8 conversion (HUD software) is proceeding on track; we will be processing parallel starting with the April HUD submissions.

Development

A ribbon cutting was held at Glover Senior Housing on March 26th. Glover was successfully completed and has paid off its construction loan.

The construction loan for Linden Terrace in Rutland will be closed by mid-April.

We've made pre-development loans to the following projects: Armory Square in Windsor; King Street in Burlington (formerly referred to as the Howard Bank Block); Johnson Community Housing; Putney Village; Shoreham II; and Mad River Meadows homeownership in Waitsfield, and we have more pre-development applications to review.

Construction is underway and going well at: West River Assisted and Independent Living in Townshend; Burlington CoHousing (also known as Hazelnut Hill); Green Mountain Apartments in Northfield (nearly complete); Shoreham homeownership; Butterfield Condominiums in Dover; Stowe Rental and Homeownership; Conant Square in Brandon; Middlebury Cottages (the first modular has been ordered); Farrell Street in South Burlington (nearly complete); Esteyville in Brattleboro; Bemis Block and Hardwick Family in Hardwick; and Village Housing in Middlebury.

We have entered into a Grant Agreement with the Department of Aging & Independent Living (DAIL) to pay for a concurrent Contract for Services with Vista Senior Living to create a "tool kit" for the development of affordable assisted living in Vermont. The "tool kit" will consist of a financial feasibility tool and instruction guide; financial feasibility scenario analyses for different sized facilities; and operations manuals in the areas of administration of assisted living, occupancy, life safety, marketing, health services, food services, housekeeping/laundry, maintenance, personnel, and social/recreational. Once completed, the materials will be available free of charge through DAIL and VHFA for developers of affordable assisted living in Vermont. The work will be completed by the end of May.

Multifamily

Energy audits have been completed on many of the 14 properties that were selected to participate in the joint VHCB/VHFA energy program. These Efficiency Vermont and Burlington Electric Department audits and incentives are now being used in conjunction with the CNAs to help define the scope of work that can be incorporated into the loan restructuring and refunding activities we anticipate in the next several months. Weatherization funded improvements are also being scheduled in response to the energy audit findings. A second group of projects is now being targeted for Phase II of these audits, and educational visits are being planned to train management and maintenance staff on ways in which the decisions they make can help save long term operating costs.

HDS was on-site during March conducting training and beginning the implementation of our TRACS module. They will return on April 9th when we will begin to run parallel systems in a live environment. Staff was pleased with HDS staff and felt the 2-day training visit was very positive.

A draft VHCB/VHFA/DHCA policy on Capital Needs Assessments Guidelines and Requirements has been completed and has been circulated widely amongst our housing partners including other statewide agencies, developers, architects, CNA providers, asset managers and maintenance staff. We continue to receive CNA reports and they are being used to help define the scope of work as we look to restructure and refinance loans as part of our planned June refunding and multi-purpose bond issue.

Homeownership

Staff has received approval from MGIC to accept credit decisions from FannieMae's and FreddieMac's automated underwriting system for borrowers with excellent credit. This change will allow lenders to spend less time processing loans for borrowers with excellent credit and hopefully allow VHFA to purchase more loans that would normally go to FannieMae and FreddieMac. Staff has also been spending time reviewing options related to Mortgage Backed Securities.

Public Affairs

There are several successes to report in terms of our outreach and legislative efforts.

Last month's release of the 2007 edition of the "Between A Rock and A Hard Place: Housing and Wages in Vermont" report went very well. I emcee'd the press conference on March 8th, which included Molly Dugan, Deputy Commissioner of Housing and Community Affairs, Rep. Helen Head, chair of the House General, Housing and Military Affairs Committee, and Erhard Mahnke, coordinator of the Vermont Affordable Housing Coalition. The event was covered by WCAX, WPTZ, the Associated Press and the Vermont Press Bureau. I was also interviewed by Vermont Public Radio, and Molly was interviewed on WDEV, Waterbury. If you have not yet received a copy of the new report, contact John or download it from the Agency web site.

The panel discussion on workforce housing sponsored by the Lake Champlain Chamber of Commerce and the Greater Burlington Industrial Corp. on March 12th also went well. That panel included Stephanie O'Brien, from O'Brien Brothers Agency; Mark Brooks, of Allen & Brooks; Greg Brown, Executive Director of the Chittenden County Regional Planning Commission; and Laurie Gunn, Vice President for Human Resources at Fletcher Allen. There was a large crowd, and the presentations went very well. It remains to be seen how engaged the Chittenden-area business community will become on housing, but we're ever-hopeful.

On the legislative side, work at the Statehouse continues, although at a slow pace. I recently testified on several bills in front of the House General, Housing and Military Affairs Committee, most notably H.299 (the New Neighborhoods bill), H.483 (land gains tax exemption for non-profits in certain transfers), H.484 (creation of a homeownership state tax credit) and H.485 (increasing the Property Transfer Tax exemption for VHFA borrowers).

John's and my trip to NCSHA's Legislative Conference in Washington was likewise successful. We sensed a definite spirit of optimism on housing issues, and, in particular, Rep. Welch indicated he may ask Housing Financial Services Committee Chair Rep. Barney Frank to hold a hearing on rural housing issues here in Vermont. We'll keep you posted.

John is making good progress on his report on homeless families and children, although it's been slow going at times. He has spent much of the last several weeks working to line up interviews with homeless parents and children. He's looking at releasing the report later this spring.

And finally, the new issue of VHFA's electronic newsletter, Housing Matters, is out. If you haven't already read it, it's one of the most informative issues we've had. We lead with a piece on green building, written by Development Underwriter Liza Plantilla. It is also available on the Agency web site.

Finance

The Series 27 Single Family bond issue was closed on March 8th, under the existing resolution, for $42,350,000.

The team continues to make progress on the new multi-purpose resolution to meet future needs for both single family and multifamily bonds. We expect the first bond issuance under this new resolution to close in late spring.

The RFP for trustee services for the new multi-purpose resolution was approved by the Board at its March 12th meeting and distributed to potential trustees on March 14th. Proposals are due back to VHFA on April 4th. A special email box has also been set up to collect questions from the vendors. A page has been set up on the web site to post the RFP and to publish questions and answers as appropriate. An evaluation team is being formed and they will conduct the evaluation process through April 24th, including interviews and systems demonstrations as necessary. A request for approval of the recommended vendor will be presented to the Board at its May 7th meeting. Again, this RFP is only for a trustee for the new multi-purpose resolution. The plan is to retain Bank of New York for the existing bond portfolio. The domicile requirement that exists in older resolutions has been eliminated from the new resolution to give us more options for working with trustees outside the State of Vermont.

The finance team met on March 21st to readdress ways to accelerate the quarterly accounting close. Several good ideas were raised at the meeting and a plan is being put in place. A closing calendar is also being published with interim deadlines, which will be reviewed on a regular basis throughout the close of the quarter ending March 31st. We also plan to poll other HFAs to better understand their closing processes and to gather ideas that can help improve the efficiency of the VHFA close.

Other

I look forward to seeing you on the 2nd.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director

DATE: May 1, 2007

RE: CONFIRMATION OF UPCOMING VHFA BOARD MEETING

This is to notify you that the next meeting of the Vermont Housing Finance Agency Board of Commissioners has been confirmed. The meeting will be held:

Monday, May 7, 2007
Agency of Commerce and Community Development
Calvin Coolidge Conference Room
National Life Building, 6th Floor
Montpelier
9:30 a.m. – 12:30 p.m.

Attached are the Agenda and Board packet. Please feel free to contact me should you have any questions prior to the meeting. Please contact Renee Couture at rcouture@vhfa.org or Lori Gilding at lgilding@vhfa.org if you wish to request that items be removed from the Board meeting consent agenda; the deadline is 12:00 p.m. Friday, May 4th.

Also enclosed is a newer version of the proposed 2008 Board meeting schedule. The differences between this one and the one distributed by email on April 12, 2007 are as follows: February 4th was changed to February 11th and May 5th was changed to May 12th. The reason for these changes is to facilitate a timelier presentation of the Quarterly Financial Statements. We'd like to get your feedback at the Board meeting.

Directions: From either North or South on I-89, take Exit 8 (Montpelier). At your very first traffic light, take a right up the hill. National Life is at the top of the winding hill on your left. As you enter the parking lot and look at the structure, it looks like two buildings with a parking garage on one end. Park in visitors' parking or any place you find that is not marked for another agency/department. Enter the North Lobby Building (building closest to parking garage). There is a kiosk out front that announces the name of the building and lists the agencies/departments located there. Sign in with the security officer and take the elevator to the 6th floor. You will be in the Calvin Coolidge Conference Room.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

VHFA BOARD MEETING AGENDA
Agency of Commerce and Community Development
Calvin Coolidge Conference Room
National Life Building, 6th Floor, Montpelier
Monday, May 7, 2007
9:30 a.m. – 12:30 p.m.

Review and Approval of April 2, 2007 Board Minutes — Enclosure

Consent Agenda: ***Action Requested****

- **Finance**
  - Resolution for Proctorsville Green Housing — Mullikin Drake/To be emailed
  - Confirmation of Amendments to 2005 and 2006 KeyBank Facilities (at KeyBank's request) — Mullikin Drake/Enclosure

Development - Loans and Tax Credits ("TC")

- Wheeler Brook Housing, Warren – TC — Plantilla/Enclosure
  - - Tax Credit Status Report for your information only - - To be emailed

Homeownership

- Homeownership Center Activity Reports for CY 2006 — Crady/Enclosure

Finance

- Quarterly Financial Statements — Connors/To be emailed
- Trustee Selection for Multi-purpose Bonds — Connors/To be emailed

Legislative Updates — Carpenter/Discussion

Other

- 2008 Board Meeting Schedule — /Enclosure

Adjournment

Reports: ***FYI Only***

- Summary of Homeownership Activities / Reports — Crady/Enclosure
- Interim General Fund Budget Report — Gutchell/To be emailed
- Executive Director's Report — Carpenter/Enclosure

** Call Renée at 652-3417 or e-mail rcouture@vhfa.org by noon on Friday, May 4th to request items be removed from the Consent Agenda*

VHFA BOARD MEETING AGENDA
Agency of Commerce and Community Development
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National Life Building, 6th Floor, Montpelier
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Development - Loans and Tax Credits ("TC")

- Resolution for Proctorsville Green Housing — Mullikin Drake/to be distributed at Board meeting
- Wheeler Brook Housing, Warren – TC — Plantilla/Enclosure

- - Tax Credit Status Report for your information only - - to be distributed at Board meeting

Homeownership

- Homeownership Center Activity Reports for CY 2006 — Crady/Enclosure

Finance

- Quarterly Financial Statements — Connors/To be emailed
- Trustee Selection for Multi-purpose Bonds — Connors/To be emailed

Legislative Updates — Carpenter/Discussion

Other

- 2008 Board Meeting Schedule — /Enclosure

Adjournment

Reports: ***FYI Only***

- ➢ Summary of Homeownership Activities / Reports — Crady/Enclosure
- ➢ Executive Director's Report — Carpenter/Enclosure

* *Call Renée at 652-3417 or e-mail* ***rcouture@vhfa.org*** *by noon on Friday, May 4th to request items be removed from the Consent Agenda*

vhfa

Vermont Housing Finance Agency

VHFA Board of Commissioners Meeting Minutes
Agency of Commerce and Community Development
Calvin Coolidge Conference Room
National Life Building, 6th Floor, Montpelier
Monday, April 2, 2007 at 9:30 a.m.

VHFA Board Members Present:
Lisa Mitiguy Randall – Chair, Gus Seelig – Vice Chair, Robert Alberts, Paul Beaulieu, Thomas Candon (designee for Thabault), Dagyne Canney, Kevin Dorn, Bart Frisbie, Beth Pearce (designee for Spaulding)

Staff: Dave Adams, Scott Baker, Sarah Carpenter, Maura Collins, Tom Connors, Renee Couture, Pat Crady, Elizabeth Mullikin Drake, Joe Erdelyi, John Fairbanks, Becky Greenough, Cindy Reid

Guests: Ignatius MacLellan (Fannie Mae), James McIntyre (UBS Financial Services, Inc.)

Chair Randall called the meeting to order at 9:40 a.m. A quorum of the Board was present. Ms. Randall announced a change to the meeting Agenda: Executive Session was moved to the end.

CONSENT AGENDA

Mr. Seelig made a motion to approve the items on the Consent Agenda (restated here):

- $600,000 Construction Loan to Proctorsville Green Housing in the Town of Cavendish [the Resolution was not included in the Board packet and, therefore, will be ratified at the May 7, 2007 Board meeting]
- VHFA acceptance of credit decisions generated by Fannie Mae's and Freddie Mac's automated underwriting system for borrowers with excellent credit, which was approved by MGIC (to be implemented in the next 30 days)

Ms. Canney seconded the motion which was unanimously approved.

BOARD MINUTES

Mr. Alberts made a motion to approve the March 12, 2007 Board of Commissioners meeting minutes. Mr. Beaulieu seconded the motion which was unanimously approved.

DEVELOPMENT

Housing Credit Program Year 15 Policy

Ms. Reid reviewed her memo regarding the proposed Housing Credit Program Year 15 Policy. Ms. Mullikin Drake emphasized that much of the Policy is dictated by Section 42 of the Internal Revenue Code. Ms. Carpenter explained that there are no surprises; Owners are informed about the ramifications of using tax credits.

Ms. Randall asked whether any of the Qualified Contract Application Requirements are unnecessary. Ms. Carpenter explained that the requested items are necessary to enhance the Agency's ability to exercise its right to find a qualified buyer.

Mr. Beaulieu asked whether staff could be proactive to prevent the loss of affordable housing stock. Ms. Carpenter explained that none of the thirteen properties that could potentially opt out are expected to immediately do so. Mr. Adams added that Mr. Falzone and the Management Officers are very aware of these projects and will know if an Owner begins to think about opting out. At that point, staff would be involved in transitioning the project to a nonprofit.

Ms. Canney made a motion to approve the Housing Credit Program Year 15 Policy as proposed by the Loan Review Committee. Mr. Seelig seconded the motion and offered the following friendly amendment: the VHFA Board Audit/Risk Management Committee will periodically review the progress (on projects that may opt out) and report to the Board. Ms. Canney accepted Mr. Seelig's friendly amendment and the motion was unanimously approved.

Green Woods Village

Mr. Erdelyi circulated photos of the Green Woods Village homes being built in Shoreham. (Construction financing for this project was approved by the Board on October 5, 2006.)

Supportive Housing Proposal

Ms. Collins reviewed her memo regarding a proposal to increase the supply of permanent supportive housing. The intent, she explained, is for the housing community, including VHFA, to become proactive in developing permanent supportive housing.

Mr. Seelig explained that he is in favor of going down this path and appreciates the work of staff. He expressed the following concerns: the Agency of Human Services (AHS) is not in a position to commit service resources necessary to make this work, and; limiting tenant eligibility to SSI recipients may be too narrow a focus. He added that he'd like to see more than 10% of all bond and allocated tax credit units dedicated to supportive housing for the extremely low income.

Ms. Carpenter responded that, although AHS may be reticent, it is incumbent upon the housing community to take a leadership role and challenge service providers to participate in a solution. She further explained that the units dedicated to supportive housing could be rented to tenants without special needs if supportive services were not available.

Ms. Collins mentioned the following concurrent efforts to get the State and AHS on board:

- Mr. Seelig is arranging to have people from Connecticut's Partnership for Strong Communities speak to the Vermont legislature about the cost effectiveness of permanent supportive housing.
- VHFA staff hopes to work with AHS and national consultants to help identify sources for service dollars and work with AHS to help them access these resources.

Ms. Carpenter added that a number of AHS Commissioners now sit on the Vermont Interagency Council on Homelessness and she is optimistic that this will create dialog and movement.

Mr. Seelig recommended the following change to the "Board Recommendation" outlined in Ms. Collins memo and made a motion to approve this modified recommendation: "To endorse staff's work on proposals to combine Housing Credits and other capital resources with Section 8 and Human Service funds and resources to develop permanent supportive housing for people who are extremely low income." Ms. Canney seconded the motion which was unanimously approved.

FINANCE

VHFA Short-term Financing Facilities

Mr. Connors announced that the Agenda item should have been called "VHFA Short-term Financing Facilities" and not "TD Banknorth Bond Draw Down." He reviewed his memo, which was emailed to the Board on Friday, March 30th, and distributed and reviewed a spreadsheet titled "Summary of VHFA Short-term Financing Facilities."

Mr. Connors further explained that, last fall, the TD Banknorth revolving line of credit was up for renewal, and was approved to be renewed at management's discretion. At that time, management chose not to renew until the Trustee services issues were straightened out. Now, management has decided to renew this facility, in part, since Mr. Connors used this as a negotiating tool to obtain a $40,000 refund of Trustee services fees from TD Banknorth and Bank of New York. He added that, through the negotiation process, the Agency received better terms for this facility.

Ms. Randall commended TD Banknorth for accepting responsibility, along with Bank of New York, for the hardships caused by the Trustee conversion process.

Since both the State and the Agency use TD Banknorth, Ms. Pearce suggested that the Agency may be able to benefit from the State's significant buying power. In its next RFP, the State may include the Agency.

Multiple Purpose Bond Indenture & Resolution

Mr. Connors reviewed his memo requesting the Board to authorize a new indenture to be used for the issuance of both single family and multi-family bonds. Ms. Carpenter added that a result of the new multiple purpose bonds, expected to be issued in late May or June, is that the concerns about excess yield will become less significant, for two reasons: excess yield is due when the last bond of the Resolution is paid off, and refunding the 1995 bond issue will push this

date out another thirty years; and, combining single family and multi-family bonds achieves a blended rate against which excess yield is calculated.

Mr. Connors added that the servicing of the bond issued under this new indenture will be done by the Trustee selected as a result of the RFP process. (The Board approved the RFP at its March 12, 2007 Board meeting.)

Mr. Beaulieu made a motion to approve the "Resolution Authorizing and Approving the Execution and Delivery of a (General) Trust Indenture, Providing for the Issuance of General Obligation Multiple Purpose Bonds." The motion was seconded by Mr. Candon and unanimously approved.

Ms. Randall asked that the Board Audit/Risk Management Committee review the Trustee bids beforehand and make a recommendation to the Board.

FY2008 Budget Process

Mr. Connors distributed the fiscal year 2008 Budget Schedule and pointed out two dates of significance to the Board: the Board Human Resources Committee meeting on May 3, 2007 and the Board Audit/Risk Management Committee meeting on May 15 or 16, 2007. Ms. Couture will follow up to finalize the scheduling of the latter.

OTHER

CY2008 Board Meetings

Discussion followed about the calendar year 2008 Board meetings schedule. Ms. Couture will email a tentative schedule and solicit feedback.

LEGISLATIVE UPDATE

2007 Legislative Session

Ms. Carpenter explained that housing has been less of a priority this session. The three bills she is most closely following, which have to do with tax issues, have been heard but not passed out of Committee. These are:

- A $100,000 increase in the State Affordable Housing Tax Credit to be used to produce equity for homeownership;
- An increase in the property transfer tax exemption from $100,000 to $140,000 on VHFA-financed homes and an expansion of the exemption to borrowers using the USDA Rural Development and HOMELAND programs; and
- An amendment to the land gains tax, exempting land trust homes purchased from a private developer by a nonprofit and then transferred to a homeowner.

Ms. Carpenter explained that the 4.5% funding increase to Vermont Housing and Conservation Board recommended by the Governor is in the legislature and is expected to go through.

There is a Senate hearing on Friday, April 6th, on an initiative to increase funding to homeless shelters and programs.

The New Neighborhoods Initiative (NNI) has received some positive attention. There has been a core group working to combine this bill, H.299, with H.451, the Low-Impact Development bill, as they have similar goals. Ms. Carpenter explained that the result would complement Growth Centers. Still, there is some resistance from environmental groups who believe that Growth Centers should be given a chance before other legislation is introduced; and, it is expected that the Senate Committee on Natural Resources and Energy will be critical. (The bills are still in the House.)

Mr. Dorn explained that Ms. Carpenter has done a great job representing the VHFA Board at the Statehouse and that Mr. Broderick has been key as well, forging relationships to move the NNI. He added that the Administration is appreciative. Mr. Alberts, who was present when Ms. Carpenter testified, concurred.

Ms. Carpenter spoke about the new process of implementing existing sewer septic rules. Once the process is clarified (there is pending legislation to do so), the impact will still be somewhat unknown. Efforts are underway to put together a consortium of resources to respond. Mr. Dorn added that the impact could potentially be significant as the Agency of Natural Resources (ANR), except in Colchester, takes over the review of septic systems statewide. It is estimated that up to 1,500 systems will be judged failed each year, which could represent a major challenge to affordable housing in this State. The Agency of Commerce and Community Development will commit one million dollars of VCDP funds towards a pool, a revolving loan fund to be made available to address failed systems. And, the ANR may recommit funds to help address this issue. Ms. Carpenter added that the enforcement of the rules could also affect VHFA, as a lender, and the secondary market. Discussion followed about requiring certification of a septic system at the point of sale, the qualifications of the certifier, the cost, the party responsible for obtaining and the life-span of the certification. Mr. Adams asked the Board for feedback around requiring certification, offering an alternative, softer approach. Mr. Seelig does not believe that VHFA should be taking a hard line and risk turning the issue into a crisis. Once it becomes a big problem, VHFA will, along with others, react. Ms. Canney believes that taking a hard stance will result in buyers shying away from VHFA's product. She added that this issue may be the vehicle for mandating a seller's property information report. Mr. Adams explained that he will be attending a meeting on April 9th which will further deal with this issue.

With respect to the septic sewer rules, Mr. Adams explained that Ms. Crady will speak with the HomeOwnership Centers and ask them to stress the impact of a failed septic system in their HomeOwnership classes. The recommendation will be that a buyer has a septic system tested before purchasing.

Ms. Canney asked whether progress had been made in resolving prorating the property tax discount upon the transfer of a property. Mr. Adams explained that he is attending meetings at which this is being addressed. One of the proposals is for the seller to obtain a rebate from the Tax Department or the Town, depending on whether the State has transferred funds to the Town and whether the tax bills have been printed. (After the tax bill is printed, it would potentially be left to the buyer and seller to negotiate.) He added that there will be lots of activity at the statehouse this week to try to resolve this. Mr. Candon explained that there is an attempt to

attach an amendment to H.367 to address this. Mr. Adams further explained that VHFA does not have a position as it is not a party to the closing; however we are concerned about it. Ms. Carpenter added that VHFA will follow the Vermont Bar Association and the Realtors, lending support to the mechanism with the most consensus.

HOMEOWNERSHIP

Income and Purchase Price Limits

Ms. Crady explained that she included an update regarding Income and Purchase Price Limits in her "Summary of Homeownership Activities" memo, listed in the "Reports: FYI Only" section of the Agenda. Normally, the Board takes action on changing Limits. She reviewed this section of the memo, pointing out that the Income Limits for Bennington County will decrease by $1,700 for one and two person households and by $4,700 for 3+ person households. [Subsequent to the Board meeting, based on a clarification from the IRS, no change to the Bennington County Income Limits were required.]

Ms. Canney made a motion to keep the Income and Purchase Price Limits the same with the exception of Bennington County, where Income Limits will be adjusted to the maximum allowable. Mr. Beaulieu seconded the motion which was unanimously approved.

EXECUTIVE SESSION

At 12:10 p.m., Mr. Seelig made a motion to go into Executive Session to discuss Mortgage Backed Securities. Mr. Candon seconded the motion, which was unanimously approved.

Mr. Seelig made a motion to come out of Executive Session. Mr. Candon seconded the motion which was unanimously approved. Executive Session adjourned at 1:45 p.m.

ADJOURNMENT

Ms. Canney made a motion to adjourn the meeting. Mr. Alberts seconded the motion and the Board unanimously approved to adjourn the meeting at 2:00 p.m.

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: SINGLE FAMILY CONSTRUCTION FINANCING FOR PROCTORSVILLE GREEN HOUSING, CAVENDISH

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow monies and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, an application has been submitted to the Agency by Rockingham Area Community Land Trust (the "Sponsor") for itself or a to-be-formed entity with the Sponsor or its subsidiary as general partner or member (the "Borrower") involving the construction of four (4) for sale single family condominium townhouses in the Village of Proctorsville, Town of Cavendish (the "Development"); and

WHEREAS, the application contemplates a mortgage loan for construction financing of up to $600,000.00 for the Development with the interest rates to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds; and

WHEREAS, the Sponsor qualifies as a housing sponsor and the Borrower 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

WHEREAS, the Board of Commissioners was presented with a memorandum from Liza Vedder Plantilla dated March 23, 2007 containing information and recommendations about the construction financing for the Development (the "Memorandum") and approved this project at its April 2, 2007 meeting (this resolution is adopted merely to document the Board's prior approval);

THEREFORE, it is hereby RATIFIED and CONFIRMED:

1. The Development is primarily for occupancy by persons and families of low and moderate income, or qualifies for financing with proceeds of federally tax-exempt obligations, or at least 20 percent of the units are for occupancy by persons and families of low and moderate income.

2. The construction 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 or moderate income are able to afford within the general housing market area to be served by the proposed Development 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 and sufficient mortgage financing for occupancy by the persons or families.

4. The housing sponsor undertaking the Development will increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency 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 loan.

6. The Sponsor is financially responsible and is a qualified housing sponsor within the meaning of the Act. The Borrower will be required to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RATIFIED AND CONFIRMED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the Borrower for the construction financing of the Development based on the recommendations in the Memorandum. 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 Sponsor or the Borrower in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the Sponsor or the Borrower for the construction financing of the Development based on the recommendations in the Memorandum. The Commitment Letter shall be conditioned on the satisfaction by the Borrower of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

3. The Executive Director and the Loan Review Committee will establish the final source and amount of the loan for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Elizabeth Mullikin Drake

RE: KeyBank Borrowings – Confirmation of Amendments to 2005 and 2006 Non-Revolving Lines of Credit

DATE: May 1, 2007

Requested Action: Adoption of attached resolution.

Discussion: To follow up on the March approvals to renew the KeyBank non-revolving lines of credit for the funding of multifamily construction loans, KeyBank has requested additional Board action to ratify and confirm the amendments to reduce the maximum principal amounts on the 2005 and 2006 lines of credit. Consistent with Tom's review of the various lines of credit, these amendments have reduced the Agency's obligations on the 2005 and 2006 lines to correspond with the project loans committed under the respective lines.

Please feel free to contact me at (802) 652-3402 or edrake@vhfa.org. See you next week.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY ("VHFA")

REGARDING KEYBANK NON-REVOLVING BORROWING

WHEREAS, VHFA desires to ratify and confirm the amendment of an existing 2005 $10,000,000 purpose and ability line of credit (the "Existing 2005 Ability Line of Credit") to $1,956,707 with KeyBank; and

WHEREAS, VHFA desires to ratify and confirm the amendment of an existing 2006 $35,000,000 purpose and ability line of credit (the "Existing 2006 Ability Line of Credit") to $34,660,000 with KeyBank; and

WHEREAS, VHFA desires to authorize the extension and/or renewal of these credit facilities at the same or similar terms in the future, including the reduction in maximum principal amount and termination thereof; and

NOW, THEREFORE, the following resolutions are hereby unanimously adopted:

I. REGARDING AMENDMENT OF THE EXISTING 2005 $10,000,000 PURPOSE AND ABILITY LINE OF CREDIT

RESOLVED: That, the Executive Director of VHFA or the Chief Financial Officer of VHFA be, and each hereby is, authorized for, in the name of, and on behalf of, VHFA (each acting singly) to amend the Existing 2005 Ability Line of Credit to a new maximum principal amount of One Million Nine Hundred Fifty-Six Thousand Seven Hundred Seven Dollars ($1,956,707.00) (a) to provide short-term bridge financing for residential housing projects in anticipation of permanent take-out financing, (b) to provide for both taxable and tax-exempt advances, and (c) to provide financing to complete site control, site due diligence, site acquisition, development, rehabilitation, and construction with respect to individual projects.

RESOLVED: That, without limiting the generality of the above resolution, the Executive Director of VHFA or the Chief Financial Officer of VHFA be, and each hereby is, authorized to amend the Existing 2005 Ability Line of Credit to a maximum amount of One Million Nine Hundred Fifty-Six Thousand Seven Hundred Seven Dollars ($1,956,707.00) to be secured by a pledge of the general revenues of VHFA, on such terms and conditions deemed appropriate by the Executive Director of VHFA or the Chief Financial Officer of VHFA. In addition, VHFA is hereby authorized to provide or obtain a negative pledge for the real property and improvements for each project that is funded under this loan facility.

RESOLVED: That, in connection with the above resolutions, the Executive Director of VHFA or the Chief Financial Officer of VHFA or their designees be, and each hereby is, authorized, individually and without the concurrence of any other officer, to make, execute and deliver such loan agreements and

promissory notes, security agreements, and any other notes, agreements, trusts, receipts, guarantees and any other evidences of VHFA's indebtedness and obligations to the Bank (collectively, the "Existing 2005 Ability Line of Credit Documents"); such Existing 2005 Ability Line of Credit Documents to contain such terms and conditions as the signing officer may approve, his or her signature being conclusive evidence of the authorization and approval thereof by VHFA.

RESOLVED: That, in connection with the above resolutions, any one of the following officers or employees of VHFA (each acting singly) be, and hereby are, authorized, from time to time, to prepare, execute and submit to the Bank requisitions and other requests for advances and disbursements of funds pursuant to or in connection with such credit facility: Executive Director, Chief Financial Officer or Chief of Program Operations or their designees, and to direct and instruct the Bank as to the payment or disbursement thereof, and to certify to the Bank from time to time the name(s) and title(s) of such officer(s) and employees, and to modify and amend such certifications from time to time.

II. REGARDING AMENDMENT OF THE EXISTING 2006 $35,000,000 PURPOSE AND ABILITY LINE OF CREDIT

RESOLVED: That, the Executive Director of VHFA or the Chief Financial Officer of VHFA be, and each hereby is, authorized for, in the name of, and on behalf of, VHFA (each acting singly) to amend the Existing 2006 Ability Line of Credit to a new maximum principal amount of Thirty-Four Million Six Hundred Sixty Thousand Dollars ($34,660,000.00) (a) to provide short-term bridge financing for residential housing projects in anticipation of permanent take-out financing, (b) to provide for both taxable and tax-exempt advances, and (c) to provide financing to complete site control, site due diligence, site acquisition, development, rehabilitation, and construction with respect to individual projects.

RESOLVED: That, without limiting the generality of the above resolution, the Executive Director of VHFA or the Chief Financial Officer of VHFA be, and each hereby is, authorized to amend the Existing 2006 Ability Line of Credit to a maximum amount of Thirty-Four Million Six Hundred Sixty Thousand Dollars ($34,660,000.00) to be secured by a pledge of the general revenues of VHFA, on such terms and conditions deemed appropriate by the Executive Director of VHFA or the Chief Financial Officer of VHFA. In addition, VHFA is hereby authorized to provide or obtain a negative pledge for the real property and improvements for each project that is funded under this loan facility.

RESOLVED: That, in connection with the above resolutions, the Executive Director of VHFA or the Chief Financial Officer of VHFA or their designees be, and each hereby is, authorized, individually and without the concurrence of

any other officer, to make, execute and deliver such loan agreements and promissory notes, security agreements, and any other notes, agreements, trusts, receipts, guarantees and any other evidences of VHFA's indebtedness and obligations to the Bank (collectively, the "Existing 2006 Ability Line of Credit Documents"); such Existing 2006 Ability Line of Credit Documents to contain such terms and conditions as the signing officer may approve, his or her signature being conclusive evidence of the authorization and approval thereof by VHFA.

RESOLVED: That, in connection with the above resolutions, any one of the following officers or employees of VHFA (each acting singly) be, and hereby are, authorized, from time to time, to prepare, execute and submit to the Bank requisitions and other requests for advances and disbursements of funds pursuant to or in connection with such credit facility: Executive Director, Chief Financial Officer or Chief of Program Operations or their designees, and to direct and instruct the Bank as to the payment or disbursement thereof, and to certify to the Bank from time to time the name(s) and title(s) of such officer(s) and employees, and to modify and amend such certifications from time to time.

III. REGARDING ALL RESOLUTIONS

RESOLVED: That the following resolutions shall apply to all Resolutions stated herein and, generally, to VHFA's relationship with the Bank.

RESOLVED: That each of the Executive Director of VHFA or the Chief Financial Officer of VHFA or their designees, is hereby authorized, acting singly or jointly, to do any and all other things and perform any and all other actions necessary to effectuate the issuance, execution and delivery of any and all additional agreements, documents, certificates, financing statements or other parts as may be necessary to effectuate any of the foregoing, including the extension and/or renewal thereof at the same or similar terms in the future, including the reduction in maximum principal amount and termination thereof, and such execution and delivery shall be conclusive evidence of the authorization and approval thereof by VHFA.

RESOLVED: That the Secretary or the Treasurer of VHFA be, and hereby is, authorized and directed to certify, from time to time, to the Bank the contents of these Resolutions; to certify that the provisions hereof are in conformity with the Vermont Housing Finance Agency Act (Title 10 Chapter 25), By-Laws and other documents governing the conduct of the business of VHFA, all as amended; and to certify and attest to the names of the officers of VHFA and their respective specimen signatures.

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Liza Vedder Plantilla LVP

DATE: April 30, 2007

RE: Request for Commitment of Allocated Housing Credits

Name:	Wheeler Brook Housing	**Location:**	Warren
Housing Type:	General Occupancy	**Unit Type:**	Townhomes & Flats
Unit Count:	18 Total Units 16 Housing Credit Units	**Unit Sizes:**	8 one-bedroom @ 630sq ft 9 two-bedroom @ 800 sq ft 1 three-bedroom @ 930 sq ft
Total Cost:	$4,215,397	**Per S.F. Acquisition & Construction Cost:**	$211
Loan Requested:	n/a	**Sponsor:**	Central Vermont Community Land Trust & Housing Vermont
Housing Credits:	$260,000 (Ceiling "9%" Credits) $85,000 State Credit		
Other Funding:	HOME, VHCB, VCDP, NeighborWorks, REEP, Developers Loan		

Recommendation: That the VHFA Board of Commissioners approve the attached resolution to authorize staff to issue the appropriate documentation according to the Qualified Allocation Plan.

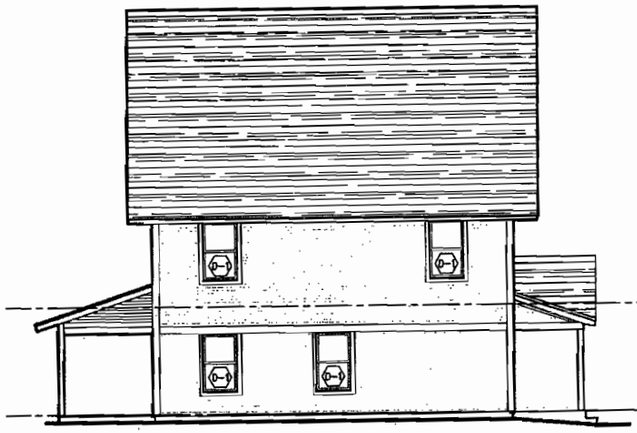
Project Summary: For the past five years, the Central Vermont Community Land Trust (CVCLT) and Housing Vermont (HVT) have been working with the Mad River Valley Affordable Housing Coalition to identify a suitable site for family rental housing in the Mad River Valley. Few sites have been feasible due to cost of land and constraints like the lack of public water and sewer in most of these towns. Need is pressing, as the Valley currently offers 12 affordable family rental units only. This need is further demonstrated by the market study completed by Kurt Kaffenberger which found that most rental units in the area are in "ski condos" that were designed to be second homes; the quality and availability of this type of housing stock is diminishing. The study also highlighted the fact that 1,600 people commute into the valley for work every day, and their housing options are limited in the area.

A suitable site was finally found on the Sugarbush Access Road, 1.2 miles up the road from Route 100, approximately 3 miles from Warren Village and 5 miles from Irasville. The site is

less than ½ mile from the Sugarbush Resort complex; Sugarbush employs 100 full time employees and 750 seasonal employees. The site consists of two parcels; a 1.25-acre parcel with an existing building to be torn down (the former Bluetooth bar/restaurant) and an 8-acre abutting parcel of open land. Water and sewer will be on site. The project has been designed by William Maclay and will resemble a cluster of three 'farmhouse style' buildings around a central green. The scale and clustering of the buildings around green space is meant not only to reflect the aesthetic of the area, but also to facilitate a sense of community and to preserve as much open space as possible. There will be eighteen total units in three separate buildings. The one-bedroom units will be flats, and the two and three-bedroom units will be townhouses. The town of Warren has been supportive and the project and it has been awarded VCDP and VHCB funds. Act 250 approval is anticipated this September. Construction is slated to begin in October 2007 and be complete within twelve months.

Tax Credit Discussion: The project meets two Top Tier Consolidated Plan priorities: *1) Infill new construction in a community with a vacancy of 3.5% or less* and *2) Family Housing.* The plan requires that it meet three of these criteria. It also meets two Second Tier criteria: *1) Mixed income development 2) Geographic Targeting of a region that has underserved historically in having its affordable housing needs met.* The plan requires that the project meet only one of these criteria. The sponsor is requesting a waiver to the requirement to meet three Top Tier criteria due to the great need for housing in the Valley. It should be noted that while the project is not in a town center, it is being developed along a ski area access road. Access roads represent an established development corridor that behaves similarly to a town center in other places. Building workforce housing on these roads reduces the commute times for resort employees. Lastly, this particular project will be built primarily on a formerly developed commercial site, while the undeveloped portion of the site will be left as open space.

The sponsor is also requested $85,000 in State Affordable Housing Tax Credit, which the staff intends to bring for approval with all other State Credit requests in August.



1 / A2.1.1 EAST ELEVATION - BUILDING 1
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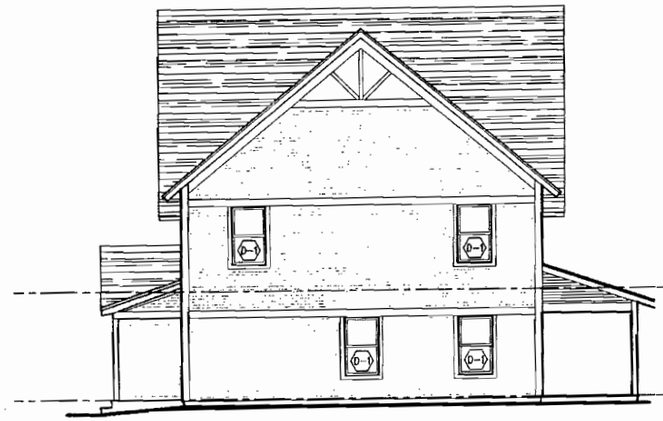
2 / A2.1.1 NORTH ELEVATION - BUILDING 1
SCALE: 3/32" = 1'-0"



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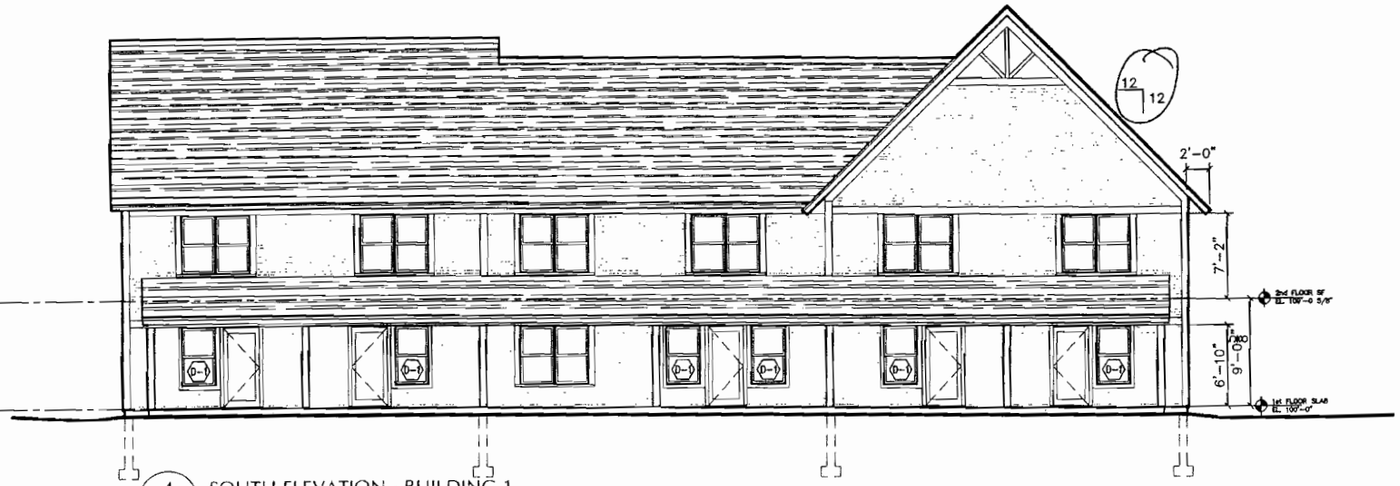
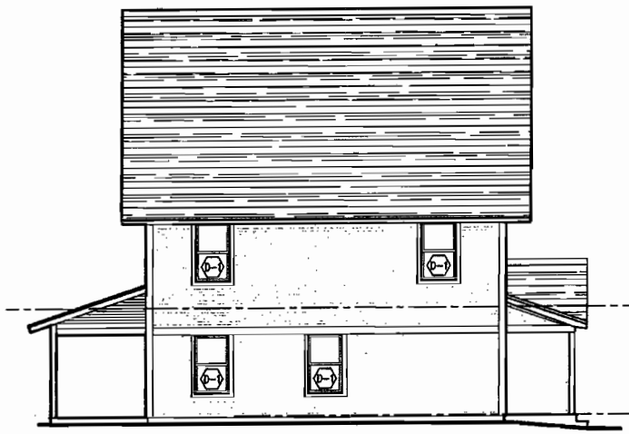


4 / A2.1.1 SOUTH ELEVATION - BUILDING 1
SCALE: 3/32" = 1'-0"

WHEELER BROOK HOUSING VERMONT, Warren VT
WILLIAM MACLAY ARCHITECTS & PLANNERS

BUILDING ELEVATIONS
SCALE: 3/32" = 1'-0" DATE: 03.



1 A2.1.2 NORTH ELEVATION - BUILDING 2
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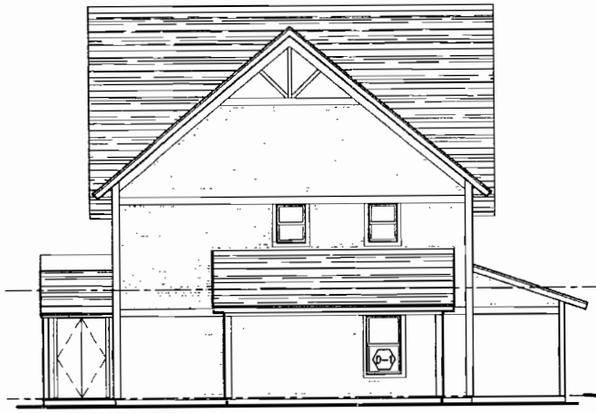
2 A2.1.2 WEST ELEVATION - BUILDING 2
SCALE: 3/32" = 1'-0"



3 A2.1.2 SOUTH ELEVATION - BUILDING 2
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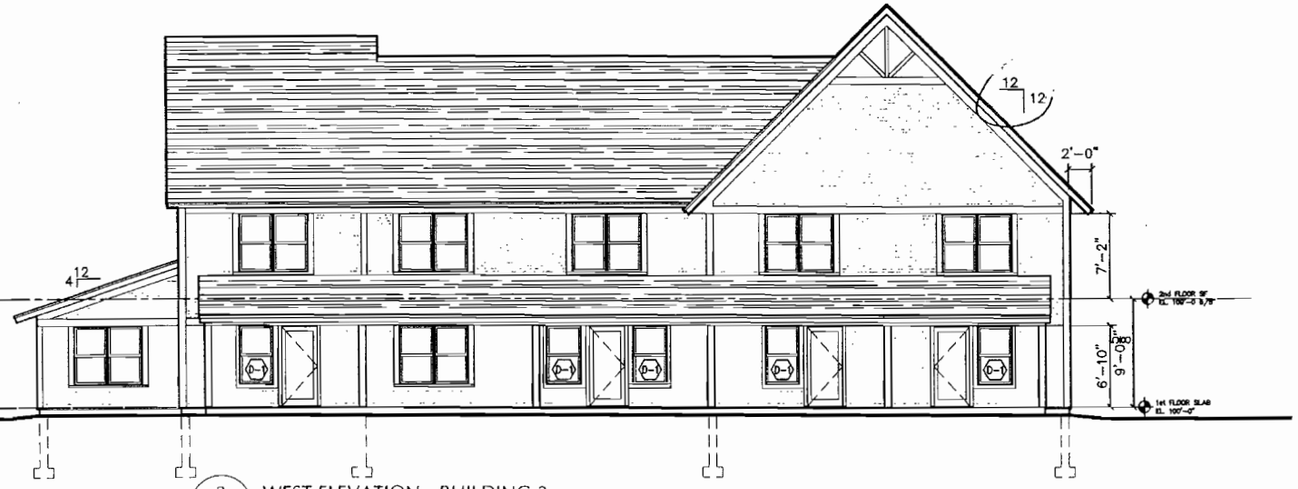

2 A2.1.2 WEST ELEVATION - BUILDING 2
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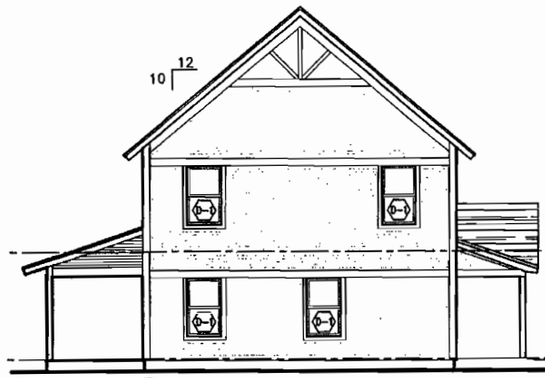

1 A2.1.3 SOUTH ELEVATION - BUILDING 3
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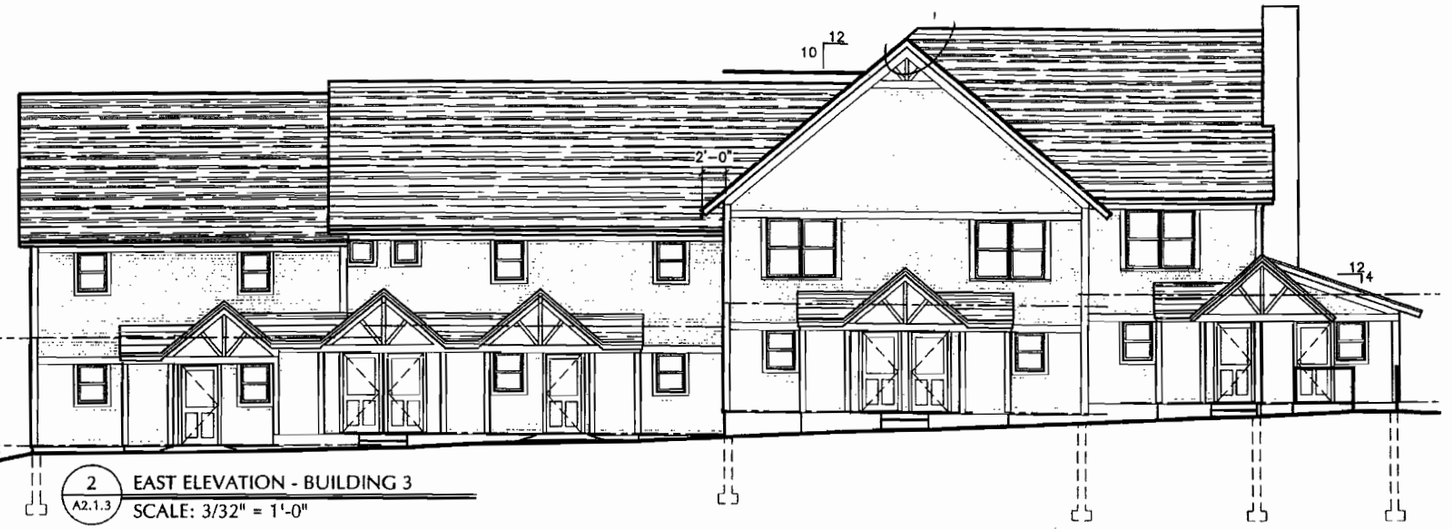

2 A2.1.3 EAST ELEVATION - BUILDING 3
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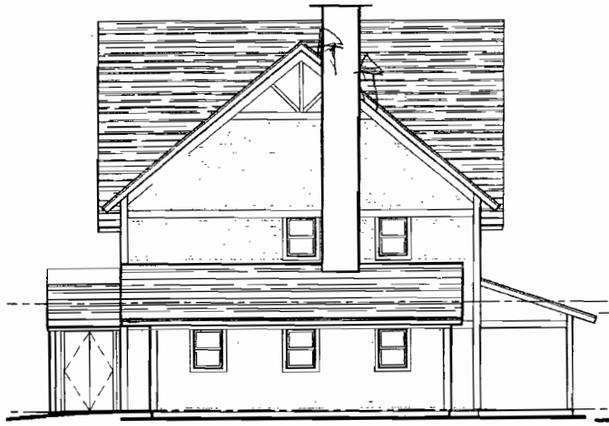
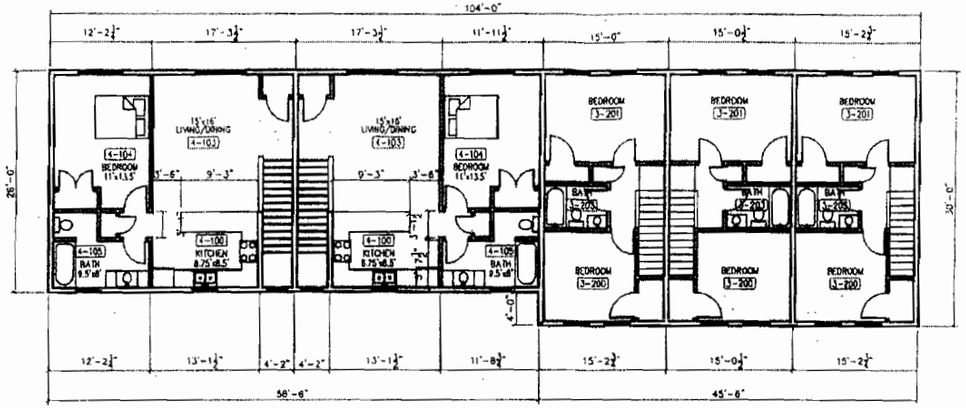


3 A2.1.3 NORTH ELEVATION - BUILDING 3
SCALE: 3/32" = 1'-0"

3 A2.1.3 WEST ELEVATION - BUILDING 3
SCALE: 3/32" = 1'-0"

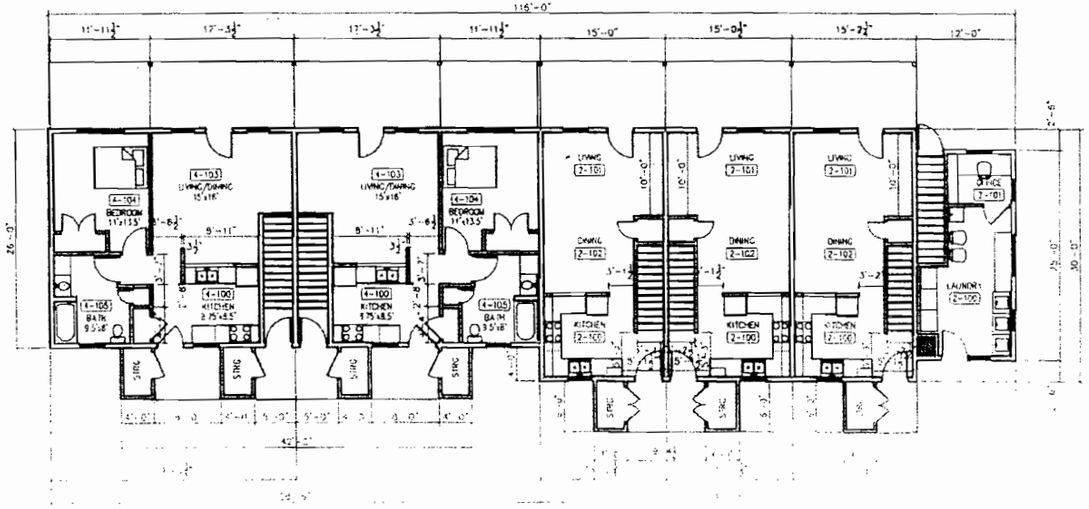
WHEELER BROOK HOUSEING VERMONT, Warren VT
WILLIAM MACLAY ARCHITECTS & PLANNERS

BUILDING 3 ELEVATIONS
SCALE: 3/32" = 1'-0" DATE: 04/[illegible]/07



2 / A1.1c SECOND FLOOR PLAN

1/16" = 1' - 0"



[illegible] FLOOR PLAN

30-Apr-07 **Wheeler Brook Housing**

HC Restricted Units Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br		0	0	0	0	0
1 Br		630	8	567	0	54,432
2 Br		800	7	671	0	56,364
3 Br		930	1	772	0	9,264
4+ Br		0	0	0	0	0
	Totals	11,570	16			120,060

Non-HC Restricted Units Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br		0	0	0	0	0
1 Br		0	0	0	0	0
2 Br		800	2	792	0	19,008
3 Br		0	0	0	0	0
4+ Br		0	0	0	0	0
	Totals	1,600	2			19,008

All Units

Common Area amd Mngmt Office	2,066			
Grand Totals	15,236	18		139,068
Less Vacancy		5.00%		(6,953)
			NET RENT	132,115
OTHER INCOME				
Laundry				900
Parking				
Commercial Space Income				
Interest income				500
			TOTAL INCOME	133,515

30-Apr-07 **Wheeler Brook Housing**

		Budget	Per Unit	Per s.f.	Allocation of Sources: VHCB	HOME	VCDP	Dev Loan	Reep	Neighborw	Permanent	Equity
	ACQUISITION				400,000	250,000	463,000	80,000	9,000	90,000	245,000	2,678,396
1	Land	336,572	18,698	22.09	336,572							
2	ACQUISITION-Easment	56,011	3,112	3.68	56,011							
3	Demolition (without replacement)	5,000	278	0.33	1,417							3,582
4	Property Appraisal	4,000	222	0.26	1,500							2,500
5	Legal - Title and Recording	5,200	289	0.34	4,500							700
	Subtotal - Acquisition	406,783	22,599	26.70								
	CONSTRUCTION HARD COSTS											
6	Rehabilitation		0	0.00								
7	New Building(s)	1,828,260	101,570	120.00		100,000	463,000	0	9,000	90,000	245,000	921,260
8	Accessory Buildings		0	0.00								
9	Sitework	750,000	41,667	49.23								750,000
10	Commercial Space Costs (if any)		0	0.00								
11	General Requirements		0	0.00								
12	Contractor Overhead		0	0.00								
13	Contractor Profit		0	0.00								
14	Construction Contingency	206,261	11,459	13.54								206,261
15	Construction Management		0	0.00								
16	Construction Bond Fee		0	0.00								
17	Hazardous Materials Abatement		0	0.00								
18	Off-Site Improvements		0	0.00								
19	Furnishings, Fixtures, & Equipment	18,000	1,000	1.18								18,000
20	Utilites	12,225	679	0.80								12,225
	Subtotal - Hard Costs	2,814,746	156,375	184.74								
	SOFT COSTS											
21	Architectural	257,826	14,324	16.92		150,000						107,826
22	Engineering	0	0	0.00								
23	Legal/Accounting	35,000	1,944	2.30								35,000
24	Relocation		0	0.00								
25	Environmental Assessment	1,670	93	0.11								1,670
26	Energy Assessment		0	0.00								
27	Permits/Fees	34,848	1,936	2.29								34,848
28	Independent Market Study	2,500	139	0.16								2,500
29	Construction Period Insurance	18,000	1,000	1.18								18,000
30	Construction Interest	120,000	6,667	7.88								120,000
31	Construction Loan Origination Fee		0	0.00								
32	Taxes During Construction		0	0.00								
33	Clerk of the Works		0	0.00								
34	Marketing	4,500	250	0.30								4,500
35	Tax Credit Fees	9,170	509	0.60								9,170
36	Soft Cost Contingency	6,692	372	0.44								6,692
37	Loan/Lender fees	51,660	2,870	3.39								51,660
38	Lender's Counsel's Fee		0	0.00								
39	Other	0	0	0.00								
	SYNDICATION COSTS											
40	Organizational (Partnership)		0	0.00								
41	Bridge Loan Fees and Expenses		0	0.00								
42	Syndication Consultant		0	0.00								
43	Tax Opinion		0	0.00								
	DEVELOPER'S FEES											
44	Developer's Fees	185,000	10,278	12.14				80,000				290,000
45	Other Partnership Fees	185,000	10,278	12.14								
46	Consultant Fees	0	0	0.00								
	RESERVES											
47	Working Capital	15,000	833	0.98								15,000
48	Rent-up (Deficit Escrow) Reserve		0	0.00								
49	Other Operating Reserves	67,002	3,722	4.40								67,002
50	Sinking Fund		0	0.00								
51	Replacement Reserves		0	0.00								
	Subtotal - Soft Costs	993,868	55,215	65.23								
	TOTAL DEVELOPMENT COSTS	4,215,397	234,189	277	400,000	250,000	463,000	80,000	9,000	90,000	245,000	2,678,396

30-Apr-07 **Wheeler Brook Housing**

		Budget	Building 1 Acquisition Basis	Building 1 Construction Basis	Building 1 Residential Depreciation	Building 1 Historic Credit Basis	Building 1 Other	Building 2 Acquisition Basis	Building 2 Construction Basis	Building 2 Residential Depreciation	Building 2 Historic Credit Basis	Building 2 Other	Building 3 Acquisition Basis	Building 3 Construction Basis	Building 3 Residential Depreciation	Building 3 Historic Credit Basis	Building 3 Other
	ACQUISITION																
1	Land	336,572															
2	ACQUISITION-Easment	56,011															
3	Demolition (without replacement)	5,000															
4	Property Appraisal	4,000															
5	Legal - Title and Recording	5,200															
	Subtotal - Acquisition	406,783															
	CONSTRUCTION HARD COSTS																
6	Rehabilitation	0												708,480			
7	New Building(s)	1,828,260		477,540					642,240								
8	Accessory Buildings	0															
9	Sitework	750,000		195,899					263,464					290,637			
10	Commercial Space Costs (if any)	0															
11	General Requirements	0															
12	Contractor Overhead	0															
13	Contractor Profit	0															
14	Construction Contingency	206,261		53,875					72,456					79,929			
15	Construction Management	0															
16	Construction Bond Fee	0															
17	Hazardous Materials Abatement	0															
18	Off-Site Improvements	0															
19	Furnishings, Fixtures, & Equipment	18,000		5,000					6,000					7,000			
20	Utilities	12,225		3,193					4,294					4,737			
	Subtotal - Hard Costs	2,814,746															
	SOFT COSTS																
21	Architectural	257,826		67,344					90,570					99,912			
22	Engineering	0															
23	Legal/Accounting	35,000		9,142					12,295					13,563			
24	Relocation	0															
25	Environmental Assessment	1,670		436					587					647			
26	Energy Assessment	0															
27	Permits/Fees	34,848		9,102					12,242					13,504			
28	Independent Market Study	2,500		653					878					969			
29	Construction Period Insurance	18,000		4,702					6,323					6,975			
30	Construction Interest	120,000		25,075					33,723								
31	Construction Loan Origination Fee	0												37,202			
32	Taxes During Construction	0															
33	Clerk of the Works	0												0			
34	Marketing	4,500															
35	Tax Credit Fees	9,170															
36	Soft Cost Contingency	6,692		1,748					2,351					2,593			
37	Loan/Lender fees	51,660		11,470					15,425					17,016			
38	Lender's Counsel's Fee	0															
39	Other	0															
	SYNDICATION COSTS																
40	Organizational (Partnership)	0															
41	Bridge Loan Fees and Expenses	0															
42	Syndication Consultant	0															
43	Tax Opinion	0															
	DEVELOPER'S FEES																
44	Developer's Fees	185,000		48,322					64,988					71,690			
45	Other Partnership Fees	185,000		48,322					64,988					71,960			
46	Consultant Fees	0															
	RESERVES																
47	Working Capital	15,000															
48	Rent-up (Deficit Escrow) Reserve	0															
49	Other Operating Reserves	67,002															
50	Sinking Fund	0															
51	Replacement Reserves	0															
	Subtotal - Soft Costs	993,868															
	TOTALS	4,215,397	0	961,823	0	0		0	1,292,824	0	0		0	1,426,814	0	0	
LESS:	Amount of Non-qualified Financing																
LESS:	Adjustment for per unit cost limits	0		0					1,292,824					1,426,814			
LESS:	Historic tax Credit (Residential Portion)			0	0	20% Historic Credit Rate			0	0	20% Historic Credit Rate			0	0	20% Historic Credit Rate	
	Total Eligible Basis		0	961,823		0 Annual Historic C		0	1,292,824		0 Annual Historic C		0	1,426,814		0 Annual Historic Credit	
TIMES:	Adjusted for QCT/DDA	130.0%		961,823					1,292,824					1,426,814			
TIMES:	Applicable Fraction	87.55%	0	100%				0	65%				0	100%			
	Total Qualified Basis		0	961,823	0	Long Term Depreciable Basis		0	834,506	0	Long Term Depreciable Basis		0	1,426,814	0	Long Term Depreciable Basis	
TIMES:	Applicable Percentage		0.00%	8.11%	27.5	Depreciation Schedule		0.00%	8.10%	0	Depreciation Schedule		0.00%	8.10%	0	Depreciation Schedule	
	Total Annual Credit Qualified		0	78,004	0	Annual Depreciation		0	67,595	0	Annual Depreciation		0	115,572	0	Annual Depreciation	
					0	Short Term Depreciable Basis				0	Short Term Depreciable Basis				0	Short Term Depreciable Basis	
					7	Depreciation Schedule				0	Depreciation Schedule				0	Depreciation Schedule	
					0	Annual Depreciation				0	Annual Depreciation				0	Annual Depreciation	

Total Tax Credits Requested	260,000
Estimated Net Syndication Proceeds	
(excluding historic credit equity)	2,287,397
Estimated Yield - Housing Credit Syndication	92.66%
Equity Gap	2,386,397
Credits Needed to fill Equity Gap	260.159

30-Apr-07 **Wheeler Brook Housing**

Total Residential Units:	18	Increase in Income from Rental Units:	1.50%	
Housing Credit Restricted Units:	16	Increase in Income from Other Sources:	1.50%	
Percent Restricted:	88.89%	Increase in Income from Commercial:	0.00%	
Total Development Cost:	4,215,397	Expense increase:	3.00%	
Total Development Cost per Unit	234,189	Vacancy Rate:	3%	
Total Development Cost Per SF:	277	Partner's Tax Rate:	35%	
		Long Depreciation Schedule:	27.5	years
Max Credit Potential:	261,171	Short Depreciation Schedule:	7	years
Credit Amount Allocated:	260,000	Sponsor's Estimated Yield:	92.66%	

LIHTC - 9%	8.11%	May-07
LIHTC - 4%	0.00%	

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage	245,000	5.81%	7.50%	30	30
HOME	250,000	5.93%	5.00%	30	30
VCDP	463,000	10.98%	0.00%	30	30
VHCB	400,000	9.49%	0.00%	30	30
Developers Loan	80,000	1.90%	0.00%	0	15
State Equity	391,000	9.28%	N/A	N/A	
Neighborworks	90,000	2.14%	N/A	N/A	
REEP	9,000	0.21%	N/A	N/A	
Tax Credit Equity	2,287,397	54.26%	N/A	N/A	
TOTAL SOURCES	4,215,397	100.00%			

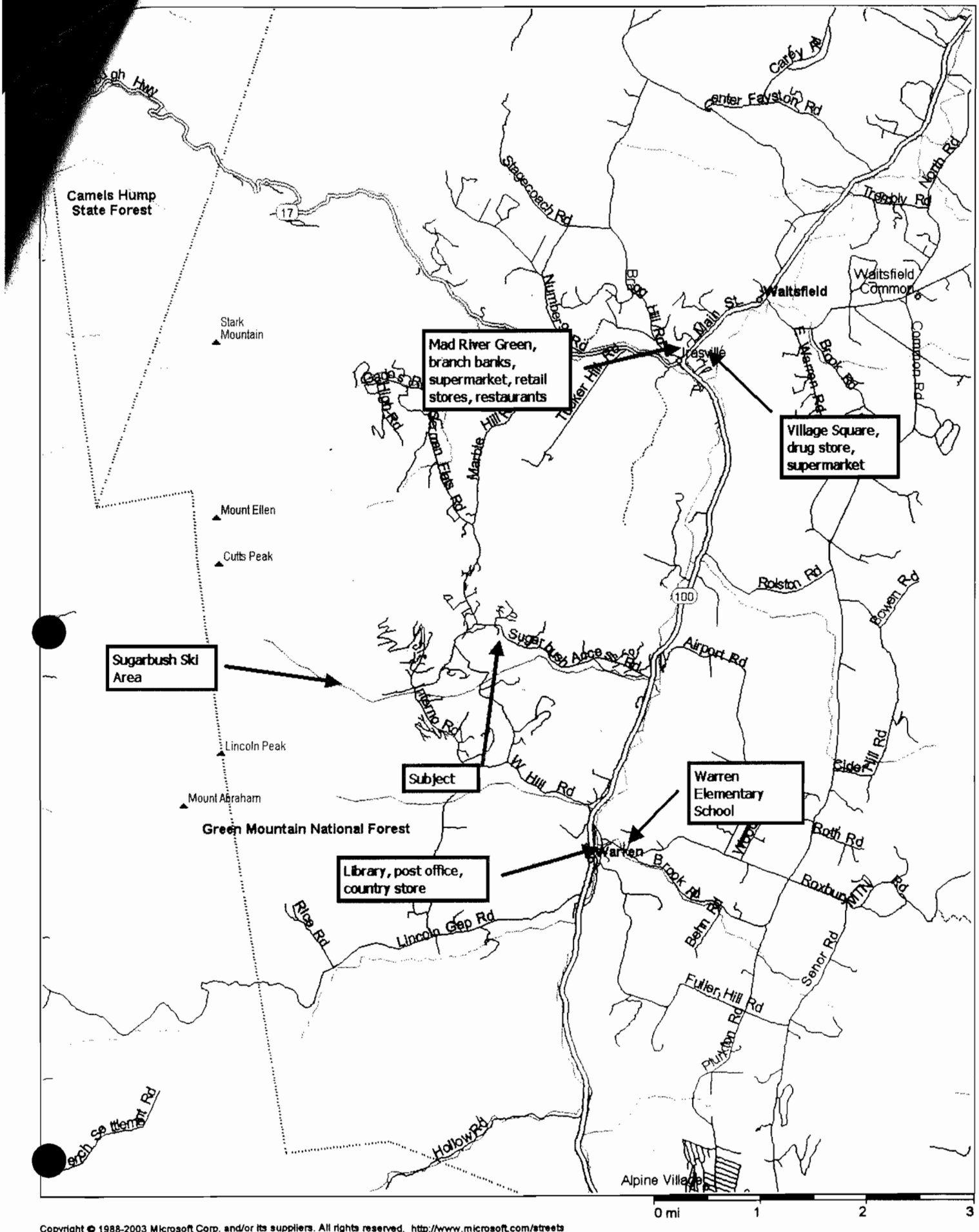
USES

Acquisition	406,783	9.65%
Construction Hard Costs	2,814,746	66.77%
Soft Costs	993,868	23.58%
TOTAL USES	4,215,397	100%
Gap	0	

General Partner's Capital Contribution	22,874	1.00%
Limited Partner's Capital Contribution	2,264,523	99.00%
Total Equity	2,287,397	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	16
Total Units	18
Unit Fraction	88.89%
Tax Credit Square Footage	13,339
Total Residential Square Footage	15,236
Square Footage Fraction	87.55%
Applicable Fraction	87.55%



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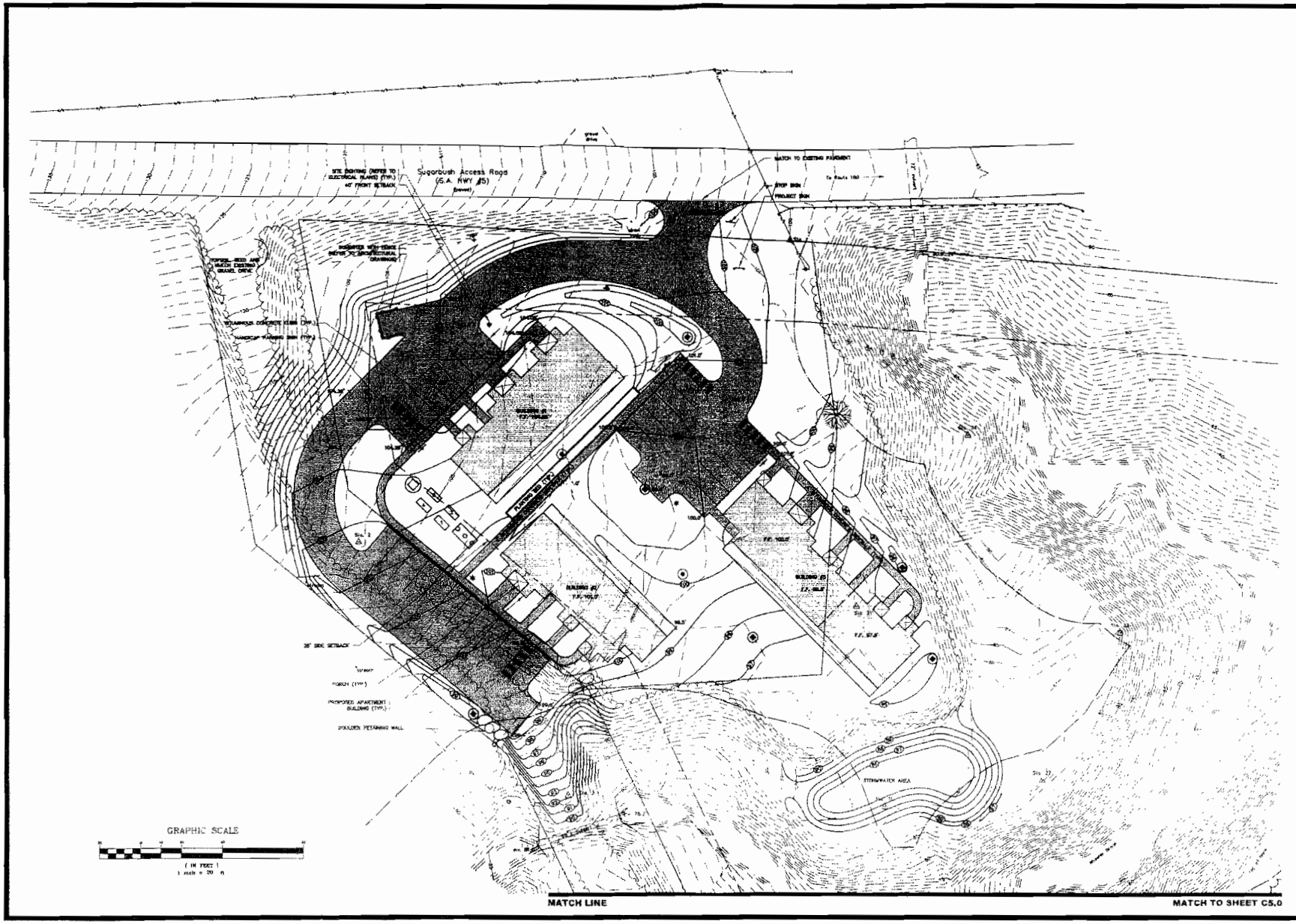

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REGISTERED PROFESSIONAL ENGINEER

MAGNETIC NORTH

HOUSING VERMONT

WHEELER BROOK HOUSING PROJECT

WARREN, VERMONT

REVIEW

DATE ISSUED: 3/9/07

REVISIONS

DRAWN BY:

CHECKED BY:

SCALE:

PROJECT NO: 444.001

CAD FILE: 444-001

TITLE

PROPOSED GRADING PLAN

DRAWING NO.

C3.0

SHEET 3 OF

30-Apr-07

Wheeler Brook Housing

	Check all Applicable									A					B						C					
Building #	Unit #	HOME Unit	Lead Paint Unit	Project Based Assistance	Tax Credit Unit	VHCB Restricted	Accessible	Adaptable	Unrestricted	Number of Bedrooms	Proposed Square Footage	Proposed Rent	Utility Allowance for Tenant-Paid Utilities	Gross Rent (Rent + Tenant-Paid Utilities)	OCCUPIED BY: Income level of residents to be served:						AFFORDABLE TO: Units affordable to residents at:					
															<30%	<50%	<60%	<80%	<100%	>100%	30%	50%	60%	65%	80%	100%+
Building I	1				1	1				2	800	619	49	668			1					1				
	2				1	1				2	800	711	49	760			1						1			
	3				1	1				3	930	772	56	828			1						1			
	4				1	1				1	630	593	40	633			1					1	1			
	5				1	1				1	630	488	40	528			1					1				
Building II	6				1	1				1	630	488	40	528			1									1
	7				1	1				1	630	593	40	633			1						1			
	8								1	2	800	792	49	841			0		1							1
	9				1	1				2	800	711	49	760			1						1			
	10								1	2	800	792	49	841			0		1			1				
	11				1	1				2	800	619	49	668			1									
Building III	12				1	1				2	800	711	49	760			1						1			
	13				1	1				2	800	711	49	760			1						1			
	14				1	1				1	630	593	40	633			1						1			
	15				1	1				1	630	593	40	633			1						1			
	16				1	1				1	630	593	40	633			1						1			
	17				1	1				1	630	593	40	633			1						1			
	18				1	1				2	800	619	49	668			1						1			
Total # Units	18	0	0	0	16	16	0	0	2	Totals:	13,170	11,591		Total # Units:	0	0	16	0	2	0	0	4	12	0	0	2

Building I

Total Building Square footage	3,980
Total Square Foot LIHTC units	3,790
Common Space (LIHTC)	190
LIHTC Percentage	**100%**

Building II

Total Building Square footage	5,352
Total Square Foot LIHTC	2,860
Total Square Foot Market	1,600
Common Space (LIHTC)	595
Common Space (Market)	297
LIHTC Percentage	**64.55%**

Building III

Total Building Square footage	5,904
Total Square Foot LIHTC	4,920
Common Space (LIHTC)	984
LIHTC Percentage	**100%**

TOTAL SQ FT	15,236
LIHTC Square Footage	13,339
Applicable Fraction	87.55%

30-Apr-07 **Wheeler Brook Housing**

	Annual	Monthly	Per Unit Per Month
Administration			
Management Fee	14,040	1,170	65
Supportive Services		0	0
Audit/Accounting	3,456	288	16
Legal	1,080	90	5
Compliance Monitoring	648	54	3
Marketing	432	36	2
Misc	1,728	144	8
TOTAL ADMINISTRATIVE	21,384	1,782	99
Utilities			
Electricity	3,240	270	15
Fuel	12,960	1,080	60
Water and Sewer	5,400	450	25
Fire Alarm / Emergency		0	0
Other	648	54	3
TOTAL UTILITIES	22,248	1,854	103
Maintenance			
Maintenance / Janitor Payroll	8,640	720	40
Janitor Supplies	1,512	126	7
Exterminating	432	36	2
Trash Removal	3,024	252	14
Snow Removal	5,400	450	25
Grounds	5,184	432	24
Repairs Material		0	0
Repairs Contract		0	0
HVAC Repairs / Maintenance	2,160	180	10
Elevator Contract / Repairs		0	0
Painting and Decorating	1,080	90	5
Other		0	0
TOTAL MAINTENANCE	27,432	2,286	127
Real Estate Taxes	18,360	1,530	85
Property Insurance	6,480	540	30
Replacement Reserves	8,100	675	38
Primary Debt Service		0	0
Other "must pay" debt service		0	0
Other		0	0
Total	104,004	8,667	482

form revision date: 2/27/97

30-Apr-07	**Wheeler Brook Housing**														
Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income															
Gross Rent	139,068	141,154	143,271	145,420	147,602	149,816	152,063	154,344	156,659	159,009	161,394	163,815	166,272	168,766	171,298
Other Income	1,400	1,421	1,442	1,464	1,486	1,508	1,531	1,554	1,577	1,601	1,625	1,649	1,674	1,699	1,724
Vacancy and other losses	(6,953)	(4,235)	(4,298)	(4,363)	(4,428)	(4,494)	(4,562)	(4,630)	(4,700)	(4,770)	(4,842)	(4,914)	(4,988)	(5,063)	(5,139)
Total Operating Income	133,515	138,340	140,416	142,522	144,660	146,829	149,032	151,267	153,536	155,839	158,177	160,550	162,958	165,402	167,883
Operating Expenses															
Total Expenses (excl. Reserves)	95,904	98,781	101,745	104,797	107,941	111,179	114,514	117,950	121,488	125,133	128,887	132,754	136,736	140,838	145,063
Reserves	8,100	8,222	8,345	8,470	8,597	8,726	8,857	8,990	9,125	9,261	9,400	9,541	9,685	9,830	9,977
Total Operating Expense	104,004	107,003	110,089	113,267	116,538	119,905	123,371	126,940	130,613	134,394	138,287	142,295	146,421	150,668	155,041
Net Operating Income	29,511	31,338	30,326	29,255	28,122	26,924	25,661	24,328	22,923	21,445	19,890	18,255	16,537	14,734	12,843
Less Primary Debt Service	20,557	20,557	20,557	20,557	20,557	20,557	20,557	20,557	20,557	20,557	20,557	20,557	20,557	20,557	20,557
Less Secondary Debt Service	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow	8,954	10,781	9,769	8,698	7,565	6,368	5,104	3,771	2,367	888	(667)	(2,302)	(4,020)	(5,823)	(7,714)
Operating Subsidies / Sinking Fund	0	0	0	0	0	0	0	0	0	0	667	2,302	4,020	5,823	7,714
Net Cash	8,954	10,781	9,769	8,698	7,565	6,368	5,104	3,771	2,367	888	0	0	0	0	0
DCR	143.56%	152.44%	147.52%	142.31%	136.80%	130.98%	124.83%	118.34%	111.51%	104.32%	96.75%	88.80%	80.45%	71.68%	62.47%
Cumulative Cash Flow															
Beginning Balance	67,002	76,045	86,934	96,801	105,586	113,226	119,657	124,812	128,621	131,011	131,908	131,241	128,939	124,919	119,096
Deposits	8,954	10,781	9,769	8,698	7,565	6,368	5,104	3,771	2,367	888	0	0	0	0	0
Interest 2.0%	90	108	98	87	76	64	51	38	24	9	0	0	0	0	0
Withdrawals	0	0	0	0	0	0	0	0	0	0	(667)	(2,302)	(4,020)	(5,823)	(7,714)
Ending Balance	76,045	86,934	96,801	105,586	113,226	119,657	124,812	128,621	131,011	131,908	131,241	128,939	124,919	119,096	111,382
Cumulative Replacement Reserves															
Beginning Balance	0	8,181	16,567	25,160	33,967	(8,261)	470	9,420	18,594	27,996	(13,620)	(4,262)	5,332	15,167	25,247
Deposits	8,100	8,222	8,345	8,470	8,597	8,726	8,857	8,990	9,125	9,261	9,400	9,541	9,685	9,830	9,977
Interest 2.0%	81	164	249	336	426	5	93	184	277	373	(42)	53	150	250	352
Withdrawals	0	0	0	0	51,250	0	0	0	0	51,250	0	0	0	0	51,250
Ending Balance	8,181	16,567	25,160	33,967	(8,261)	470	9,420	18,594	27,996	(13,620)	(4,262)	5,332	15,167	25,247	(15,674)

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: PROPOSED ALLOCATION OF ALLOCATED HOUSING CREDITS FOR WHEELER BROOK HOUSING, WARREN

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow monies and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, an application has been submitted to the Agency by Housing Vermont and Central Vermont Community Land Trust (the "Sponsors") on behalf of a to be formed limited partnership in which the Sponsors or their subsidiaries will be the general partners (the "Borrower") involving the construction of eighteen (18) units of general occupancy rental housing in the Town of Warren (the "Development"); and

WHEREAS, the Agency administers the allocation and use of the federal Low Income Housing Tax Credits (both Allocated Housing Credits and Bond Housing Credits) and the State Housing Credits under the State's Qualified Allocation Plan;

WHEREAS, the Governor of the State of Vermont has approved the 2005-2006 Qualified Allocation Plan; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Liza Vedder Plantilla dated April 30, 2007, containing information and recommendations about the Development (the "Memorandum");

WHEREFORE, it is hereby RESOLVED:

1. The recommendations for the allocation of Allocated Housing Credits contained in the Memorandum which is attached and incorporated by this reference are hereby approved;

2. The Executive Director and the appropriate staff are hereby authorized to take such actions as are described in the 2005-2006 Qualified Allocation Plan regarding the proposed allocation of federal Allocated Housing Credits in the amount of $260,000.00 for the Wheeler Brook Housing project in the Town of Warren, Vermont.

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Josh Slade, Multifamily Operations Specialist

DATE: May 2, 2007

RE: Tax Credit Status Report

Board Action: No Board action is required.

Attached is the tax credit status report for 9% Ceiling Credits. The report illustrates that $1,993,882 of the 2007-2008 pool (approximating $2,300,000 for FY2008) was committed, leaving $2,581,118 available to allocate (this amount will increase upon receipt of the 2006 National Pool Credits). The project requesting credits this month would, if approved, reduce the available credits to $2,342,618.

Also included is the "State Consolidated Plan Priorities/Other Priorities Table" that shows how projects from 2005 to current meet the Consolidated Plan Priorities. This is provided to show how the Wheeler Brook Housing project fares in comparison to other projects that recently received Housing Credit commitments.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
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EQUAL HOUSING OPPORTUNITY

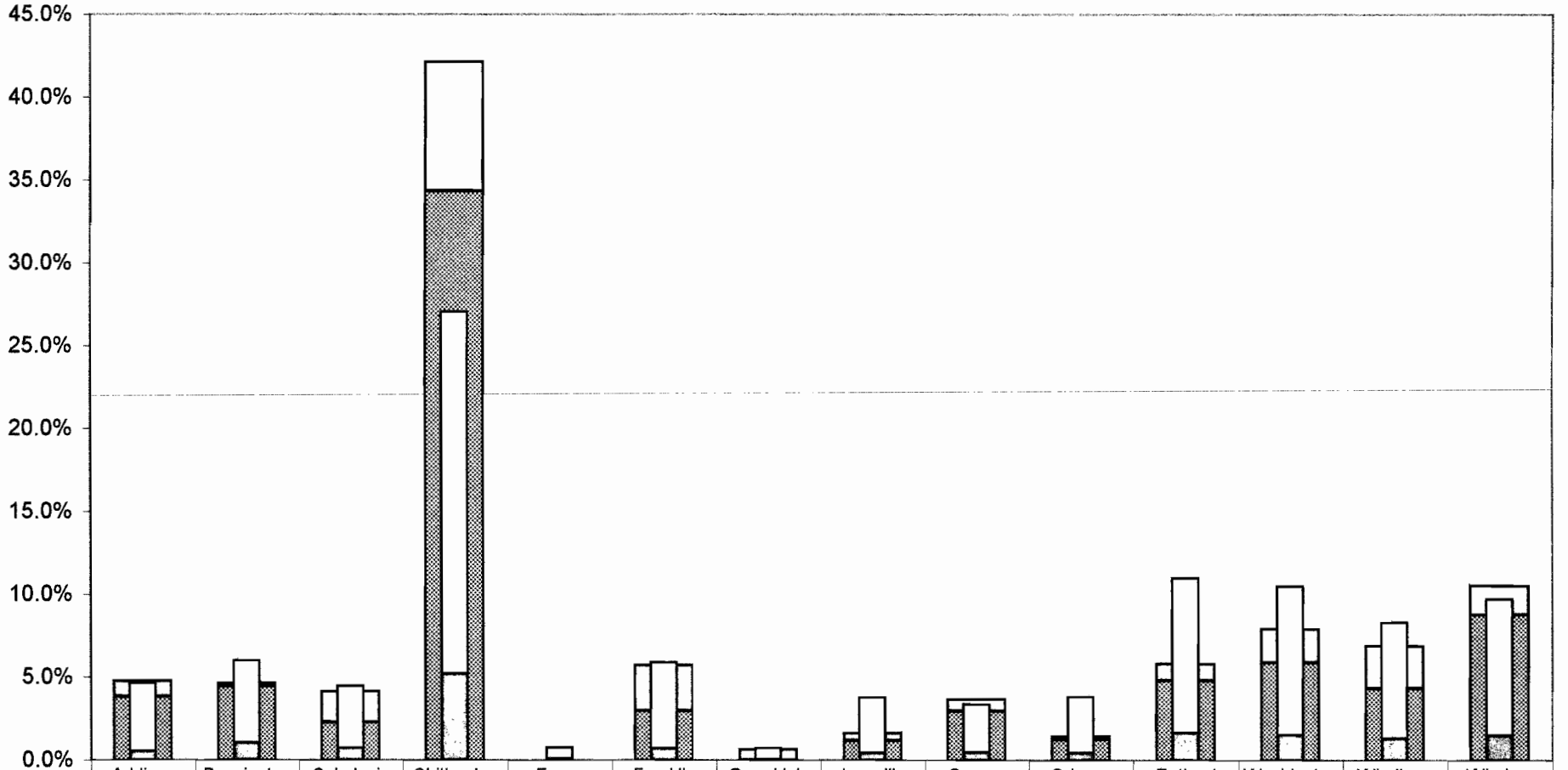
2006 Carry Forward to 2007		-	
Total 2007 Available		2,275,000	
Total 2008 Available		2,300,000	
2006 National Pool		-	
2007 Returns		-	
2008 Returns		-	
Total 2007-08 Available:		4,575,000	
Less: LOI, Res, CA issued in 2007/08		1,993,882	
Remaining Available in 2007-08:			2,581,118

Project Name	City	County	MSA / Non MSA	Total # of Units	# of LIHTC Units	Project Type	Housing Credit Allocation	Status
Pipeline								
New Construction - Family	Vergennes	Addison	Non MSA	40		New Construction	284,615	
Jay Waterman	Stowe	Lamoille	Non MSA					
Silver Stone Partners	Rutland	Rutland	Non MSA					
New Construction	Shelburne	Chittenden	MSA			New Construction		
Norwich	Norwich	Windsor	Non MSA			New Construction	330,769	
Putney Village	Putney	Windham	Non MSA	35	29	New Construction	538,000	Ventures approved
Pre-Applicaton Meetings								
Woodstock	Woodstock	Windsor	Non MSA	26		New Construction	377,702	
Sports Arena Neighborhood	St Albans	Franklin	MSA			New Construction		Bove/Marcellino
Armory Square	Windsor	Windsor	Non MSA	58		Acq/Rehab	613,000	
Algiers Village	Guilford / Brattleboro	Windham	Non MSA	11	11	Acq/Rehab	237,000	
Johnson Community Housing	Johnson	Lamoille	Non MSA	29	27	Rehab/New Construction	241,663	applying for VHCB 1/07
Howard Bank Block	Burlington	Chittenden	MSA	20		New Construction	414,000	CHT, HVT, Redstone
Wheeler Brook Housing	Warren	Washington	Non MSA	18	16	New Construction	238500	to Board May 2007
Letter of Intent, Reservation, or Carryover Allocation Issued								
Downtown Crossing, Bennington (RAHC)	Bennington	Bennington	Non MSA	12	10	Rehab/New Construction	143,000	to use 2007 credits
Stonewall / Bianchi	Montpelier	Washington	Non MSA	18	17	Acq/Rehab	125,000	to use 2007 credits
Hardwick - Bemis Block	Hardwick	Caledonia	Non MSA	14	14	Acq/Rehab	98,000	Has 2007 Carryover & 2007 Commitment
Willard Mill	St. Albans	Franklin	MSA	27	25	Acq/Rehab	432,662	Board Approved; 2007 Commitment
Birge & Worden	Brattleboro	Windham	Non MSA	17	15	Acq/Rehab	244,000	Board Approval; 2007 Reservation
Stowe	Stowe	Lamoille	Non MSA	28	22	New Construction	519,000	Board Approved; 2006 Carryover
Village Housing	Middlebury	Addison	Non MSA	30	25	New Construction	531,000	Board Approved; 2006 Carryover
Rutland AFS	Rutland	Rutland	Non MSA	13	12	New Construction/Rehab	227,000	Board Approved; 2006 Carryover
Callahan Housing	Burlington	Chittenden	MSA	28	28	Acq/Rehab	267,750	Board Approved Dec-05; 2007 Commitment
Bradford	Bradford	Orange	Non MSA	32	27	Rehabilitation	434,375	Board Approved Dec-05
Enosburg Falls Downtown Redevelopment	Enosburg Falls	Franklin	Non MSA	28	25	New Construction/Rehab	509,250	Board Approved Nov-05; 2006 Carryover
Eastern Townships (fka Main St Mill)	Richford	Franklin	Non MSA	12	12	Rehabilitation	162,500	Board Approved 9/22/05; 2007 Reservation
Wilder Building	Brattleboro	Windham	Non MSA	8	8	Rehabilitation	118,500	Construction Complete; 8609s Issued
West River Valley Senior Housing	Townshend	Windham	Non MSA	52	34	New Construction	473,000	Has 2007 Carryover & 2007 Reservation
Southview Apartments	Springfield	Windsor	Non MSA	69	54	Acq/Rehab	360,000	Board Approved 6/9/05
Sadawga Springs Apartments	Whitingham	Windham	Non MSA	9	7	Acq/Rehab	112,350	Construction Complete; 8609s Issued
Oak & Homestead	Brattleboro	Windham	Non MSA	16	15	Acq/Rehab	224,000	Construction Complete; 8609s Issued
Dorset Housing	Dorset	Bennington	Non MSA	20	16	New Construction	273,000	Construction Complete; 8609s Issued
Stone Hill	Middlebury	Addison	Non MSA	27	22	New Construction	378,000	Construction Complete; 8609s Issued
Waugh Opera Block	St Albans	Franklin	MSA	20	16	Rehab	233,600	Construction Complete; 8609s Issued
River Station	Montpelier	Washington	Non MSA	36	29	New Construction	465,000	Construction Complete; 8609s Issued
Barlow Square	Winooski	Chittenden	MSA	213	98	New Construction	2,214,260	Has 2005 Carryover

State Consolidated Plan Priorities / Other Priorities Table

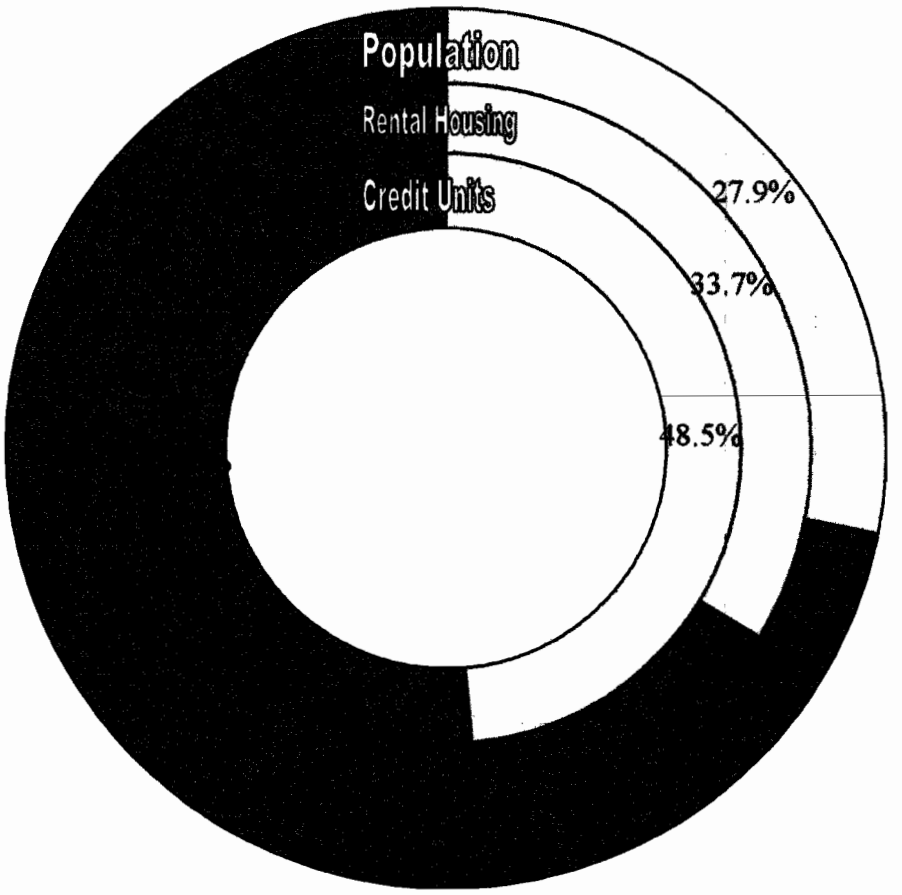
2006-2007	*First Tier*						*Second Tier*						
	Rehab or Vacancy <3.5%	Family Housing	Settlement Pattern	Downtown or Village Center	Removal of Blight	Special Needs	Mixed Income	Unique Design	<30% or targets homeless	Public Housing	Eventual Tenant Ownership	Total	Housing Credit Amount
Willard Mill, St. Albans	XX	XX	XX	XX			X					53%	$ 459,000
Wheeler Brook Housing	XX	XX					X					29%	$ 260,000
West River Valley Senior			XX	XX		XX	X		X			47%	$ 430,000
Stowe Family Housing	XX	XX	XX				X					41%	$ 495,000
Stonewall / Bianchi	XX	XX	XX	XX	XX		X		X			71%	$ 125,000
Rutland AFS	XX	XX	XX	XX								47%	$ 227,000
Middlebury South Village (MF)	XX	XX	XX	XX								47%	$ 531,000
Main Street Mill Revelopmt Richford	XX		XX	XX	XX							47%	$ 162,500
Enosburg Falls Housing			XX	XX	XX			X				41%	$ 509,250
Downtown Crossing	XX	XX	XX	XX			X					53%	$ 143,000
Callahan	XX	XX	XX	XX								47%	$ 255,000
Bradford Scattered Sites	XX	XX	XX	XX								47%	$ 397,500
Birge & Worden, Brattleboro	XX		XX	XX			X		X			47%	$ 238,500
Bemis Block	XX		XX	XX	XX				X			53%	$ 98,000
2005	*First Tier*						*Second Tier*						
Sadawga Springs Apartments	XX	XX	XX	XX	XX		X					65%	$ 112,350
Southview, Springfield	XX	XX	XX	XX			X		X			59%	$ 360,000
Oak & Homestead	XX	XX	XX	XX			X		X			59%	$ 224,000
Waugh Opera House	XX		XX	XX	XX		X	X				59%	$ 233,600
Barlow Square	XX	XX	XX	XX			X					53%	$ 2,214,260
River Station	XX	XX	XX	XX			X					53%	$ 460,000
Stone Hill	XX	XX	XX	XX			X					53%	$ 36,000
Wilder Block	XX		XX	XX	XX							47%	$ 118,500
Dorset Housing	XX	XX					X					33%	$ 273,000
2004	*First Tier*						*Second Tier*						
Whitcomb Terrace	XX		XX			XX	X	X	X			53%	$ 168,000
2003 Round One	*First Tier*						*Second Tier*						
	Rehab or Vacancy <2%	Family Housing	Settlement Pattern	Downtown	Removal of Blight	Special Needs	Mixed Income	Growth Center	<30%	Public Housing	Eventual Tenant Ownership	Total	Credits Requested
Roosevelt Apartments	XX	XX	XX	XX				X	X			59%	$ 387,189
Shelburne Family Housing	XX	XX	XX		X		X	X	X			59%	$ 272,000
203 Pearl Street	XX	XX	XX		X		X	X				53%	$ 350,143
Essex Village Family Housing	XX	XX	XX				X	X				47%	$ 580,000
Island Housing	XX	XX	XX				X					41%	$ 175,000
Whetstone Housing	XX		XX	XX				X				41%	$ 135,000
Tuttle Building	XX		XX	XX								35%	$ 160,000
Arbor Gardens Phase II	XX	XX						X				29%	$ 240,682
2003 Round Two	*First Tier*						*Second Tier*						
	Rehab or Vacancy <2%	Family Housing	Settlement Pattern	Downtown	Removal of Blight	Special Needs	Mixed Income	Growth Center	<30%	Public Housing	Eventual Tenant Ownership	Total	Credits Requested
Roosevelt Apartments	XX	XX	XX	XX				X	X			59%	$ 387,079
Riverside Village	XX	XX	XX				X	X				47%	$ 580,000
Butterfield Commons Family	XX	XX	XX					X				41%	$ 119,000
Stony Creek	XX	XX	XX					X				41%	$ 271,374
Arbor Gardens Phase II	XX	XX					X	X				35%	$ 196,371
2002 Round One	*First Tier*						*Second Tier*						
	Rehab or Vacancy <2%	Family Housing	Settlement Pattern	Downtown	Removal of Blight	Special Needs	Mixed Income	Growth Center	<30%	Public Housing	Eventual Tenant Ownership	Total	Credits Requested
Depot Street	XX	XX	XX	XX			X	X				59%	$ 415,000
Randolph Family Housing	X	XX	XX	XX			X	X	X			59%	$ 120,000
Templeton Court Rehab	XX	XX	XX					X	X	X		53%	$ 140,500
Burlington Family Rehab	XX		XX	XX				X	X			47%	$ 85,000
Old North End Renaissance	XX		XX	XX				X	X			47%	$ 127,000
Arbor Gardens	XX	XX						X				29%	$ 32,357
Park Village II	XX	X							X			24%	$ 352,369
Sunrise Settlement		XX	XX									24%	$ 363,530
2002 Round Two	*First Tier*						*Second Tier*						
	Rehab or Vacancy <2%	Family Housing	Settlement Pattern	Downtown	Removal of Blight	Special Needs	Mixed Income	Growth Center	<30%	Public Housing	Eventual Tenant Ownership	Total	Credits Requested
Waterfront Housing	XX	XX	XX	XX			X	X				59%	$ 485,000
Roosevelt Apartments	XX	XX	XX	XX				X				53%	$ 374,422
203 Pearl Street	XX	XX	XX					X				41%	$ 369,713
Highgate Redevelopment	XX	XX	XX						X			41%	$ 310,000
Manchester Commons	XX	XX	XX					X				41%	$ 108,149
Arbor Gardens Phase II	XX	XX						X				29%	$ 244,060
Stowe Housing	XX	XX										24%	$ 505,000

Geographic Distribution



	Addison	Bennington	Caledonia	Chittenden	Essex	Franklin	Grand Isle	Lamoille	Orange	Orleans	Rutland	Washington	Windham	Windsor
units in process	0.9%	0.2%	1.9%	7.8%	0.0%	2.7%	0.7%	0.5%	0.7%	0.2%	1.0%	2.0%	2.6%	1.8%
units in service	3.8%	4.4%	2.3%	34.3%	0.0%	3.0%	0.0%	1.2%	3.0%	1.3%	4.8%	5.9%	4.3%	8.8%
all assisted units	0.56%	1.06%	0.74%	5.24%	0.11%	0.74%	0.07%	0.46%	0.50%	0.47%	1.67%	1.55%	1.34%	1.52%
all rental housing	4.6%	6.0%	4.5%	27.0%	0.8%	5.9%	0.7%	3.8%	3.4%	3.8%	11.0%	10.5%	8.3%	9.7%

MSA / Non MSA


Population
Rental Housing
Credit Units
27.9%
33.7%
48.5%
MSA
Non MSA

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Director of Homeownership Programs

DATE: April 30, 2007

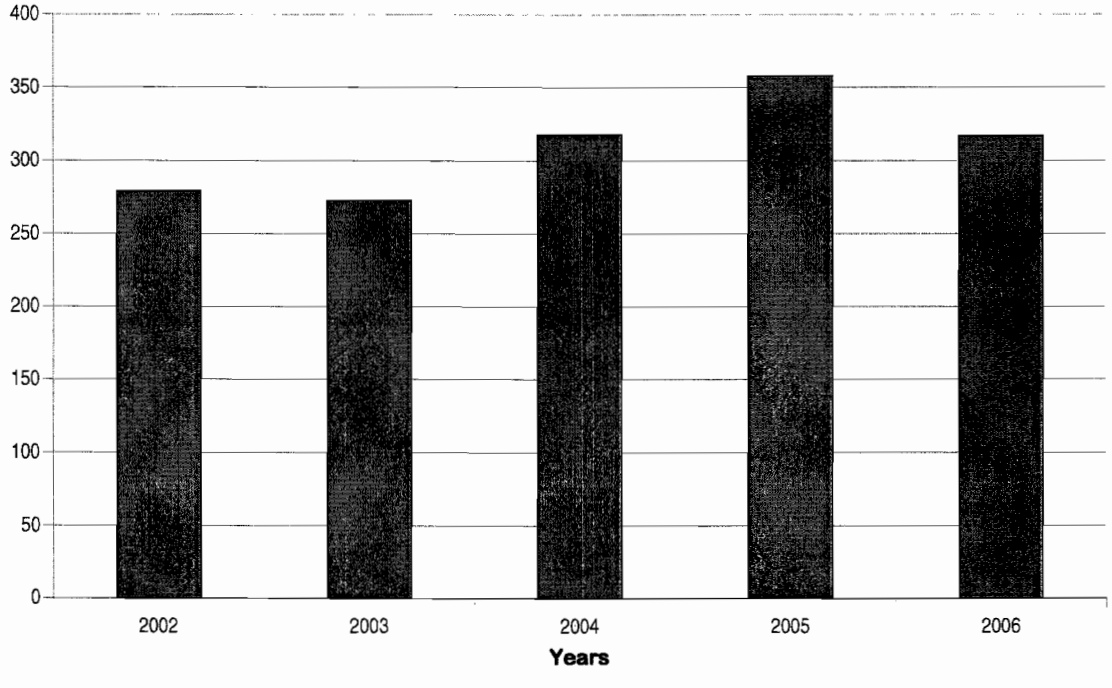
RE: Report of Homeownership Centers Activity CY 2006

In 2006, the Centers provided education and counseling to 868 households and assisted 317 households to purchase a home. This memorandum provides information on Center customers who purchased a home; customers who received delinquency intervention or foreclosure prevention services, workshop attendees, the Centers' current customers, other services offered and Center activities in 2006. In addition, the scope of this report has been expanded to include the performance of VHFA Loans made to Center customers and information on other financial support received by the Centers

Total Home Purchases

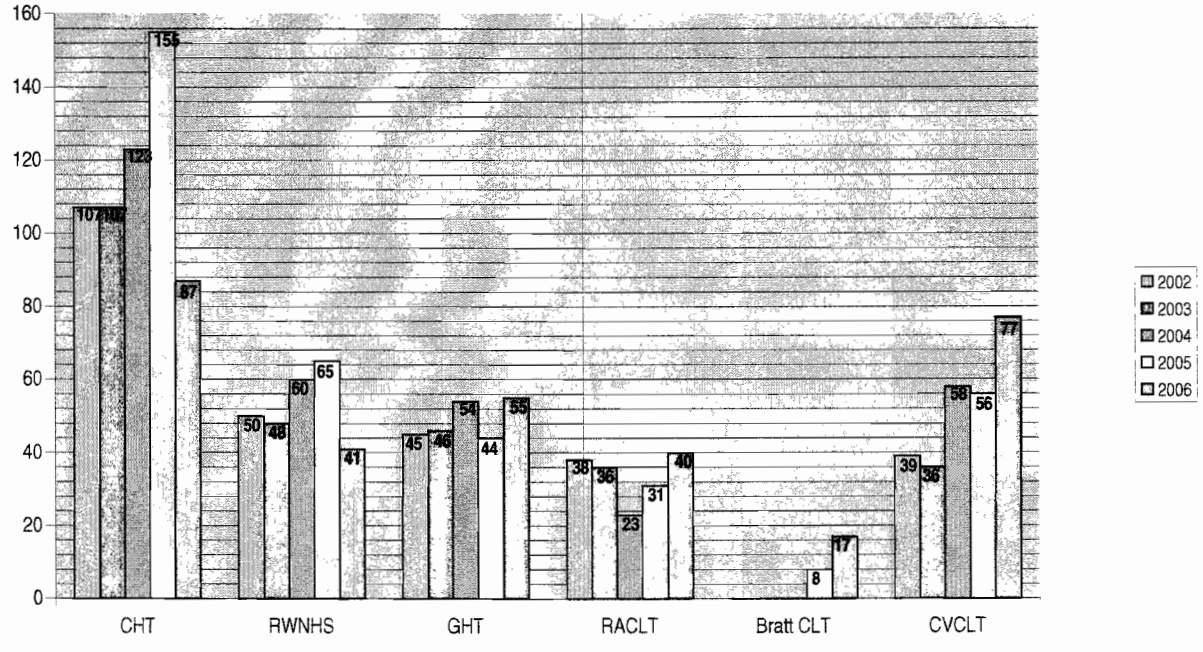
The Centers reported that 317 households purchased homes in 2006, compared with 359 in 2005.

Total Number of Home Buyers Using A Homeownership Center



The Centers that serve the Northeast Kingdom, Central Vermont and Southeastern Vermont all experienced an increase in the number of homebuyers assisted. The Centers that serve Northwest and Southwest Vermont saw a reduction in the number of homebuyers assisted.

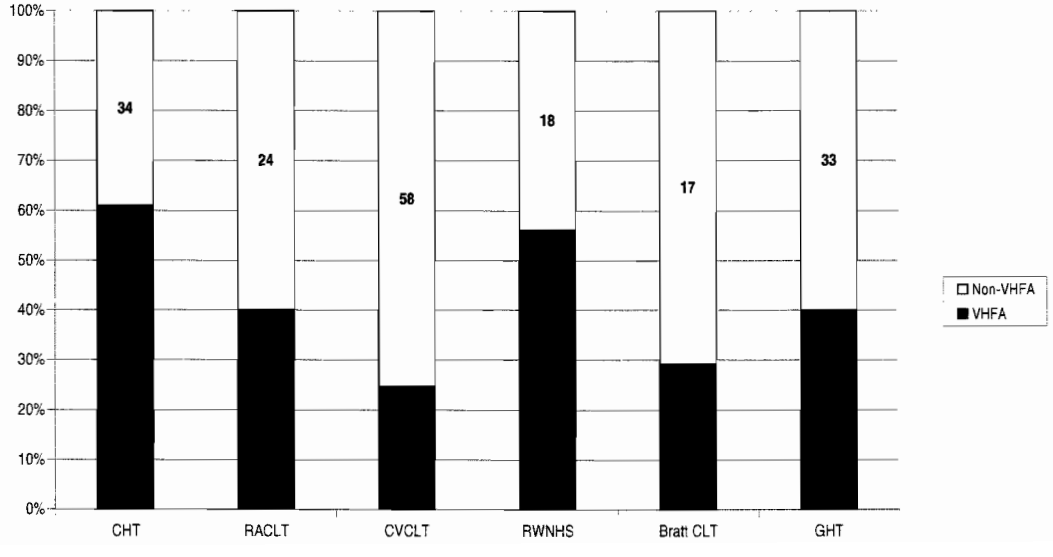
Number of Home Buyers by Homeownership Center



Use of VHFA Financing in 2006

Together, the Centers assisted 142 households to buy homes using VHFA financing. They accounted for 45% of all Center assisted homebuyers and about 15% of all loans purchased by VHFA in 2005. This compares to 156 households assisted with VHFA financing in CY 2005; 22% of all loans purchased by VHFA.

Number of VHFA and Non-VHFA Homebuyers

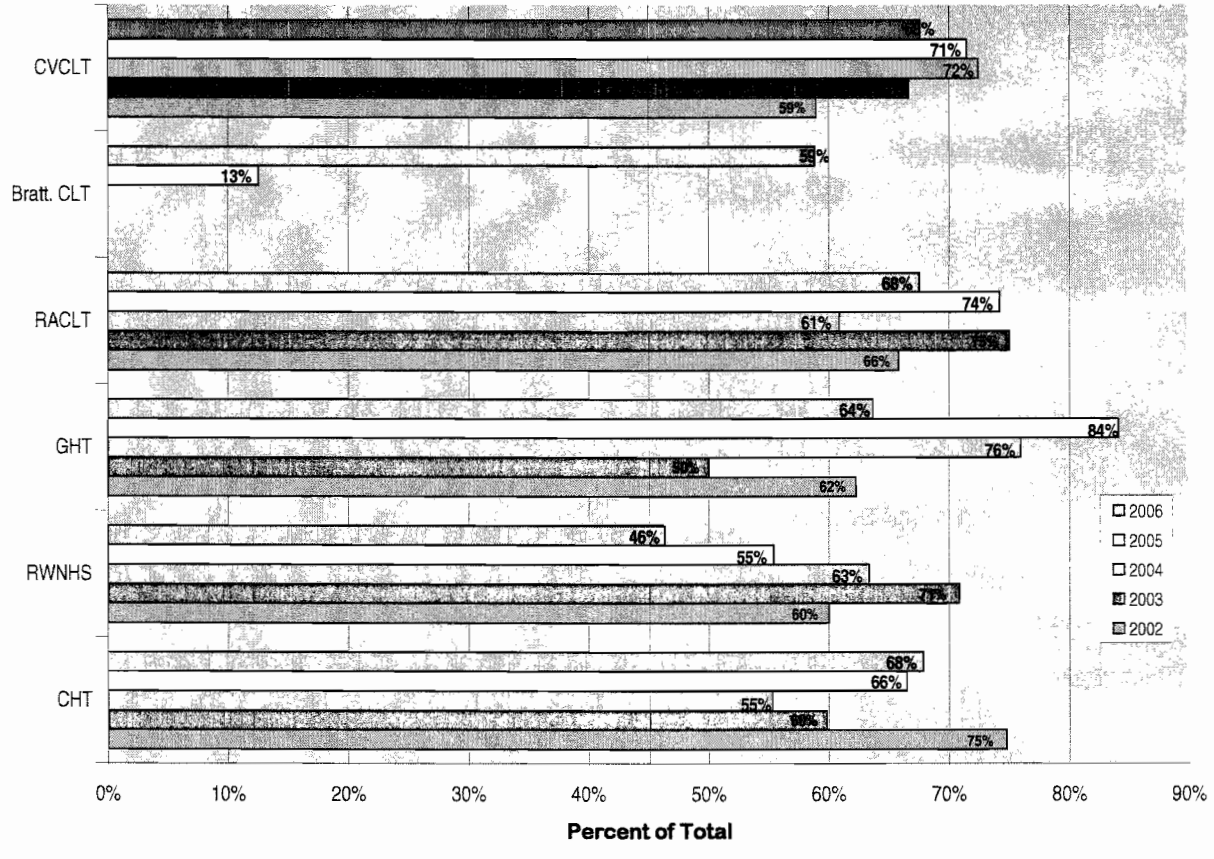


The main reasons cited by the Centers as to why VHFA financing was not used were:

- Credit Issues;
- Property Condition Issues;
- Very Low Income - Used RD 1% financing;
- Not a first-time buyer;
- Property Purchased in another State.

Percentage of Home Buyers With Low Incomes Remained Constant in 2006

Together, about 64% of all Center customers who bought homes in 2006 had low or very low incomes. This percentage compares to 66% in 2005.



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A total of 868 households completed pre-purchase workshops

In 2006, the total number of 868 households completing pre-purchase homebuyer education workshops compared to 836 in 2005.

VHFA Delinquency Rates substantially lower for Homeownership Center borrowers

The average delinquency and default rates for Center customers is substantially lower than delinquency and default rates for VHFA's entire portfolio. The following information is based on the average performance of these loans in CY 2006.

	# of Loans	30 days	%	60 days	%	90 days	%	foreclosure	%	Total	%
VHFA	4802	202	4.21%	50	1.04%	22	0.46%	36	0.75%	310	6.46%
HOCenter	330	8	2.42%	2	0.61%	2	0.61%	1	0.30%	13	3.94%

Financial Support Received by the Centers

In calendar year 2006, VHFA provided approximately $250,000 in financial support to the Centers – approximately 24% of their total budget. VHFA's support was leveraged by approximately $800,000 in funding from a variety of sources including, HUD Housing Counseling Funds, NeighborWorks®, funding from other partners, foundation grants, workshop fees, and development fees. In addition, VHFA staff offered support on a number of outreach activities and trained Center staff on VHFA financing options.

Other Activities, Partnerships, and Services Offered

The Centers outreach efforts consist of marketing and advertising using a variety of methods as well as direct contact with the communities they serve and targeted groups include speaking engagements at various civic organizations and presentations to major employers. They also utilize traditional avenues including print, radio, and marketing on their website. The Centers have established partnerships with other nonprofits, lenders, real estate brokers, home builders, and Rural Development.

Chittenden, Franklin and Grand Isle Counties

A merger between Burlington Community Land Trust and Lake Champlain Housing Development Corporation formed the new Champlain Housing Trust. The staff of the Center that serves both areas was essentially already merged. The number of households who received homebuyer education and the number of homebuyers who purchased declined in 2006; however, the use of VHFA financing for the buyers increased. The Center is working on a number of new housing projects with private developers that will provide more opportunities in 2007. .

Northeast Kingdom

The Centers in Lyndonville and Newport operated by Gilman Housing Trust (GHT) increased both the number of households who purchased homes in CY 2006 and the percentage that were financed by VHFA. Over 46% of Center customer used VHFA. The Center is also experiencing growing demand for its rehab loan services and financing, delinquency intervention, foreclosure prevention and reverse mortgage counseling. In addition, they continue to enroll participants in their Individual Development Account Program and Financial Fitness workshops

Windsor and Windham Counties

In March 2006, Rockingham Area Community Land Trust (RACLT) moved its offices to newly rehabbed building on Main Street in downtown Springfield. The offices provide a more professional environment, more private space to meet with customers, and a very convenient location.

RACLT's partnership with Brattleboro Area Community Land Trust (BACLT) in both the operation a satellite office for the Center and in the Southeastern Vermont Rehab Loan Fund has been a substantial benefit to both

organizations and residents in Windsor and Windham counties. Workshops are now being offered on a regular schedule in Springfield, Windsor, and Brattleboro. Both RACLT and BACLT increased the number of homebuyers assisted and the use of VHFA financing in 2006.

Central Vermont

Central Vermont Community Land Trust (CVCLT) increased the number of homebuyers assisted and the use of VHFA financing in 2006. Their revolving loan fund continues to be very active. In addition, CVCLT was awarded a $9,500 grant to work with two other Centers (RACLT and GHT) to develop a "Partnership in Foreclosure Prevention" program. The purpose of the partnership was to create a statewide best practices model for housing counselors dealing with mortgage delinquency and foreclosure cases.

Addison, Bennington and Rutland Counties

NeighborWorks of Western Vermont (NWWVT) continues to see a high level of demand for education workshops, foreclosure prevention services and loans for rehab and repairs. In addition to their Cottage Lane development in Middlebury, they are also considering partnerships with for-profit developers in Rutland and Brandon. NWWVT has also formed a partnership with a number of lenders to establish a Participation Loan Pool that would be funded by the lenders and available to Center customers using VHFA financing programs. The loan pool would provide a second mortgage equal to 20% of the purchase price thereby eliminating the need for mortgage insurance. The second mortgage would be fully amortizing over a 30 year period at the same interest rate as the VHFA first mortgage.

Centers Are Actively Counseling Over 634 Households

As of December 31, 2006, the Centers estimated that they are actively counseling 579 households with the potential to purchase homes in the next 2 years, as shown below:

	Chittenden, Franklin & Grand Isle	NE Kingdom	Windsor & Windham	Addison, Bennington & Rutland	Central VT	All Centers
0-6 months	68	44	41	9	44	206
6-12 months	10	5	30	12	19	76
1-2 years	33	103	124	33	4	297
Total	111	152	195	54	67	579

Delinquency Intervention and Foreclosure Prevention Activities

The Centers provided delinquency intervention and foreclosure prevention services and counseling to approximately 111 households in 2006. A total of 28 of these households had VHFA mortgages. The Centers served these households through budget counseling, credit counseling, by acting as a liaison with the servicer, by discussing refinancing options and providing referrals, by assisting with forbearance agreements, loan modifications, and pre-foreclosure sales.

NO BOARD ACTION IS REQUESTED

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Tom Connors, Chief Financial Officer

RE: Quarterly Financial Statements – March 31, 2007

DATE: May 3, 2007

I'm pleased to provide The Board with the financial statements for the nine months ended March 31, 2007 along with some additional explanations and comparative schedules.

This is the quickest quarterly close since the trustee conversion from TD Banknorth to Bank of New York and equals the fastest close in memory. I'm pleased to let you know that the staff made some fundamental changes to the closing process to make it possible to provide more timely financial statements for interim (non-year end) quarters in the future. The statements were produced in 30 days, despite two staff members being away at the annual Mitas Users Conference. The management team and staff should be commended for achieving this milestone during a time when there are several major competing projects. We consider this format a new "baseline" to which we will make enhancements in future quarters.

In looking at the March 2007 financial results, it's important to understand that both cash balances and bonds payable will look artificially high in comparison to the audited June 2006 financials due to the timing of the May 1 debt service. The attached narratives and financial schedules will provide a good summary of what is turning out to be a very successful year for the Agency.

Some highlights from the financial results to date:

- The Agency reported operating income of $3,496,533 for the nine months ended March 31, 2007. This compares to an operating income of $3,309,774 for the entire year ended June 30, 2006. When combined with an increase in market value of investments, the overall increase in net assets for the nine months is $4,033,131.

- The mortgage and construction loan portfolio grew by $73.8 million. Although the number of loans originated was similar to the previous year, the dollar volume of loan originations through the third quarter was $123.8 million or 87% of the entire volume for 2006 ($142.6 million).

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phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

- To finance a strong level of loan originations, the Agency issued bonds totaling $148 million and $20 million of notes for single family and $4.2 million for multi-family projects during the nine month period.

- The positive trend in single-family loan losses continued through he first nine months of the year. The Agency reported a net property disposition gain of $21,497 year-to-date.

The staff is excited about the progress it has made in accelerating the close and will continue to look for and implement process improvements as we work through the upgrade of our financial systems. As always, if you have any questions, feel free to give me a call.

Discussion of changes in Statement of Net Assets

The Agency's Statement of Net Assets consists primarily of single family and multi-family mortgage loans, cash and investments, and related bonds and notes payable. It also includes a portfolio of mortgage and construction loans financed through the Operating Fund, as well as a variety of other assets such as property and equipment, other receivables, and deferred charges.

Cash and investments are used to fund loan purchases, bond debt service, and reserve funds, and are typically held in guaranteed investment contracts or other investment vehicles, as authorized in accordance with the Agency's investment policy.

The following table summarizes the net assets of the Agency as of March 31, 2007 with comparative data from the prior fiscal year:

	March 2007	June 2006	March 2006	% Change March 2007 vs. June 2006
Assets				
Cash and investments	$ 254,696,934	$ 182,245,067	$ 176,847,200	39.8
Loans receivable	602,817,874	529,001,950	504,355,574	14.0
Other assets	20,439,437	17,002,028	17,114,837	20.2
Total assets	877,954,245	728,249,045	698,317,611	20.6
Liabilities				
Bonds and notes payable	779,389,821	640,810,463	608,394,242	21.6
Other liabilities	15,948,703	8,855,993	11,913,220	80.1
Total liabilities	795,338,524	649,666,456	620,307,462	22.4
Net Assets:				
Invested in capital assets	1,637,568	1,690,221	1,715,622	(3.1)
Restricted:				
Bond and other requirements	62,680,442	61,297,505	61,663,035	2.3
Excess yield loans	10,715,353	8,349,379	8,537,673	28.3
Unrestricted	7,582,358	7,245,484	6,093,819	4.6
Total net assets	$ 82,615,721	$ 78,582,589	$ 78,010,149	5.1

For the nine months ended March 31, 2007, total assets increased by $149.7 million or 20.6%, primarily the result of:

- Cash and investments increased by $72.5 million, or 39.8%. This represents bond proceeds held in acquisition funds from the single family bond issue closed in early March, mortgage loan collections held pending debt service payments on May 1, and the increase in fair value of investments.

- Total Mortgage and Construction Loans Receivable increased by $73.8 million, or 14.0%. Loan originations for the first 9 months of FY '07 were $123.8 million, (vs. $85 million for the comparable time period in FY '06).

	YTD March 2007	June 2006	YTD March 2006	% Chg Mar 2007 vs. June 2006
Beginning balance	$ 529,001,950	$ 465,703,753	$ 465,703,753	13.6
Mortgage loan originations	123,848,541	142,604,540	85,342,436	(13.2)
Principal collections	(49,711,053)	(78,460,206)	(45,899,212)	(36.6)
Loans transferred to REO status	(331,564)	(931,632)	(791,407)	(64.4)
Loan loss provision	10,000	85,495	—	(88.3)
Ending balance - MLR	$ 602,817,874	$ 529,001,950	$ 504,355,570	14.0

Total liabilities of the Agency increased by $145.7 million or 22.4% during the first nine months of FY 2007. Significant debt transactions include:

- Three new bond series of Single Family Housing Bonds were issued totaling $148 million in bonds and $20 million in notes. These proceeds were used to finance single family mortgage purchases.

- One new bond series of Multi-Family Mortgage Bonds was issued totaling $4.2 million. These proceeds were used to provide permanent financing for nine different projects.

- Twenty-nine construction projects totaling $19.5 million were financed with notes payable from lending institutions.

- $22.4 million of Single Family Housing Bonds were redeemed prior to maturity as a result of mortgage loan prepayments received.

Total net assets of the Agency increased by $4.0 million, or 5.1 %, as a result of the net income for the nine month period ended March 31, 2007.

Discussion of changes in Statement of Revenues, Expenses and changes in Net Assets

The Agency's operating revenues consist primarily of interest income on mortgage and construction loans, investment income, and miscellaneous fee income. Operating expenses consist of bond interest expense and other debt financing costs, operational expenses, and mortgage servicing fees.

The following summarizes the changes for the 9-month period ended March 31, 2007 with comparative data from the prior fiscal year.

	March YTD 2007	March YTD 2006	June 2006	% Change Mar 07 vs. Mar '06
Operating Revenues				
Interest on loans	$ 26,590,995	$ 23,372,651	$ 31,413,101	13.8
Interest on investments	8,370,303	6,686,877	8,772,556	25.2
Fee income	566,337	364,122	765,665	55.5
Other revenue	43,762	45,741	61,823	(4.3)
Total operating revenues	35,571,397	30,469,391	41,013,145	16.7
Operating Expenses				
Financing costs	28,035,970	24,051,384	32,469,627	16.6
Operational expenses	3,230,376	3,065,669	4,192,544	5.4
Mortgage servicing	851,648	719,564	973,310	18.4
Loan (gain) loss	(21,497)	79,491	(101,943)	(127.0)
Loss (gain) on bond redemptions	(21,633)	(11,367)	169,833	90.3
Total operating expenses	32,074,864	27,904,741	37,703,371	14.9
Operating income	3,496,533	2,564,650	3,309,774	36.3
Non-Operating Revenues				
Net appreciation (depreciation) in fair value of investments	536,598	(945,685)	(1,118,366)	NA
Excess (deficiency) of revenues over expenses	4,033,131	1,618,965	2,191,408	149.1

The Agency's net income for the nine months ended March 31, 2007 was $4,033,131, compared to net income of $1,618,965 for the same period the prior year.

The $2.4 million increase in net income was predominantly the net effect of:

- Total operating revenues increased $5.1 million or 16.7%, due to the nearly $100 million increase in mortgage loans receivable and $72.4 million increase in cash and investments. The related expenses (financing costs, operational, and mortgage servicing expenses) increased $4.3 million or 15%, a net asset increase of $1.1 million.

- Net appreciation in the fair value of investments accounted for an increase in net assets of $536,598 in fiscal year 2007, compared to net depreciation of $945,685 in the prior year, a change in net assets of $1.5 million.

VERMONT HOUSING FINANCE AGENCY

Consolidated Financial Statements

Date: 03/31/2007

	GENERAL FUND	SINGLE FAMILY	MULTI FAMILY	GENERAL OBLIGATION			TOTAL
ASSETS							
Cash and cash equivalents	7,352,723.61	144,448,868.29	31,148,930.86				182,950,522.76
Investments	100,000.00	63,852,796.67	7,793,614.47				71,746,411.14
Mortgage and construction loan	15,252,069.70	454,143,182.01	137,689,260.30				607,084,512.01
Less: reserve for loan loss	2,669,755.60-	96,882.00-	1,500,000.00-				4,266,637.60-
Accrued interest receivable							
-Mortgage and notes	1,180,202.21	1,773,486.53	431,239.80				3,384,928.54
-Investments	18,647.54	3,481,846.14	218,216.82				3,718,710.50
Deferred cost of bond issuance		3,182,042.34	1,179,715.34				4,361,757.68
Deferred mortgage origination fees, net	165,897.71-	2,019,368.48					1,853,470.77
Office furniture and fixtures	1,443,837.02						1,443,837.02
Less: accumulated depreciation	1,582,102.84						1,582,102.84
Land	775,000.00						775,000.00
Building	1,000,833.95						1,000,833.95
Other receivables:prepaids	138,500.17	4,936,380.03	197,574.57				5,272,454.77
Interfund receivables	1,476,126.11-	3,908,084.41	2,431,958.30-				
Other assets		210,546.38					210,546.38
TOTAL ASSETS	21,367,931.94	681,859,719.28	174,726,593.86				877,954,245.08
LIABILITIES & FUND BALANCE							
Deferred income	299,006.66						299,006.66
Accounts payable	378,974.42	1,677,672.57	99,088.18				2,155,735.17
Escrowed cash deposits	2,650,882.70	8,163.27-					2,642,719.43
Notes payable	9,843,052.59	65,000,000.00	20,367,252.43				95,210,305.02
Accrued interest	50,575.69	11,356,556.62	832,372.01				12,239,504.32
Accreted interest							
Bonds payable	563,081.78	558,365,000.00	125,251,434.08				684,179,515.86
Unamort premium on bonds/notes		106,790.41	1,495,052.91-				1,388,262.50-
Fund balance	7,582,358.10	45,361,862.95	29,671,500.07				82,615,721.12
TOTAL LIABILITIES & FUND BAL	21,367,931.94	681,859,719.28	174,726,593.86				877,954,245.08

VERMONT HOUSING FINANCE AGENCY

Consolidated Financial Statements

Date: 03/31/2007

	GENERAL FUND	SINGLE FAMILY	MULTI FAMILY	GENERAL OBLIGATION			TOTAL
REVENUES:							
Interest Income:							
Mortgage & construction loans	614,558.80	19,275,901.76	6,700,534.15				26,590,994.71
Investments	91,717.33	6,745,678.72	1,532,907.04				8,370,303.09
Gain/loss on investment sale							
Fee income:							
Multi-family programs	491,765.40		60,349.62				552,115.02
Single family programs	11,069.27	3,153.00					14,222.27
Grant income							
VHMGB income							
Miscellaneous income	43,762.30						43,762.30
TOTAL REVENUES	1,252,873.10	26,024,733.48	8,293,790.81				35,571,397.39
EXPENSES:							
Financing costs: including interest and amortization of premium, discount & costs of issuance	547,172.36	21,564,524.20	5,924,273.07				28,035,969.63
Mortgage service, contract administration fees, & property disposition expense		851,648.16					851,648.16
Salaries and benefits	2,182,252.06						2,182,252.06
Operating expenses	855,084.55						855,084.55
Professional fees	93,913.45						93,913.45
Trustee and assignee fees	99,126.15						99,126.15
Loss on bond redemptions		21,633.21-					21,633.21-
Foreclosed property loss		31,496.65-	10,000.00				21,496.65-
TOTAL EXPENSES	3,777,548.57	22,363,042.50	5,934,273.07				32,074,864.14
Surplus before change in investment market value	2,524,675.47-	3,661,690.98	2,359,517.74				3,496,533.25
Change in investment value		524,646.71	11,951.03				536,597.74
Excess (deficiency) of revenues over expenses	2,524,675.47-	4,186,337.69	2,371,468.77				4,033,130.99
Fund balance, beginning	8,935,704.91	41,902,027.81	27,744,857.41				78,582,590.13
Transfer to General Fund (net)	1,171,328.66	726,502.55-	444,826.11-				
Fund balance, end of period	7,582,358.10	45,361,862.95	29,671,500.07				82,615,721.12

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Tom Connors, Chief Financial Officer

RE: **Approval of Trustee for the new Multipurpose Bond Resolution**

DATE: May 1, 2007

Board Action Requested: Approve the selection of Wells Fargo as the trustee for the new Multipurpose Bond Resolution

At the March Board Meeting the Board approved the RFP for a new trustee for the new Multipurpose Bond Resolution to handle both single family and multifamily bond issues in the future. Requests for Proposal were sent out to four trustees: Bank of New York, US Bank, Wells Fargo and Chittenden. All four trustees responded with proposals by the April 4th deadline. The Selection Committee met on April 5th to formalize our approach to the selection process. We then spent the afternoon of April 11th reviewing the proposals and developing a scorecard. Over the next couple of weeks we held on-site meetings and demonstrations with each of the vendors, except Bank of New York, whose systems and support we were already familiar with. We also conducted several reference calls, not just with other HFA's, but also with our Financial Advisor and Bond Counsel. We also spoke to several HFA's at the Mitas User Conference about their trustee experience.

This morning (May1) the Selection Committee met to consolidate all our notes and make a final decision on what trustee to recommend to the Board for approval. Scott Baker provided a detailed and comprehensive financial model comparing the long term cost of services from the four trustees. **See attached spreadsheets** (one page summary, 30 year projection, 10 year projection)

The main criteria considered were as follows:

- General reputation of each trustee in the industry
- Anticipated quality of service provided, by the trustee in general, as well as the specific office and support team (based on references, meetings and demos)
- Quality of existing systems as well as long-term systems strategy
- Experience of the trustee and local support team with housing bonds specifically

- Ability to automate a seamless EDI interface with VHFA Mitas accounting software
- Ability to work with VHFA to re-engineer processes for improved efficiency
- Short-term and long-term cost of services (Two scenarios: one if we only have them handle bonds under the new indenture and one if we decide to convert our existing portfolio in the future)
- Impact on VHFA staff (positive or negative) due to quality of trustee systems and support

Based on the criteria listed above, the Selection Committee came to the unanimous conclusion that Wells Fargo will provide the most accurate and highest quality service for the price in the short term and in the future. **A table summarizing our comparison of the trustees is attached.**

Pending the endorsement of this recommendation by the VHFA Audit/Risk Committee, we are asking the Board to approve the proposal to select Wells Fargo as the trustee for the new Multipurpose Bond Resolution.

Summary of Trustee Evaluation
May 1, 2007

Trustee	Pros	Cons
Chittenden	• Vermont Based-Bank • Local support • Price	• No experience with housing bonds • Systems limited, not user friendly • Concern about potential acquisition, resulting conversion to a bigger bank
Bank of New York	• They know VHFA needs • Good support team, some concern about future stability • Less training, transition since they're our current trustee	• A lot of problems with conversion from TD Banknorth • EDI interface requires manual intervention, which creates repeated errors (also delayed reporting, continued issues) • Systems are not user-friendly • Current reputation not good in the industry based on due diligence/reference calls • Won't get exposure to a different (maybe better alternative)
US Bank	• They are currently our trustee on older MF series • Stable dependable support team • Reliable performance with debt service in the past • Systems are adequate • They've done HFA interfaces with Mitas	• They are on a major acquisition strategy (like BONY). There are concerns about focus on customer service • Support model seems to be more centralized (like BONY) • Confusion over who will support systems customizations; where we would fit as far as priorities
Wells Fargo	• Very good reputation in the industry based on due diligence/reference calls • Strong systems • Support model has a "local" office focus • RI support team has an excellent reputation, great background as trust officers in housing industry • Growth strategy is "organic"	• Mitas interface does not exist, but is "doable" • Marginal price disadvantage. Short-term pricing is higher, but should recover costs over time.

Trustee RFP - Cost Analysis
Single Family Bond Issue
(Using Series 27 Assumptions)

	30 year bond life	10 year bond life
Wells Fargo		
Acceptance fee	$ 2,500	$ 2,500
Trustee counsel	$ 3,500	$ 3,500
Deposit of loan files ($.50/loan)	$ 158	$ 158
Annual loan safekeeping ($2/loan)	$ 8,731	$ 3,612
Loan Release requests ($1.64/loan)	$ 517	$ 517
Total cost (Bond COI)	**$ 15,405**	**$ 10,287**
Admin Fees - life of issue (GF)	**$ 58,955**	**$ 29,116**
Total cost	**$ 74,360**	**$ 39,403**
BONY		
Acceptance fee	$ 2,000	$ 2,000
Trustee counsel	$ 465	$ -
Investment fees - 35 bp (lost income)	$ 5,795	$ 432
Total cost (Bond COI)	**$ 8,260**	**$ 2,432**
Admin Fees - life of issue (GF)	**$ 94,328**	**$ 46,585**
Total cost	**$ 102,588**	**$ 49,017**
US Bank		
Acceptance fee	$ 1,000	$ 1,000
Trustee counsel -at cost	$ 3,500	$ 3,500
Investment fees - 30 bp (lost income)	$ 1,571	$ 370
Total cost (Bond COI)	**$ 6,071**	**$ 4,870**
Admin Fees - life of issue (GF)	**$ 88,073**	**$ 33,929**
Total cost	**$ 94,144**	**$ 38,799**
Chittenden		
Acceptance fee	$ 500	$ 500
Trustee counsel ($200/hour)	$ 3,000	$ 3,000
Investment fees - 25 bp (lost income)	$ 4,139	$ 309
Total cost (Bond COI)	**$ 7,639**	**$ 3,809**
Admin Fees - life of issue (GF)	**$ 108,500**	**$ 35,000**
Total cost	**$ 116,139**	**$ 38,809**
Wells Fargo (at reduced fee) - if convert existing business		
Acceptance fee	$ 2,500	$ 2,500
Trustee counsel	$ 3,500	$ 3,500
Deposit of loan files ($.50/loan)	$ 158	$ 158
Annual safekeeping ($2/loan)	$ 8,731	$ 3,612
Release requests ($1.64/loan)	$ 517	$ 517
Total cost (Bond COI)	**$ 15,405**	**$ 10,287**
Admin Fees - life of issue (GF)	**$ 47,164**	**$ 23,293**
Total cost	**$ 62,569**	**$ 33,580**

Trustee Cost Analysis
Single Family I
(Series 27 Exa[redacted]
With 30 year[redacted]

	Year 1 2007	Year 2 2008	Year 3 2009	Year 4 2010	Year 5 2011	Year 6 2012	Year 7 2013	Year 8 2014	Year 9 2015	Year 10 2016	Year 11 2017	Year 12 2018	Year 13 2019	Year 14 2020	Year 15 2021	Year 16 2022	Year 17 2023	Year 18 2024	Year 19 2025
Bonds Issued	$42,350,000																		
Number of loans originated	315																		
Average loan balance	$ 135,000	$ 133,263	$ 131,424	$ 129,476	$ 127,414	$ 125,229	$ 122,915	$ 120,465	$ 117,870	$ 115,122	$ 112,212	$ 109,130	$ 1,104,736	$ 101,212	$ 97,481	$ 93,529	$ 89,344	$ 84,911	$ 80,218
Number of loans released	0	4	14	19	20	18	17	15	14	13	12	11	144	-127	9	8	8	7	7
Number of loans remaining	315	311	297	278	257	239	222	207	193	181	169	158	14	141	132	124	117	110	103
Mortgage loan balance	$42,291,218	$41,452,396	$38,997,145	$35,967,700	$32,799,159	$29,924,587	$27,326,952	$24,960,196	$22,794,657	$20,807,440	$18,978,475	$17,288,930	$15,722,691	$14,265,063	$12,901,027	$11,624,172	$10,429,132	$ 9,310,832	$ 8,264,538
Net Revenues	$ 142,716	$ 905,813	$ 1,949,868	$ 2,515,226	$ 2,670,445	$ 2,393,107	$ 2,145,098	$ 1,938,316	$ 1,752,183	$ 1,596,948	$ 1,450,347	$ 1,308,326	$ 1,196,210	$ 1,088,897	$ 1,008,894	$ 930,596	$ 857,956	$ 785,750	$ 727,052
Outstanding debt	$42,350,000	$41,000,000	$38,695,000	$35,775,000	$32,620,000	$29,740,000	$27,140,000	$24,775,000	$22,615,000	$20,640,000	$18,830,000	$17,145,000	$15,590,000	$14,140,000	$12,790,000	$11,525,000	$10,345,000	$ 9,240,000	$ 8,210,000
Wells Fargo																			
Acceptance fee	$ 2,500	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Trustee counsel	$ 3,500	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deposit of loan files ($.50/loan)	$ 158	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Annual safekeeping ($2/loan)	$ 630	$ 622	$ 593	$ 556	$ 515	$ 478	$ 445	$ 414	$ 387	$ 361	$ 338	$ 317	$ 28	$ 282	$ 265	$ 249	$ 233	$ 219	$ 206
Release requests ($1.64/loan)	$ -	$ 6	$ 24	$ 31	$ 33	$ 30	$ 27	$ 25	$ 23	$ 21	$ 19	$ 18	$ 236	$ (208)	$ 14	$ 13	$ 12	$ 12	$ 11
Total cost (Bond COI)	$ 6,788	$ 629	$ 617	$ 587	$ 548	$ 508	$ 472	$ 439	$ 409	$ 382	$ 357	$ 334	$ 265	$ 74	$ 279	$ 262	$ 246	$ 231	$ 217
Annual Admin Fee (GF)	$ 5,294	$ 5,125	$ 4,837	$ 4,472	$ 4,078	$ 3,718	$ 3,393	$ 3,097	$ 2,827	$ 2,580	$ 2,354	$ 2,143	$ 1,949	$ 1,768	$ 1,599	$ 1,441	$ 1,293	$ 1,155	$ 1,026
Total costs	**$ 12,081**	**$ 5,754**	**$ 5,454**	**$ 5,059**	**$ 4,626**	**$ 4,226**	**$ 3,864**	**$ 3,536**	**$ 3,236**	**$ 2,962**	**$ 2,711**	**$ 2,478**	**$ 2,214**	**$ 1,842**	**$ 1,878**	**$ 1,702**	**$ 1,539**	**$ 1,386**	**$ 1,243**
BONY																			
Acceptance fee	$ 2,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Trustee counsel	$ -	$ -	$ 1	$ 2	$ 3	$ 4	$ 5	$ 6	$ 7	$ 8	$ 9	$ 10	$ 11	$ 12	$ 13	$ 14	$ 15	$ 16	$ 17
Investment fees - 35 bp (lost income)	$ 25	$ 159	$ 341	$ 440	$ 467	$ 419	$ 375	$ 339	$ 307	$ 279	$ 254	$ 229	$ 209	$ 191	$ 177	$ 163	$ 150	$ 138	$ 127
Total cost (Bond COI)	$ 2,025	$ 159	$ 342	$ 442	$ 470	$ 423	$ 380	$ 345	$ 314	$ 287	$ 263	$ 239	$ 220	$ 203	$ 190	$ 177	$ 165	$ 154	$ 144
Annual Admin Fee (GF)	$ 8,470	$ 8,200	$ 7,739	$ 7,155	$ 6,524	$ 5,948	$ 5,428	$ 4,955	$ 4,523	$ 4,128	$ 3,766	$ 3,429	$ 3,118	$ 2,828	$ 2,558	$ 2,305	$ 2,069	$ 1,848	$ 1,642
Total costs	**$ 10,495**	**$ 8,359**	**$ 8,081**	**$ 7,597**	**$ 6,994**	**$ 6,371**	**$ 5,808**	**$ 5,300**	**$ 4,837**	**$ 4,415**	**$ 4,029**	**$ 3,668**	**$ 3,338**	**$ 3,031**	**$ 2,748**	**$ 2,482**	**$ 2,234**	**$ 2,002**	**$ 1,786**
US Bank																			
Acceptance fee	$ 1,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Trustee counsel -at cost	$ 3,500	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Investment fees - 30 bp (lost income)	$ 21	$ 136	$ 292	$ 377	$ 401	$ 359	$ 322	$ 291	$ 263	$ 240	$ 218	$ 196	$ 179	$ 163	$ 151	$ 140	$ 129	$ 118	$ 109
Total cost (Bond COI)	$ 4,521	$ 136	$ 292	$ 377	$ 401	$ 359	$ 322	$ 291	$ 263	$ 240	$ 218	$ 196	$ 179	$ 163	$ 151	$ 140	$ 129	$ 118	$ 109
Annual Admin Fee (GF)	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 3,766	$ 3,429	$ 3,118	$ 2,828	$ 2,558	$ 2,305	$ 2,069	$ 2,000	$ 2,000
Total costs	**$ 8,521**	**$ 4,136**	**$ 4,292**	**$ 4,377**	**$ 4,401**	**$ 4,359**	**$ 4,322**	**$ 4,291**	**$ 4,263**	**$ 4,240**	**$ 3,984**	**$ 3,625**	**$ 3,297**	**$ 2,991**	**$ 2,709**	**$ 2,445**	**$ 2,198**	**$ 2,118**	**$ 2,109**
Chittenden																			
Acceptance fee	$ 500	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Trustee counsel ($200/hour)	$ 3,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Investment fees - 25 bp (lost income)	$ 18	$ 113	$ 244	$ 314	$ 334	$ 299	$ 268	$ 242	$ 219	$ 200	$ 181	$ 164	$ 150	$ 136	$ 126	$ 116	$ 107	$ 98	$ 91
Total cost (Bond COI)	$ 3,518	$ 113	$ 244	$ 314	$ 334	$ 299	$ 268	$ 242	$ 219	$ 200	$ 181	$ 164	$ 150	$ 136	$ 126	$ 116	$ 107	$ 98	$ 91
Annual Admin Fee (GF)	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500
Total costs	**$ 7,018**	**$ 3,613**	**$ 3,744**	**$ 3,814**	**$ 3,834**	**$ 3,799**	**$ 3,768**	**$ 3,742**	**$ 3,719**	**$ 3,700**	**$ 3,681**	**$ 3,664**	**$ 3,650**	**$ 3,636**	**$ 3,626**	**$ 3,616**	**$ 3,607**	**$ 3,598**	**$ 3,591**
Wells Fargo (at reduced fee) - if convert existing business																			
Acceptance fee	$ 2,500	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Trustee counsel	$ 3,500	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deposit of loan files ($.50/loan)	$ 158	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Annual safekeeping ($2/loan)	$ 630	$ 622	$ 593	$ 556	$ 515	$ 478	$ 445	$ 414	$ 387	$ 361	$ 338	$ 317	$ 28	$ 282	$ 265	$ 249	$ 233	$ 219	$ 206
Release requests ($1.64/loan)	$ -	$ 6	$ 24	$ 31	$ 33	$ 30	$ 27	$ 25	$ 23	$ 21	$ 19	$ 18	$ 236	$ (208)	$ 14	$ 13	$ 12	$ 12	$ 11
Total cost (Bond COI)	$ 6,788	$ 629	$ 617	$ 587	$ 548	$ 508	$ 472	$ 439	$ 409	$ 382	$ 357	$ 334	$ 265	$ 74	$ 279	$ 262	$ 246	$ 231	$ 217
Annual Admin Fee (GF)	$ 4,235	$ 4,100	$ 3,870	$ 3,578	$ 3,262	$ 2,974	$ 2,714	$ 2,478	$ 2,262	$ 2,064	$ 1,883	$ 1,715	$ 1,559	$ 1,414	$ 1,279	$ 1,153	$ 1,035	$ 924	$ 821
Total costs	**$ 11,023**	**$ 4,729**	**$ 4,486**	**$ 4,164**	**$ 3,810**	**$ 3,482**	**$ 3,186**	**$ 2,917**	**$ 2,671**	**$ 2,446**	**$ 2,240**	**$ 2,049**	**$ 1,824**	**$ 1,488**	**$ 1,558**	**$ 1,414**	**$ 1,280**	**$ 1,155**	**$ 1,038**

Trustee Cost Analysis
Single Family [redacted]
(Series 27 Ex[redacted])
With 30 yea[redacted]

	Year 20 2026	Year 21 2027	Year 22 2028	Year 23 2029	Year 24 2030	Year 25 2031	Year 26 2032	Year 27 2033	Year 28 2034	Year 29 2035	Year 30 2036	Year 31 2037	Year 32 2038	TOTAL
Bonds Issued														
Number of loans originated														315
Average loan balance	$ 75,247	$ 69,982	$ 64,407	$ 58,502	$ 52,250	$ 45,627	$ 38,614	$ 31,186	$ 23,321	$ 14,991	$ 6,169	$ 784	$ -	
Number of loans released	6	6	5	5	5	5	5	5	4	3	5	37	11	315
Number of loans remaining	97	91	86	81	75	70	65	61	57	53	49	11	0	
Mortgage loan balance	$ 7,285,766	$ 6,370,342	$ 5,514,360	$ 4,709,871	$ 3,939,391	$ 3,208,995	$ 2,525,506	$ 1,894,439	$ 1,319,938	$ 801,501	$ 299,838	$ 9,001	$ -	
Net Revenues	$ 667,830	$ 623,610	$ 560,088	$ 521,484	$ 498,400	$ 477,226	$ 444,815	$ 371,572	$ 343,098	$ 325,553	$ 397,417	$ 384,984	$132,213	
Outstanding debt	$ 7,250,000	$ 6,360,000	$ 5,520,000	$ 4,740,000	$ 3,995,000	$ 3,290,000	$ 2,640,000	$ 1,990,000	$ 1,405,000	$ 885,000	$ 395,000	$ 5,000	$ -	

Wells Fargo														Wells Fargo
Acceptance fee	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,500
Trustee counsel	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,500
Deposit of loan files ($.50/loan)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 158
Annual safekeeping ($2/loan)	$ 194	$ 182	$ 171	$ 161	$ 151	$ 141	$ 131	$ 121	$ 113	$ 107	$ 97	$ 23	$ -	$ 8,731
Release requests ($1.64/loan)	$ 10	$ 10	$ 9	$ 8	$ 8	$ 8	$ 8	$ 8	$ 7	$ 5	$ 8	$ 61	$ 19	$ 517
Total cost (Bond COI)	$ 204	$ 192	$ 180	$ 169	$ 159	$ 149	$ 139	$ 129	$ 120	$ 112	$ 105	$ 84	$ 19	**$ 15,405**
Annual Admin Fee (GF)	$ 906	$ 795	$ 690	$ 593	$ 499	$ 411	$ 330	$ 249	$ 176	$ 111	$ 49	$ 1	$ -	**$ 58,955**
Total costs	**$ 1,110**	**$ 987**	**$ 870**	**$ 762**	**$ 659**	**$ 560**	**$ 469**	**$ 378**	**$ 296**	**$ 223**	**$ 155**	**$ 84**	**$ 19**	**$ 74,360**

BONY														BONY
Acceptance fee	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,000
Trustee counsel	$ 18	$ 19	$ 20	$ 21	$ 22	$ 23	$ 24	$ 25	$ 26	$ 27	$ 28	$ 29	$ 30	$ 465
Investment fees - 35 bp (lost income)	$ 117	$ 109	$ 98	$ 91	$ 87	$ 84	$ 78	$ 65	$ 60	$ 57	$ 70	$ 67	$ 23	$ 5,795
Total cost (Bond COI)	$ 135	$ 128	$ 118	$ 112	$ 109	$ 107	$ 102	$ 90	$ 86	$ 84	$ 98	$ 96	$ 53	**$ 8,260**
Annual Admin Fee (GF)	$ 1,450	$ 1,272	$ 1,104	$ 948	$ 799	$ 658	$ 528	$ 398	$ 281	$ 177	$ 79	$ 1	$ -	**$ 94,328**
Total costs	**$ 1,585**	**$ 1,400**	**$ 1,222**	**$ 1,060**	**$ 908**	**$ 765**	**$ 630**	**$ 488**	**$ 367**	**$ 261**	**$ 177**	**$ 97**	**$ 53**	**$ 102,588**

US Bank														US Bank
Acceptance fee	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,000
Trustee counsel -at cost	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,500
Investment fees - 30 bp (lost income)	$ 100	$ 94	$ 84	$ 78	$ 75	$ 72	$ 67	$ 56	$ 51	$ 49	$ 60	$ 58	$ 20	$ 4,967
Total cost (Bond COI)	$ 100	$ 94	$ 84	$ 78	$ 75	$ 72	$ 67	$ 56	$ 51	$ 49	$ 60	$ 58	$ 20	**$ 9,467**
Annual Admin Fee (GF)	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ -	**$ 88,073**
Total costs	**$ 2,100**	**$ 2,094**	**$ 2,084**	**$ 2,078**	**$ 2,075**	**$ 2,072**	**$ 2,067**	**$ 2,056**	**$ 2,051**	**$ 2,049**	**$ 2,060**	**$ 2,058**	**$ 20**	**$ 97,540**

Chittenden														Chittenden
Acceptance fee	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 500
Trustee counsel ($200/hour)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,000
Investment fees - 25 bp (lost income)	$ 83	$ 78	$ 70	$ 65	$ 62	$ 60	$ 56	$ 46	$ 43	$ 41	$ 50	$ 48	$ 17	$ 4,139
Total cost (Bond COI)	$ 83	$ 78	$ 70	$ 65	$ 62	$ 60	$ 56	$ 46	$ 43	$ 41	$ 50	$ 48	$ 17	**$ 7,639**
Annual Admin Fee (GF)	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 0	**$ 108,500**
Total costs	**$ 3,583**	**$ 3,578**	**$ 3,570**	**$ 3,565**	**$ 3,562**	**$ 3,560**	**$ 3,556**	**$ 3,546**	**$ 3,543**	**$ 3,541**	**$ 3,550**	**$ 3,548**	**$ 17**	**$ 116,139**

Wells Fargo (at reduced fee) - if co[redacted]														Wells Fargo
Acceptance fee	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,500
Trustee counsel	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,500
Deposit of loan files ($.50/loan)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 158
Annual safekeeping ($2/loan)	$ 194	$ 182	$ 171	$ 161	$ 151	$ 141	$ 131	$ 121	$ 113	$ 107	$ 97	$ 23	$ -	$ 8,731
Release requests ($1.64/loan)	$ 10	$ 10	$ 9	$ 8	$ 8	$ 8	$ 8	$ 8	$ 7	$ 5	$ 8	$ 61	$ 19	$ 517
Total cost (Bond COI)	$ 204	$ 192	$ 180	$ 169	$ 159	$ 149	$ 139	$ 129	$ 120	$ 112	$ 105	$ 84	$ 19	**$ 15,405**
Annual Admin Fee (GF)	$ 725	$ 636	$ 552	$ 474	$ 400	$ 329	$ 264	$ 199	$ 141	$ 89	$ 40	$ 1	$ -	**$ 47,164**
Total costs	**$ 929**	**$ 828**	**$ 732**	**$ 643**	**$ 559**	**$ 478**	**$ 403**	**$ 328**	**$ 260**	**$ 201**	**$ 145**	**$ 84**	**$ 19**	**$ 62,569**

Trustee Cost Analysis
Single Family Issue
(Series 27 Example)
With 10 year life

	Year 1 2007	Year 2 2008	Year 3 2009	Year 4 2010	Year 5 2011	Year 6 2012	Year 7 2013	Year 8 2014	Year 9 2015	Year 10 2016	Year 11 2017	TOTAL
Bonds Issued	$42,350,000											
Number of loans originated	315											315
Average loan balance	$ 135,000	$ 133,263	$ 131,424	$ 129,476	$ 127,414	$ 125,229	$ 122,915	$ 120,465	$ 117,870	$ 115,122	$ 112,212	
Number of loans released	0	29	28	29	29	30	31	32	34	35	37	315
Number of loans remaining	315	286	257	229	199	169	138	105	72	37	0	
Mortgage loan balance	$42,291,218	$38,062,096	$33,832,974	$29,603,853	$25,374,731	$21,145,609	$16,916,487	$12,687,365	$ 8,458,244	$ 4,229,122	$ -	
Net Revenues	$ 142,716	$ 422,912	$ 380,621	$ 338,330	$ 296,039	$ 253,747	$ 211,456	$ 169,165	$ 126,874	$ 84,582	$ 42,291	
Outstanding debt	$42,350,000	$38,115,000	$33,880,000	$29,645,000	$25,410,000	$21,175,000	$16,940,000	$12,705,000	$ 8,470,000	$ 4,235,000	$ -	

Wells Fargo												**Wells Fargo**
Acceptance fee	$ 2,500	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,500
Trustee counsel	$ 3,500	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,500
Deposit of loan files ($.50/loan)	$ 158	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 158
Annual safekeeping ($2/loan)	$ 630	$ 571	$ 515	$ 457	$ 398	$ 338	$ 275	$ 211	$ 144	$ 73	$ -	$ 3,612
Release requests ($1.64/loan)	$ -	$ 48	$ 46	$ 47	$ 48	$ 50	$ 51	$ 53	$ 55	$ 57	$ 60	$ 517
Total cost (Bond COI)	$ 6,788	$ 619	$ 561	$ 505	$ 447	$ 387	$ 326	$ 264	$ 199	$ 131	$ 60	**$ 10,286**
Annual Admin Fee (GF)	$ 5,294	$ 4,764	$ 4,235	$ 3,706	$ 3,176	$ 2,647	$ 2,118	$ 1,588	$ 1,059	$ 529	$ -	**$ 29,116**
Total costs	**$ 12,081**	**$ 5,384**	**$ 4,796**	**$ 4,210**	**$ 3,623**	**$ 3,034**	**$ 2,444**	**$ 1,852**	**$ 1,257**	**$ 660**	**$ 60**	**$ 39,402**

BONY												**BONY**
Acceptance fee	$ 2,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,000
Trustee counsel	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Investment fees - 35 bp (lost income)	$ 25	$ 74	$ 67	$ 59	$ 52	$ 44	$ 37	$ 30	$ 22	$ 15	$ 7	$ 432
Total cost (Bond COI)	$ 2,025	$ 74	$ 67	$ 59	$ 52	$ 44	$ 37	$ 30	$ 22	$ 15	$ 7	**$ 2,432**
Annual Admin Fee (GF)	$ 8,470	$ 7,623	$ 6,776	$ 5,929	$ 5,082	$ 4,235	$ 3,388	$ 2,541	$ 1,694	$ 847	$ -	**$ 46,585**
Total costs	**$ 10,495**	**$ 7,697**	**$ 6,843**	**$ 5,988**	**$ 5,134**	**$ 4,279**	**$ 3,425**	**$ 2,571**	**$ 1,716**	**$ 862**	**$ 7**	**$ 49,017**

US Bank												**US Bank**
Acceptance fee	$ 1,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,000
Trustee counsel -at cost	$ 3,500	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,500
Investment fees - 30 bp (lost income)	$ 21	$ 63	$ 57	$ 51	$ 44	$ 38	$ 32	$ 25	$ 19	$ 13	$ 6	$ 370
Total cost (Bond COI)	$ 4,521	$ 63	$ 57	$ 51	$ 44	$ 38	$ 32	$ 25	$ 19	$ 13	$ 6	**$ 4,870**
Annual Admin Fee (GF)	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 3,388	$ 2,541	$ 2,000	$ 2,000	$ -	**$ 33,929**
Total costs	**$ 8,521**	**$ 4,063**	**$ 4,057**	**$ 4,051**	**$ 4,044**	**$ 4,038**	**$ 3,420**	**$ 2,566**	**$ 2,019**	**$ 2,013**	**$ 6**	**$ 38,799**

Chittenden												**Chittenden**
Acceptance fee	$ 500	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 500
Trustee counsel ($200/hour)	$ 3,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,000
Investment fees - 25 bp (lost income)	$ 18	$ 53	$ 48	$ 42	$ 37	$ 32	$ 26	$ 21	$ 16	$ 11	$ 5	$ 309
Total cost (Bond COI)	$ 3,518	$ 53	$ 48	$ 42	$ 37	$ 32	$ 26	$ 21	$ 16	$ 11	$ 5	**$ 3,809**
Annual Admin Fee (GF)	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ -	**$ 35,000**
Total costs	**$ 7,018**	**$ 3,553**	**$ 3,548**	**$ 3,542**	**$ 3,537**	**$ 3,532**	**$ 3,526**	**$ 3,521**	**$ 3,516**	**$ 3,511**	**$ 5**	**$ 38,809**

Wells Fargo (at reduced fee) - if convert existing business												**Wells Fargo**
Acceptance fee	$ 2,500	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,500
Trustee counsel	$ 3,500	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,500
Deposit of loan files ($.50/loan)	$ 158	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 158
Annual safekeeping ($2/loan)	$ 630	$ 571	$ 515	$ 457	$ 398	$ 338	$ 275	$ 211	$ 144	$ 73	$ -	$ 3,612
Release requests ($1.64/loan)	$ -	$ 48	$ 46	$ 47	$ 48	$ 50	$ 51	$ 53	$ 55	$ 57	$ 60	$ 517
Total cost (Bond COI)	$ 6,788	$ 619	$ 561	$ 505	$ 447	$ 387	$ 326	$ 264	$ 199	$ 131	$ 60	**$ 10,286**
Annual Admin Fee (GF)	$ 4,235	$ 3,812	$ 3,388	$ 2,965	$ 2,541	$ 2,118	$ 1,694	$ 1,271	$ 847	$ 424	$ -	**$ 23,293**
Total costs	**$ 11,023**	**$ 4,431**	**$ 3,949**	**$ 3,469**	**$ 2,988**	**$ 2,505**	**$ 2,020**	**$ 1,534**	**$ 1,046**	**$ 554**	**$ 60**	**$ 33,579**

2008 VHFA Board of Commissioners Meeting Schedule

DRAFT

Last Revised: 5/1/2007
Schedule Proposed: 4/12/2007

Date	Day of Week	~ # of wks since previous	Start/End Times	City/Town	Site
January 7	Monday	5	9:30 am – 2:00 pm	Montpelier	ACCD
February 11	Monday	5	9:30 am – 2:00 pm	Montpelier	ACCD
March 10	Monday	4	9:30 am – 2:00 pm	Montpelier	ACCD
April 7	Monday	4	9:30 am – 2:00 pm	Montpelier	ACCD
May 12	Monday	5	9:30 am – 2:00 pm	Montpelier	ACCD
June 26	Thursday	6.5	9:30 am – 2:00 pm	Burlington	VHFA offices
No July meeting					
ugust 28	Thursday	9	9:30 am – 2:00 pm	TBD	Site Visit TBD
September 25	Thursday	4	9:30 am – 2:00 pm	Burlington	VHFA offices
October 23	Thursday	4	9:30 am – 2:00 pm	Burlington	VHFA offices
November 19	Wednesday	4	9:30 am – 2:00 pm	Burlington	VHFA offices
December 18	Thursday	4	9:30 am – 2:00 pm	Burlington	VHFA offices

Generally, meetings are scheduled on Mondays during the legislative session (January – May) and on the fourth Thursday in the months of June and August – December.
Please note the following **exceptions**:

1. November (The fourth Thursday is Thanksgiving and an FHLB meeting may be scheduled for the third Thursday so this meeting was moved to the third Wednesday.)
2. December (The fourth Thursday is Christmas Day so this meeting was moved to the third Thursday.)

School Vacation Weeks May Vary by Region: Burlington: December Recess: 12/24 – 1/1
Winter Recess: 2/25 – 3/4
Spring Recess: 4/21 – 4/25

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Director of Homeownership Programs PC

DATE: May 1, 2007

RE: Summary of Homeownership Activities

PRODUCTION

Production reports as of March 31, 2007 by fiscal year and calendar year are attached. We expect to end the fiscal year with approximately 950 loans purchased for a total of $133.0 million. VHFA's current pipeline is $35 million.

COLLECTIONS

Delinquency reports as of March 31, 2007 are attached. VHFA has not experienced an increase in delinquencies and in fact our year to date average in FY 2007 is the same as FY 2006. VHFA currently owns 3 properties; two are under contract and expected to close in May.

If you have any questions please do not hesitate to call me at 652-3442 or email me at pcrady@vhfa.org.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

FY07 Production Summary

July 1, 2006 - June 30, 2007

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total
MOVE	12,358,137	16,354,977	14,702,565	9,391,304	11,050,470	12,027,936	6,478,688	5,154,110	9,199,141				**96,717,328**
HOUSE	170,654	640,120	267,939	264,000	387,900	722,916	201,680	225,325	692,110				**3,572,644**
RURAL DEV.			26,500	28,500									**55,000**
LIMITED REFI				113,953									**113,953**
FIXED35				422,000	220,000	189,050			247,500				**1,078,550**
Dollar Total	**12,528,791**	**16,995,097**	**14,997,004**	**10,219,757**	**11,658,370**	**12,939,902**	**6,680,368**	**5,379,435**	**10,138,751**	**0**	**0**	**0**	**101,537,475**
Total # of Loans	**87**	**122**	**104**	**75**	**82**	**90**	**49**	**36**	**69**				**714**

MOBILE HOME	1,505,907	1,043,436	392,800	1,336,196	1,151,800	1,279,875	**865,250**	220,750	565,164				**8,361,178**
Total # of MH*	**15**	**13**	**5**	**14**	**13**	**13**	**9**	**2**	**6**				**90**

*The Mobile Home # is included in the above line item titled "Total # of Loans"

FY06 Production Summary

July 1, 2005 - June 30, 2006

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total
MOVE	9,369,277	6,572,803	9,805,306	6,903,022	5,274,920	9,356,725	5,747,307	5,115,359	6,723,853	7,002,262	8,709,255	14,414,830	**94,994,919**
HOUSE	424,415	265,900	180,610	923,600	115,000	158,900	257,220		565,314	440,420	379,400	608,070	**4,318,849**
RURAL DEV.	30,020	78,300	43,350		29,600		32,000				27,000	25,460	**265,730**
LIMITED REFI	47,200				34,200				31,950	55,000	164,820		**333,170**
Dollar Total	**9,870,912**	**6,917,003**	**10,029,266**	**7,826,622**	**5,453,720**	**9,515,625**	**6,036,527**	**5,115,359**	**7,321,117**	**7,497,682**	**9,280,475**	**15,048,360**	**99,912,668**
Total # of Loans	**81**	**59**	**82**	**61**	**51**	**71**	**46**	**41**	**54**	**53**	**70**	**109**	**778**

MOBILE HOME	992,692	707,650	1,124,450	1,040,471	1,064,087	1,294,715	905,200	577,811	396,190	707,480	972,825	1,809,676	**11,593,247**
Total # of MH*	**14**	**9**	**12**	**11**	**14**	**13**	**9**	**6**	**5**	**6**	**10**	**19**	**128**

*The Mobile Home # is included in the above line item titled "Total # of Loans"

FY07 Dollar Volume by Lender

July 1, 2006- June 30, 2007

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD TOTAL
NEW ENGLAND FCU	2,873,839	2,839,824	2,717,501	1,695,597	2,747,670	3,058,643	1,346,555	1,541,630	2,594,454				$21,415,713
CHITTENDEN MTG SVCS	1,835,886	2,460,407	3,107,879	557,681	1,671,306	2,056,070	1,273,940	1,152,919	1,731,800				$15,847,888
UNIVERSAL	1,008,812	2,268,098	2,430,432	1,244,269	466,400	845,490	770,522	902,682	829,070				$10,765,775
SUMMIT	1,544,444	471,000	364,900	687,564	857,219	541,241	213,928	164,560	1,127,002				$5,971,858
MTG FINANCIAL	337,756	1,633,156	630,897	935,621	951,004	932,534	178,208	75,000	119,900				$5,794,076
COMMUNITY	478,815	871,590	364,080	351,677	1,670,045	694,138	314,700	140,904	534,669				$5,420,618
NORTHFIELD	269,000	987,970	553,885	663,750	384,200	732,253	317,900		439,504				$4,348,462
N.E. HOME LOAN	605,060	477,100	172,850	401,800		344,190	330,950		483,760				$2,815,710
VT STATE ECU	377,500	137,819	130,000	481,000	480,345		211,700	383,050	222,000				$2,423,414
HERITAGE FCU	169,702	242,417	575,600	262,900	520,000		198,203	389,100	56,000				$2,413,922
UNION	259,000	360,500	458,113	449,450		241,075	242,570		393,000				$2,403,708
LIBERTYQUEST	213,000	542,775	296,817	160,000	282,314	289,648	214,442		145,000				$2,143,996
GMAC	343,900	975,350	336,300	201,000	87,000	115,000		75,000					$2,133,550
VT FEDERAL CU	563,632	301,922	182,320	184,073	144,000	231,700			277,000				$1,884,647
PEOPLES TRUST		174,750	596,700	354,900	150,000	305,700		175,000					$1,757,050
TDBANKNORTH	212,150	330,310	539,800	130,000			224,050	266,100					$1,702,410
NORTH COUNTRY CU	138,500		$260,000	120,000	285,000	122,320	492,800		268,200				$1,686,820
MASCOMA	160,000	214,900	296,280	200,000		405,110	97,000		113,317				$1,486,607
COUNTRYWIDE			279,000	171,000	447,221	144,000	252,900		149,900				$1,444,021
FACTORY PT	374,500	599,750			172,200	276,000							$1,422,450
FIRST COMMUNITY		372,025	140,000			467,000			210,175				$1,189,200
CTX	357,795	281,934	120,000	190,272	215,491								$1,165,492
BRATTLEBORO	252,800		34,300		126,955	519,850							$933,905
OPPORTUNITIES CU				434,653					135,800				$570,453
NAT'L BNK MIDDLE			148,000	0		410,000							$558,000
CT RIVER		258,700	70,800	96,000				113,490					$538,990
BANK OF BENN	110,000		164,050			207,940							$481,990
CCO MORTGAGE				155,000					205,200				$360,200
LYNDONVILLE		159,500											$159,500
RIVER VALLE CU	42,700	33,300		63,050									$139,050
FIRST BRANDON									103,000				$103,000
VHFA (RD)			26,500	28,500									$55,000
WELLS FARGO	0	0	0	0	0	0	0	0	0				$0
TOTAL	$12,528,791	$16,995,097	$14,997,004	$10,219,757	$11,658,370	$12,939,902	$6,680,368	$5,379,435	$10,138,751				$101,537,475

FY07 Loan Volume by Lender

July 1, 2006 - June 30, 2007

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD TOTAL
NEW ENGLAND FCU	16	18	15	11	16	18	8	9	16				127
CHITTENDEN MTG SVCS	14	18	21	5	12	14	9	8	11				112
UNIVERSAL	7	15	14	7	3	6	5	5	5				67
COMMUNITY	4	8	3	4	13	5	3	1	4				45
MTG FINANCIAL SRV	2	10	5	6	6	5	1	1	1				37
NORTHFIELD	2	8	4	4	3	7	3		3				34
SUMMIT	9	3	3	4	5	3	1	1					29
N.E. HOME LOAN	6	4	2	3		3	3		4				25
HERITAGE FCU	1	2	4	2	5		2	3	1				20
TDBANKNORTH	2	2	4	2			2	2	6				20
UNION	2	3	4	4		2	2		3				20
VT STATE ECU	3	1	1	3	4	2	2	3	1				20
GMAC	3	8	3	2	1	1		1					19
LIBERTYQUEST	2	3	3	1	2	2	1		1				15
NORTH COUNTRY FCU	1		2	1	2	1	4		3				14
PEOPLES TRUST		2	4	3	1	2		1					13
FACTORY PT	3	4			2	2							11
MASCOMA	1	2	2	1		3	1		1				11
VT FEDERAL CU	3	2	1	2	1				2				11
COUNTRYWIDE			2	1	3	1	2		1				10
FIRST COMMUNITY		3	1			3			3				10
BRATTLEBORO	2		1		2	4							9
CTX	2	2	1	1	1								7
CT RIVER		2	1	1				1					5
NAT'L BNK MIDDLE			1			4							5
OPPORTUNITIES CU				4					1				5
BANK OF BENN	1		1			2							4
RIVER VALLEY CU	1	1		1									3
CCO MORTGAGE				1					1				2
VHFA (RD)			1	1									2
FIRST BRANDON									1				1
LYNDONVILLE		1											1
WELLS FARGO													
TOTAL	87	122	104	75	82	90	49	36	69	0	0	0	714

CY07 Production Summary

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	Total
MOVE	6,478,688	5,154,110	9,199,141										**20,831,939**
HOUSE	201,680	225,325	692,110										**1,119,115**
RURAL DEV.													**0**
LIMITED REFI													**0**
FIXED35			247,500										**247,500**
Total	**6,680,368**	**5,379,435**	**10,138,751**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**22,198,554**
MOBILE HOME	865,250	220,750	565,164										**1,651,164**

CY06 Production Summary

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	Total
MOVE	5,747,307	5,115,359	6,723,853	7,002,262	8,709,255	14,414,830	12,358,137	16,354,977	14,702,565	9,391,304	11,050,470	12,027,936	**123,598,255**
HOUSE	257,220		565,314	440,420	379,400	608,070	170,654	640,120	267,939	264,000	387,900	722,916	**4,703,953**
RURAL DEV.	32,000					25,460			26,500	28,500			**112,460**
LIMITED REFI			31,950	55,000	164,820					113,953			**365,723**
FIXED35										422,000	220,000	189,050	**831,050**
Total	**6,036,527**	**5,115,359**	**7,321,117**	**7,497,682**	**9,253,475**	**15,048,360**	**12,528,791**	**16,995,097**	**14,997,004**	**10,219,757**	**11,658,370**	**12,939,902**	**129,611,441**
MOBILE HOME	905,200	577,811	396,190	707,480	972,825	1,809,676	1,505,907	1,043,436	392,800	1,336,196	1,151,800	1,279,875	**12,079,196**

CY07 Dollar Volume by Lender

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	YTD TOTAL
NEW ENGLAND FCU	1,346,555	1,541,630	2,594,454										5,482,639
CHITTENDEN MTG SVCS	1,273,940	1,152,919	1,731,800										4,158,659
UNIVERSAL	770,522	902,682	829,070										2,502,274
SUMMIT	213,928	164,560	1,127,002										1,505,490
COMMUNITY	314,700	140,904	534,669										990,273
VT STATE ECU	211,700	383,050	222,000										816,750
N.E. HOME LOAN	330,950		483,760										814,710
NORTH COUNTRY CU	492,800		268,200										761,000
NORTHFIELD	317,900		439,504										757,404
HERITAGE FCU	198,203	389,100	56,000										643,303
UNION	242,570		393,000										635,570
TDBANKNORTH	224,050	266,100											490,150
COUNTRYWIDE	252,900		149,900										402,800
MTG FINANCIAL	178,208	75,000	119,900										373,108
LIBERTYQUEST	214,442		145,000										359,442
VT FEDERAL CU			277,000										277,000
MASCOMA	97,000		113,317										210,317
FIRST COMMUNITY			210,175										210,175
CCO MORTGAGE			205,200										205,200
PEOPLES TRUST		175,000											175,000
OPPORTUNITIES CU			135,800										135,800
CT RIVER		113,490											113,490
FIRST BRANDON			103,000										103,000
GMAC		75,000											75,000
BANK OF BENN													0
BRATTLEBORO													0
CTX													0
FACTORY PT													0
LYNDONVILLE													0
NAT'L BNK MIDDLE													0
RIVER VALLEY CU													0
VHFA (RD)													0
WELLS FARGO													0
TOTAL	$6,680,368	$5,379,435	$10,138,751	$0	$0	$0	$0	$0	$0	$0	$0	$0	$22,198,554

No longer participating:
Kittredge Mortgage, Key Bank

Re-Activated:
CCO Mortgage (Charter One)
Wells Fargo
First Brandon

CY07 Number of loans

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	YTD TOTAL
NEW ENGLAND FCU	8	9	16										33
CHITTENDEN MTG SVCS	9	8	11										28
UNIVERSAL	5	5	5										15
COMMUNITY	3	1	4										8
SUMMIT	1	1	6										8
N.E. HOME LOAN	3		4										7
NORTH COUNTRY CU	4		3										7
HERITAGE FCU	2	3	1										6
NORTHFIELD	3		3										6
VT STATE ECU	2	3	1										6
UNION	2		3										5
TDBANKNORTH	2	2											4
COUNTRYWIDE	2		1										3
FIRST COMMUNITY			3										3
MTG FINANCIAL	1	1	1										3
LIBERTYQUEST	1		1										2
MASCOMA	1		1										2
VT FEDERAL CU			2										2
CCO MORTGAGE			1										1
CT RIVER		1											1
GMAC		1											1
OPPORTUNITIES CU			1										1
PEOPLES TRUST		1											1
BANK OF BENN													0
BRATTLEBORO													0
CTX													0
FACTORY PT													0
FIRST BRANDON			1										0
LYNDONVILLE													0
NAT'L BNK MIDDLE													0
RIVER VALLEY CU													0
VHFA (RD)													0
WELLS FARGO													0
TOTAL	49	36	69	0	0	0	0	0	0	0	0	0	153

No longer participating:
Kittredge Mortgage, Key Bank

Re-Activated:
CCO Mortgage (Charter One)
Wells Fargo
First Brandon

VERMONT HOUSING FINANCE AGENCY
HOMEOWNERSHIP PROGRAM MONTHLY DELINQUENCY REPORT
March 31, 2007

Lenders	Total Loans	30 Days		60 Days		90+ Days		In Foreclosure		Total Delinquent		REO	
Chittenden Mortgage Services	1219	61	5.00%	18	1.48%	5	0.41%	14	1.15%	98	8.04%	2	0.16%
Graystone Mortgage Company	2112	88	4.17%	13	0.62%	4	0.19%	25	1.18%	130	6.16%	1	0.05%
Opportunities CU	135	1	0.74%	2	1.48%	1	0.74%	2	1.48%	6	4.44%	0	0.00%
Union Bank	323	8	2.48%	3	0.93%	2	0.62%	1	0.31%	14	4.33%	0	0.00%
Community National Bank	322	11	3.42%	1	0.31%	0	0.00%	0	0.00%	12	3.73%	0	0.00%
Bank of Bennington	64	2	3.13%	0	0.00%	0	0.00%	0	0.00%	2	3.13%	0	0.00%
Heritage Family Credit Union	131	1	0.76%	1	0.76%	1	0.76%	0	0.00%	3	2.29%	0	0.00%
Brattleboro Savings & Loan	89	0	0.00%	1	1.12%	1	1.12%	0	0.00%	2	2.25%	0	0.00%
Mascoma Savings Bank	45	1	2.22%	0	0.00%	0	0.00%	0	0.00%	1	2.22%	0	0.00%
Factory Point Nat. Bank	61	1	1.64%	0	0.00%	0	0.00%	0	0.00%	1	1.64%	0	0.00%
Peoples Trust Co.	107	1	0.93%	0	0.00%	0	0.00%	0	0.00%	1	0.93%	0	0.00%
New England Federal CU	433	1	0.23%	0	0.00%	0	0.00%	0	0.00%	1	0.23%	0	0.00%
CitiMortgage	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Connecticut River Bank	56	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Randolph National Bank	4	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Totals	**5102**	**176**	**3.45%**	**39**	**0.76%**	**14**	**0.27%**	**42**	**0.82%**	**271**	**5.31%**	**3**	**0.06%**
Totals Previous Month	**5070**	**192**	**3.79%**	**63**	**1.24%**	**17**	**0.34%**	**44**	**0.87%**	**316**	**6.23%**	**3**	**0.06%**
Totals Same Mo. Last Yr.	**4663**	**174**	**3.73%**	**42**	**0.90%**	**26**	**0.56%**	**29**	**0.62%**	**271**	**5.81%**	**4**	**0.09%**

Note: Of the loans in foreclosure, a total of 19 are under a Chapter l3 Bankruptcy Plan

Monthly Delinquency by Servicer

Lenders	March 2006	April 2006	May 2006	June 2006	July 2006	Aug 2006	Sept 2006	Oct 2006	Nov 2006	Dec 2006	Jan 2007	Feb 2007	March 2007
Bank of Bennington	3.23%	3.13%	3.08%	1.54%	1.52%	4.55%	1.52%	0.00%	4.55%	2.94%	6.06%	3.03%	3.13%
Brattleboro Savings & Loan	2.44%	0.00%	1.20%	3.57%	2.35%	3.53%	3.53%	3.57%	5.81%	7.87%	5.62%	5.62%	2.25%
Chittenden Mortgage Services	8.29%	10.36%	9.09%	9.08%	9.38%	8.39%	9.04%	8.08%	9.97%	1.08%	9.59%	9.34%	8.04%
CitiMortgage	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Community National Bank	3.52%	2.83%	4.51%	3.06%	5.72%	4.29%	6.27%	5.92%	5.70%	7.23%	6.29%	4.72%	3.73%
Connecticut River Bank	1.96%	2.00%	4.00%	1.92%	3.85%	3.70%	0.00%	0.00%	0.00%	3.64%	0.00%	0.00%	0.00%
Factory Point Nat. Bank	0.00%	0.00%	3.51%	3.45%	5.00%	1.56%	3.17%	1.67%	0.00%	0.00%	1.61%	1.61%	1.64%
Graystone	6.48%	7.45%	6.58%	6.21%	6.84%	6.38%	7.34%	6.75%	7.54%	7.65%	6.92%	6.88%	6.16%
Heritage Family CU	0.00%	0.88%	0.86%	1.71%	1.72%	2.56%	3.36%	3.31%	2.38%	2.38%	2.36%	2.31%	2.29%
Mascoma Savings Bank	2.86%	2.94%	0.00%	0.00%	2.70%	0.00%	2.50%	2.44%	2.44%	6.82%	2.22%	4.44%	2.22%
New England Federal CU	0.68%	0.34%	0.33%	0.62%	0.59%	0.56%	0.27%	0.26%	0.00%	0.74%	0.49%	0.95%	0.23%
Opportunites CU	7.04%	7.75%	6.29%	6.80%	8.28%	7.64%	6.34%	5.59%	6.38%	4.29%	6.62%	5.88%	4.44%
Peoples Trust Co.	3.00%	2.02%	2.04%	4.12%	3.09%	3.06%	3.92%	4.81%	4.76%	3.77%	4.72%	2.80%	0.93%
Randolph National Bank	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Union Bank	4.95%	4.63%	5.21%	4.89%	3.07%	4.32%	4.01%	3.06%	5.25%	6.13%	5.56%	4.67%	4.33%

HOMEOWNERSHIP DELINQUENCY REPORT
FISCAL YEAR 2007

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
Total Portfolio #	4799	4876	4932	4946	4988	5041	5059	5070	5102				4979
Total Portfolio $	388.6	401.9	412.7	417.9	426.3	436.9	439.7	442.5	449.4				424.0

NUMBER OF DELINQUENT LOANS

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	199	187	223	194	224	232	209	192	176				204
60 Days	50	41	42	44	55	78	59	63	39				52
90 Days	13	16	15	14	19	23	25	17	14				17
Foreclosure	41	41	37	35	39	34	37	44	42				39
Total Delq FY 07	303	285	317	287	337	367	330	316	271	0	0	0	313
Total Delq FY 06	331	315	323	288	347	353	338	319	271	310	286	280	313

PERCENT BY NUMBER OF DELINQUENT LOANS

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	4.15%	3.84%	4.52%	3.92%	4.49%	4.60%	4.13%	3.79%	3.45%				4.10%
60 Days	1.04%	0.84%	0.85%	0.89%	1.00%	1.55%	1.17%	1.24%	0.76%				1.04%
90 Days	0.27%	0.33%	0.30%	0.28%	0.38%	0.46%	0.49%	0.34%	0.27%				0.35%
Foreclosure	0.85%	0.84%	0.75%	0.71%	0.78%	0.67%	0.73%	0.87%	0.82%				0.78%
Total Delq FY 07	6.31%	5.85%	6.42%	5.80%	6.65%	7.28%	6.52%	6.24%	5.30%	0.00%	0.00%	0.00%	6.26%
Total Delq FY 06	7.21%	6.89%	7.05%	6.30%	7.60%	7.68%	7.31%	6.88%	5.81%	6.65%	6.09%	5.87%	6.78%

DOLLAR AMOUNT OF DELINQUENT LOANS

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	$11.2	$11.2	$13.2	$12.9	$13.7	$14.6	$13.1	$13.0	$10.7				$12.6
60 Days	$2.9	$2.3	$2.5	$2.7	$3.2	$4.6	$3.5	$4.0	$2.7				$3.2
90+ Days	$3.1	$3.2	$3.1	$2.9	$3.7	$3.8	$3.9	$3.7	$3.4				$3.4
Total Delq FY 07	$17.2	$16.7	$18.8	$18.5	$20.6	$23.0	$20.5	$20.7	$16.8	$0.0	$0.0	$0.0	$19.2
Total Delq FY 06	$19.4	$17.6	$18.9	$16.8	$20.2	$20.3	$20.2	$18.9	$15.8	$17.6	$16.5	$16.2	$18.2

REO INVENTORY REPORT
As of March 31, 2007

Mortgagor	REO Date	City/Town	Princ. Bal.	Interest	Expenses	Receipts (1)	Total Cost Basis	Valuation Allowance	List Amount (2)	Current Appraisal	Date Last Appraised	Original Appraisal	Loan Date	Type	Comments
Goble	10/12/2006	Roxbury	$ 50,542	$ 4,340	$ 12,105	$ -	$ 66,987	$ -	$ 95,000	$ 106,000	3/23/06	$ 60,000	10/06/97	MH	UC $92,500; Closing 5/18/07
Peryea	2/26/2007	Rutland	$ 24,516	$ 5,970	$ 14,221	$ -	$ 44,707	$ -	$ 92,000	$ 92,000	3/28/07	$ 80,000	12/17/01	SF	RD/VHFA participation; bal. after VHFA Pd goes to RD
Mullins	3/27/2007	Northfield	$ 53,436	$ 4,121	$ 10,797	$ -	$ 68,354		$ 75,000	$ 65,000	9/21/06	$ 61,000	10/17/97	SF	UC $75,000; Closing 5/25/07
3			$ 128,494	$ 14,431	$ 37,123	$ -	$ 180,048	$ -	$ 262,000	$ 263,000		$ 201,000			

REOS that are under deposit

(1) Receipts column represents actual and projected/estimated mortgage insurance claim payments

(2) If Property is under deposit the List Price is the actual sale price.

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Tim Gutchell, Controller

DATE: May 03, 2007

RE: **Interim General Fund Budget Report – Fiscal year 2007 through 03/31/07**

Attached is the interim budget report for fiscal year 2007 through March 31, 2007, the end of the Agency's' third quarter.

The budget is very much in line with expectations at this point, three quarters of the way through the fiscal year. Total income is at 82% of budget, while total expenses are at 72%. Salaries and wages expense, the largest single line item, representing 40% of total budgeted General Fund operating expenses, is exactly on target with 75% of expected costs incurred through March 31st.

Consulting costs remain low and I would refer you to my memo accompanying the 12/31/06 budget report for a detailed explanation of the variance. Single-family loan origination fees, on the other hand, are already over the projected full year total, a result of higher than expected single-family loan originations.

On the income side investment interest income already exceeds the full year budgeted amount by nearly $13,000, helped along by rising and higher than expected investment interest rates. At the same time loan interest costs are 10% below budget. Both of these positive variances reflect our deliberate efforts this year to better manage our cash.

I have reviewed all of the other income and expense line items and find no reason for concerns, nor anything that will require board action at this time.

Finally, I'd like to mention that we have done a significant amount of work in preparation of the fiscal year 2008 budget, which will be presented to you shortly, including projections to year end for the 2007 budget. Those projections indicate that the full year fiscal 2007 results will be very much in line with expectations.

As always, if after reviewing the budget report, you have any questions or concerns, or would like additional information, please feel free to contact me.

Thank you.

Tim Gutchell, Controller

tgutchell@vhfa.org
802-652-3437

Vermont Housing Finance Agency
FINAL BUDGET REPORT
INCOME AND FUND TRANSFERS
FY 2007 Thru 03/31/2007

Portion of year expired = 75.00%

Portion of year remaining = 25.00%

	BUDGET:		RECEIVED:				REMAINING:	
	Approved Annual Budget	Prorata YTD Budget Thru 03/31/2007	Amount Received YTD Thru 03/31/2007	Percentage of Annual Budget Received Thru 03/31/2007	Favorable (Unfavorable) Prorata YTD Budget As of 03/31/2007	Favorable Unfavorable (-) Prorata YTD Budget Thru 03/31/2007	Amount Outstanding As of 03/31/2007	Percent Outstanding As of 03/31/2007
INCOME:								
Interest Income - Loans	$777,979	$583,484	$614,559	78.99%	$31,075	5.33%	$163,420	21.01%
Multi-family Fees	549,229	$411,922	$456,547	83.13%	$44,625	10.83%	$92,682	16.87%
Miscellaneous Income	61,152	$45,864	$45,644	74.64%	($220)	-0.48%	$15,508	25.36%
Interest Income - Investments	78,750	$59,063	$91,717	116.47%	$32,655	55.29%	($12,967)	-16.47%
Single family Fees	30,500	$22,875	$18,299	60.00%	($4,576)	-20.00%	$12,201	40.00%
Total Income	$1,497,610	$1,123,208	$1,226,767	81.91%	$103,559	9.22%	$270,843	18.09%
NET FUND TRANSFERS:								
SF Housing Bonds	$2,250,000	$1,687,500	$1,687,500	75.00%	$0	0.00%	$562,500	25.00%
SF Insured Mortgage Program	400,000	$300,000	$300,000	75.00%	$0	0.00%	$100,000	25.00%
SF Home Mtge Purch Program	350,000	$262,500	$262,500	75.00%	$0	0.00%	$87,500	25.00%
MF Mortgage Bonds (HWMF)	440,000	$330,000	$330,000	75.00%	$0	0.00%	$110,000	25.00%
MF Housing Bonds	240,000	$180,000	$180,000	75.00%	$0	0.00%	$60,000	25.00%
MF Direct Placement Bonds	130,000	$97,500	$97,500	75.00%	$0	0.00%	$32,500	25.00%
Total Fund Transfers	$3,810,000	$2,857,500	$2,857,500	75.00%	$0	0.00%	$952,500	25.00%
Total Income & Transfers	$5,307,610	$3,980,708	$4,084,267	76.95%	$103,559	2.60%	$1,223,343	23.05%
Total Expenses (see sch)	5,221,007	$3,915,755	3,753,473	71.89%	$162,282	4.14%	$1,467,534	28.11%
FY 2007 Budget surplus YTD	$86,603	$64,952	$330,794	381.97%	265,841	409.29%	($244,191)	-281.97%

Vermont Housing Finance Agency
INTERIM BUDGET REPORT
EXPENSES AND OTHER COSTS
FY 2007 Through 03/31/2007

Portion of year expired = 75.00%

Portion of year remaining = 25.00%

	BUDGET:		EXPENDED:				REMAINING:	
	Approved Annual Budget	Prorata YTD Budget Thru 03/31/2007	Amount Expended YTD Thru 03/31/2007	Percentage of Annual Budget Expended Thru 03/31/2007	Amount (Over) Under Prorata YTD Budget As of 03/31/2007	Percent Over(-) Under Prorata YTD Budget Thru 03/31/2007	Amount Unexpended As of 03/31/2007	Percent Unexpended As of 03/31/2007
OPERATING EXPENSES:								
Salaries and Wages	$2,081,490	$1,561,118	$1,568,763	75.37%	($7,645)	-0.49%	$512,727	24.63%
Consulting	58,000	43,500	$7,600	13.10%	35,900	82.53%	50,400	86.90%
Trustee Fees	191,900	143,925	$99,126	51.66%	44,799	31.13%	92,774	48.34%
Employee Benefits	425,684	319,263	$299,696	70.40%	19,567	6.13%	125,988	29.60%
Depreciation	139,857	104,893	$97,868	69.98%	7,024	6.70%	41,989	30.02%
Pension	210,831	158,123	$151,025	71.63%	7,099	4.49%	59,806	28.37%
Payroll Taxes	158,071	118,553	$116,617	73.78%	1,936	1.63%	41,454	26.22%
Legal	82,500	61,875	$44,644	54.11%	17,231	27.85%	37,856	45.89%
Marketing & Outreach	171,200	128,400	$138,680	81.00%	(10,280)	-8.01%	32,520	19.00%
Travel & Training	112,750	84,563	$79,042	70.10%	5,521	6.53%	33,708	29.90%
Occupancy	87,471	65,603	$68,769	78.62%	(3,166)	-4.83%	18,702	21.38%
Telephone	24,330	18,248	$15,858	65.18%	2,389	13.09%	8,472	34.82%
Maintenance Agreements	72,006	54,005	$53,204	73.89%	800	1.48%	18,802	26.11%
Audit	55,000	41,250	$53,000	96.36%	(11,750)	-28.48%	2,000	3.64%
Interest	44,392	33,294	$29,876	67.30%	3,418	10.27%	14,516	32.70%
Dues & Subscriptions	40,787	30,590	$29,132	71.42%	1,458	4.77%	11,655	28.58%
Office Supplies	30,796	23,097	$20,739	67.34%	2,358	10.21%	10,057	32.66%
Contract Services	91,125	68,344	$80,503	88.34%	(12,159)	-17.79%	10,622	11.66%
Postage	25,095	18,821	$13,820	55.07%	5,001	26.57%	11,275	44.93%
Printing	23,900	17,925	$12,286	51.41%	5,639	31.46%	11,614	48.59%
Liability Insurance	20,672	15,504	$18,346	88.75%	(2,842)	-18.33%	2,326	11.25%
Miscellaneous	8,900	6,675	$8,548	96.05%	(1,873)	-28.06%	352	3.95%
Commisioners Fees	13,250	9,938	$5,681	42.87%	4,257	42.84%	7,569	57.13%
Temp Services	3,000	2,250	$0	0.00%	2,250	100.00%	3,000	100.00%
Total Operating Expenses	$4,173,007	$3,129,755	$3,012,823	72.20%	116,932	3.74%	$1,160,184	27.80%
OTHER COSTS (general fund):								
Loan Interest Cost	$753,000	564,750	$487,041	64.68%	$77,709	13.76%	$265,959	35.32%
Organizational Subsidies	295,000	$221,250	253,608	85.97%	(32,358)	-14.63%	41,392	14.03%
Total Other Costs	$1,048,000	$786,000	$740,650	70.67%	$45,350	5.77%	307,350	29.33%
Total Expenses	$5,221,007	$3,915,755	$3,753,473	71.89%	$162,282	4.14%	$1,467,534.20	28.11%
OTHER COSTS (bond):								
SF Loan Losses (gains)	$250,000	$187,500	($31,497)	-12.60%	$218,997	116.80%	$281,497	112.60%
MF Loan Losses (gains)	$300,000	$225,000	$10,000	3.33%	$215,000	95.56%	$290,000	96.67%
Advertising - New Bond COI	$120,000	$90,000	$0	0.00%	$90,000	100.00%	$120,000	100.00%
SF Loan Origination Fees	$1,116,000	$837,000	$1,236,723	110.82%	($399,723)	-47.76%	($120,723)	-10.82%

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director

DATE: May 1, 2007

RE: **EXECUTIVE DIRECTOR'S REPORT**

Administration

We are pleased to announce that Lori Gilding started with the Agency on April 30th. Lori will replace Renee as the Executive Assistant for the Administration division. Lori comes to us from Dinse, Knapp and McAndrew, PC and, before that, The Lane Press, Inc.

The Health Insurance Review Committee that I mentioned in last month's report continues its work evaluating viable future options for health insurance programs for the Agency. It was anticipated that this process would be completed for discussion during the budget process. However, it has taken a bit longer than anticipated. We expect that a full recommendation will be forthcoming within the next month or two.

Tom Connors and Lisa Clark from Finance, Vern Devos from Homeownership, and Rick Jean and Sherri Mullin from IS attended the Mitas Users' Conference in Grapevine, Texas from April 24th - 26th. Overall, the conference went well and the staff is looking forward to implementing the new functionality when the upgrade is completed in the fall. The conference was a great opportunity to network both with the Mitas staff and with the staff of other HFAs that use the Mitas software. The attendees got some great ideas for using the software to help further cut down on the time needed to close the Agency's books and will share those with the rest of the staff.

Mitas will be converting the Agency's test database the week of April 30th, which will allow staff to commence testing of the 2006 Release. Steve Mitas will be coming to the Agency the last week in May to facilitate a business process review for functions associated with the Mitas system. This will be the first of two sessions of this nature with Mitas as we continue with the software upgrade process for Finance and Single Family applications.

During the last disaster recovery test at SunGard, an issue was encountered with being able to restore the Mitas system to the live environment. The IS staff has worked very hard to find a speedy resolution to this issue. I'm pleased to announce that, once identified, it was a very simple solution; however, very quirky! In order to work through this problem, a test environment was created at the Agency, so the need to retest immediately is not necessary. Another test will be scheduled late summer/early fall.

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phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

Our conversion process to the HDS TRACS (HUD) multifamily software has continued to be a success, and after this month we will stop running parallel systems and be entirely on the HDS (HUD submission) module. The on site training by HDS in April was completed and four members of multifamily staff now have experience with this new software. This bodes well for the next HDS module installation and the full system conversion. Staff is increasingly confident in our choice of HDS as the software provider for Multifamily's database needs. Dave, Kim Roy and Erin Philbrick from Multifamily, and Rick and Sherri will be attending the HDS Users' Conference next month.

Staff has been in the throws of the FY2008 budget process. Executive Management and Tim Gutchell have had four lengthy meetings to coordinate the process and work through the analysis. Tim has been spending a significant amount of his time coordinating from a Finance perspective. As always, staff does a terrific job working the budget process into the busy production schedules and computer conversion meetings.

As part of the Agency's Health Awareness programs, VHFA is sponsoring Weight Watchers meetings for 12 weeks this spring. Fifteen staff members (about 1/3 of the staff) have joined the group that meets weekly with a Weight Watchers staff member.

Development

We have approved pre-development loans for projects in Warren, Guilford and Clarendon.

And, we have continued to meet fairly regularly with developers about potential projects, including a project in Morristown and homeownership projects in East Randolph and Winooski (the for-sale condos that are part of the downtown redevelopment).

We have also received applications for tax credits/financing for projects in Johnson and Warren.

The first home at Middlebury Cottages is under contract. A model home will be constructed in May, and be available for viewing in early June when the road is completed. The open house week will begin on Saturday, June 2nd, and you are all welcome to attend.

The draft "common application" has been distributed to developers for review.

The first closing binders have been scanned using our new document imaging system, and these can now be accessed by staff from the desktop.

Liza Plantilla has been selected as a peer reviewer for the Manufactured Housing Colloquium. This colloquium, which has been organized by Yestermorrow's chapter of CORA (Congress of Residential Architecture), is exploring the potential of pairing Vermont architects with regional building fabricators to create green and affordable housing designed specifically for the snow-belt.

I'm happy to report that Josh Slade has returned to the Agency in a permanent capacity as the Multifamily Operations Specialist, replacing Erin Philbrick who was promoted to the position of Multifamily Management Officer. Josh was an intern at the Agency during a maternity leave 3 years ago and comes to us most recently from Champlain Housing Trust (formerly Burlington

Community Land Trust). Holly Brown has also joined the Development Department on a temporary basis, and will fill in for Nina McDonnell when Nina goes on maternity leave.

Supportive Housing

At the April Board meeting, Maura discussed the Agency's plan to increase permanent supportive housing units in Vermont. After your approval of the general concept, Maura and I met with the other three state housing agency directors to discuss the proposal and flesh out some more details. There was consensus that this was a good start and the agencies would partner to support more supportive housing in the state. Maura has also met with Voc Rehab to learn more about sources of disability income, which is part of the tenant eligibility criteria. She also was invited to participate in the Agency of Human Services' (AHS) Strategic Planning process for the Department of Children and Families (DCF), where she presented this idea. Joe Patrissi, the Deputy Commissioner of DCF, was excited about this proposal and we are hopeful that this will make it into the final Strategic Planning document for AHS to work on. Finally, the Governor's Interagency Council on Homelessness, which I sit on, has met twice since it's been reauthorized and Maura and I will be serving on subcommittees looking at needs data and supportive housing models, respectively. We're hoping to partner with AHS and other organizations to quantify the potential savings of investing in supportive housing rather than current emergency-based services (like hospitals or jails). This idea will be developed more in the coming months and I will keep you posted on our progress.

Multifamily

With 82% of the 2006 project audits now having been received and reviewed, staff is updating the Watch List Report and using this information to plan for the next Audit/Risk Management Board Committee meeting and the June multi-purpose bond issue. A key component of this new bond issue will be the refunding of many of the 28 projects that remain in our 1995 refunding bond issue that created our 0% excess yield resource. It is expected that by placing these projects in our multi-purpose resolution and pairing these loans with our new single family issue, much of the potential liability the Agency faces related to the excess yield issue will be eliminated or deferred for 30 years.

Staff has begun working with statewide housing agencies to expand the monitoring efficiencies that are currently in place across several affordable housing programs. DHCA, VHCB, VSHA, USDA RD and VHFA are working on a plan to identify projects where we have common physical inspection responsibilities emanating from different programs and determine how we can meet these requirements in the most cooperative and efficient manner.

Homeownership

Thanks to the efforts of NCSHA, which was able to convince the IRS to allow HFAs to use the greater of 2006 or 2007 statewide median income limits, the reduction in purchase price limits for Bennington County was not necessary. Staff notified lenders and other partners that VHFA would return to the higher limits for Bennington County.

VHFA has expanded information available to lenders on our net site. Lenders now have access to a report card that shows how they rank with other participating lenders, their production and

delivery statistics, and information on their current pipeline. Information is available for the month, year-to-date and previous year, and purchase reports are available for the current and previous years. While a lender can see how they compare with the total of all lenders, they cannot access specific information about other lenders.

VHFA is already seeing the benefits of accepting loans approved by Fannie Mae's Desktop Underwriter and Freddie Mac's Loan Prospector systems. We have been able to approve a number of loans that would have been approved and sold to Fannie or Freddie, but instead were offered to VHFA!

Public Affairs

Although I have been spending a lot of time in Montpelier, the legislature has been going inordinately slowly this month and not much happening with any of the bills we have been following. I will update you at the Board meeting.

VHFA lent a major hand to Montpelier's Affordable Housing Week April 22nd – 28th. We sponsored the event, and John worked to help bring media attention to the capital city's housing situation, including attending an event at the River Station project and making a presentation before the City Council. The event also featured the "Art House" children's poster exhibit.

John also attended the spring Business Leaders Breakfast hosted by the Upper Valley Housing Coalition on April 27th, distributing copies of the housing/wages report and talking with several Upper Valley area business leaders about the housing situation there, and the Central Vermont Housing Summit on April 17th.

John has started work on an update of the Housing Awareness Campaign video. He is currently scheduling interviews and preparing a new script. The original video was quite popular, and the new version is scheduled to be ready for distribution in late July.

Craig returned from a Web development conference in March with many new ideas for our Web sites, and he has been updating several of these sites to new Web and accessibility standards. He has also begun planning for a re-design of the popular Housing Data site, www.housingdata.org.

Work has begun on the Agency's 2007 annual report/2008 calendar, with Craig taking the lead. Each month of the new calendar will feature a Vermont county, and we'll combine Essex/Orleans and Franklin/Grand Isle. We'll also have a page devoted to homelessness initiatives.

Finance

The team continued to make progress on the new multi-purpose bond indenture to meet future needs for both single family and multifamily bonds. We expect this to close in the late spring.

Four proposals for trustee services for the new multi-purpose indenture were received by the due date of April 4th from Bank of New York, Wells Fargo, US Bank and Chittenden. An evaluation team was formed and met on April 5th to decide on a strategy for reviewing these voluminous

documents. A scorecard was developed and the team met the entire afternoon of April 11th to pour through the documents and evaluate the vendors. Demonstrations and conference calls were scheduled and conducted and the final meeting was on April 30th with US Bank. Several reference calls have been completed with HFA clients as well as Financial Advisors and Bond Counsel. The evaluation team is meeting on May 1st to decide on which trustee to recommend to the Board for approval. There is a conference call with the Audit/Risk Board Committee to present our recommendation and get their buy-in before going to the full Board for approval at the May 7th Board meeting. Again, this RFP is only for a trustee for the new multi-purpose bond indenture. The plan is to retain Bank of New York for the existing bond portfolio. The domicile requirement that exists in older resolutions has been removed from the new to give us more options for working with trustees outside the State of Vermont.

The finance team is continuing to implement ways to accelerate the quarter close for the March close and still plans to do a presentation of the VHFA financials at the May 7th Board meeting. The staff has come up with several improvements and some radically different ways to approach the quarter close in an effort to get financials to the Board in a more timely fashion.

Other

I look forward to seeing you on the 7th.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director

DATE: May 29, 2007

RE: CONFIRMATION OF UPCOMING VHFA BOARD MEETING

This is to notify you that the next meeting of the Vermont Housing Finance Agency Board of Commissioners has been confirmed. The meeting will be held:

Monday, June 4, 2007
Vermont Housing Finance Agency
164 St. Paul Street, Burlington, VT
9:30 a.m. – 1:00 p.m.

Attached are the Agenda and Board packet. Please feel free to contact me should you have any questions prior to the meeting. Please contact Lori Gilding at lgilding@vhfa.org if you wish to request that items be removed from the Board meeting consent agenda; the deadline is 12:00 p.m. Friday, June 1st.

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EQUAL HOUSING OPPORTUNITY

VHFA BOARD MEETING AGENDA
Vermont Housing Finance Agency
164 St. Paul Street, Burlington
Monday, June 4, 2007
9:30 a.m. – 1:00 p.m.

Review and Approval of May 7, 2007 Board Minutes — Enclosure

Consent Agenda: ***Action Requested****

- **Development - Loans and Tax Credits ("TC")**
  - Essex Senior – Constr Loan and Bond TC — Reid/Enclosure
  - Tontine, Guilford and Canal, Brattleboro - Allocated TC — Reid/Enclosure
- **Multifamily/Development**
  - Loan Modifications as part of Series 1995A Bond Refunding ("95A Resolution") — Adams/Enclosure

Development - Loans and Tax Credits ("TC")

- Armory Square, Windsor - Constr Loan and Bond TC and Allocated TC — Reid/Enclosure
- King Street Housing, Burlington – Allocated TC — Erdelyi/Enclosure
- Grange Hill Housing, Woodstock - Constr Loan and Allocated TC — Erdelyi/ Enclosure

- - Tax Credit Status Report for your information only - - — Erdelyi/Enclosure

Finance

- Approval of FY2008 Budget — Connors/Enclosure
- Multi-Family General Authorizing Resolution — Connors/Enclosure
- Single Family General Authorizing Resolution — Connors/Enclosure

Adjournment

Note

- AT 2:00 PM, THERE WILL BE A RIBBON CUTTING FOR THE CALLAHAN PROJECT at 132 North Street, a building that underwent a dramatic transformation. The project sits across the street from Lawrence Barnes Elementary school. The VHFA Board approved tax credits for this scattered site project in the Old North End.

Reports: ***FYI Only***

- Interesting Housing Fact — Collins/Enclosure
- Summary of Homeownership Activities / Reports — Crady/Enclosure
- Executive Director's Report — Carpenter/Enclosure

* *Call Lori at 652-3404 or e-mail lgilding@VHFA.org by noon June 1st to request items be removed from the Consent Agenda*

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Vermont Housing Finance Agency

VHFA Board of Commissioners Meeting Minutes
Agency of Commerce and Community Development
Calvin Coolidge Conference Room
National Life Building, 6th Floor, Montpelier
Monday, May 7, 2007 at 9:30 a.m.

VHFA Board Members Present:
Lisa Mitiguy Randall – Chair, Gus Seelig – Vice Chair, Thomas Candon (designee for Thabault), Kevin Dorn, Bart Frisbie, Beth Pearce (designee for Spaulding)

VHFA Board Members Absent:
Robert Alberts, Paul Beaulieu, Dagyne Canney

Staff: Dave Adams, Scott Baker, Sarah Carpenter, Tom Connors, Renee Couture, Pat Crady, Elizabeth Mullikin Drake, Lori Gilding, Tim Gutchell, Liza Vedder Plantilla

Guests: Kathy Beyer (Capital Ideas), Robert Cole (A.G. Edwards & Sons, Inc.), Nicholas Fluehr (Citigroup Global Markets, Inc.), Garth Genge (Central Vermont Community Land Trust), Cory Hoeppner (Citigroup Global Markets, Inc.), Linda Lloyd (Mad River Valley Planning District)

Chair Randall called the meeting to order at 9:40 a.m. A quorum of the Board was present.

BOARD MINUTES
Mr. Seelig made a motion to approve the April 2, 2007 Board of Commissioners meeting minutes. Mr. Frisbie seconded the motion. Ms. Mullikin Drake explained that the minutes would be amended on page 6 to explain the reason for the Executive Session, "to discuss the terms of a contract where premature public knowledge would clearly place the Agency at a substantial disadvantage regarding a proposed Mortgage Backed Securities program." With this change, the Board unanimously approved the motion.

CONSENT AGENDA
Mr. Dorn made a motion to approve the items on the Consent Agenda (restated here):

- Resolution Re: Single Family Construction Financing for Proctorsville Green Housing, Cavendish; the amount in paragraph 3 was changed from $600,000 to $660,000 to authorize the staff to increase the staff recommended amount by 10% if justified. [This financing was approved by the Board at its April 2, 2007 meeting and the Resolution ratified this approval at this meeting.]

- ~ Vermont Housing Finance Agency ("VHA") [Resolution] Regarding KeyBank Non-Revolving Borrowing (Ratification of Amendment of 2005 and 2006 Construction Loan Lines of Credit)

Mr. Seelig seconded the motion which was unanimously approved.

ADMINISTRATIVE

Ms. Carpenter introduced Ms. Lori Gilding, the Agency's new Executive Assistant. Ms. Carpenter also announced that Ms. Vedder Plantilla would be leaving the Agency to pursue her graduate degree.

DEVELOPMENT

Wheeler Brook Housing, Warren

Ms. Plantilla introduced Ms. Beyer, Ms. Lloyd and Mr. Genge and reviewed her memo regarding a request for 9% tax credits for Wheeler Brook Housing in Warren. She further explained that the sponsor's request for State tax credits would be considered at the Board's August meeting. Mr. Adams added that the Agency would be opening the door to the application process for 2009 State credits, which are oversubscribed, on July 1st, and that all known developers have been informed.

Ms. Plantilla noted a correction to page two of her memo. This project meets two top tier Qualified Allocation Plan (QAP) priorities, one second tier and one lower tier. (The memo incorrectly states that the project meets two top tier and two second tier criteria). She reiterated that a project is required to meet three top tier criteria (this one meets two) and one other criterion for a total of four (which this project does meet). In addition, Ms. Plantilla mentioned that currently, the QAP does not treat development corridors, such as are found in ski areas like other established village centers. Ms. Lloyd further explained that the housing will be situated in the Village of Sugarbush and she circulated a map to illustrate. She mentioned the 2006 Mad River Valley Housing Study which demonstrated the immediate need for 92 units of rental housing, adding that this project is the only one in the works. Ms. Beyer added that the Town of Warren has been incredibly supportive of this project.

Mr. Dorn asked whether it made sense to leave the door open to developing the rest of the property. Ms. Beyer explained that an additional four, for sale condos had been planned but that the required stream crossing made it economically infeasible at this time. She added that additional development will remain possible in the future.

Mr. Seelig made a motion to approve the "Resolution Re: Proposed Allocation of Allocated Housing Credits for Wheeler Brook Housing, Warren." Mr. Candon seconded the motion. Ms. Pearce asked about the consequences if the project is not awarded State tax credits in August. Ms. Carpenter explained that the sponsors could wait until some are available or seek another resource. Ms. Plantilla added that there is the possibility of a partial allocation and that the project could carry slightly more debt. The motion was unanimously approved, allowing for a waiver of three top tier criteria requirement in the QAP.

HOMEOWNERSHIP

Ms. Crady referred to her memo regarding the HomeOwnership Centers (HOC) Activity for calendar year 2006. She explained that, although there was a decrease in the number of homebuyers using an HOC, the spike in calendar year 2005 was an anomaly due to a couple of very large projects in which the HOC in Chittenden County was involved. She added that an increasing number of HOC homebuyers are using VHFA financing and that the delinquency rate among these borrowers is about one-half that of the Agency portfolio.

Ms. Randall asked whether the HOCs used all of the funding allocated to them by the VHFA Board. Ms. Crady explained that they have always used the operational support provided by the Agency. However, in the past, they may not have used all of the homebuyer education fees, but that this was due more to a lag in homebuyer education reimbursement requests getting to VHFA. She added that part of the organizational support budget line item approved annually by the Board includes support for "other" nonprofits and that Rutland County Community Land Trust has submitted a request for marketing support, which staff expects to approve.

Mr. Seelig asked what percentage of non-VHFA loans are RD loans (of the loans made to HOC homebuyers). Ms. Crady estimates that the majority are. Considering this, Mr. Seelig thought it worth asking the congressional delegation to help support the HOCs. He also explained that, New England-wide, NeighborWorks® is cutting support of entities like the HOCs and that this should be kept in mind when the VHFA Board considers its allocation, especially given the impact of universal jurisdiction for septic systems beginning July 1st and the potential role that the HOCs will have in assisting homeowners through their revolving loan funds. Ms. Carpenter further explained that one of the concerns with the implementation of universal jurisdiction is the question of who will guide the consumer through the process.

Ms. Randall asked whether the organizational support line item amount will be level funded. Ms. Crady responded that this is the current proposal.

FINANCE

Quarterly Financial Statements

Mr. Connors reviewed his memo regarding the Quarterly Financial Statements for the quarter ending March 31, 2007. He expressed gratitude to Mr. Gutchell, Mr. Baker and the other Finance staff members for their monumental efforts to close March in 30 days. (Ms. Carpenter concurred.) He explained that this was accomplished, in part, by adopting a new approach to the process: the less predictable, more material line items were nailed down and the more predictable ones were estimated, which is not uncommon. And, this major shift was accomplished while the staff also deals with budget preparations, selection of a new trustee for the new multipurpose resolution, the May 1st debt service payments and the software upgrade. He added that staff will continue to find ways to refine the monthly closing process.

Mr. Connors explained that the Agency continues to have a good year and reviewed the highlights of the quarter.

Mr. Candon, Ms. Randall and Mr. Seelig commended the Homeownership staff for their efforts in continuing the positive trend in controlling Singe Family loan losses.

Mr. Dorn asked about the Agency's exposure with respect to the universal jurisdiction for septic systems to be implemented by the State beginning July 1st. Ms. Carpenter explained that the Agency may have huge exposure and staff is very concerned. All of its borrowers are low-income and many of the properties are not on public systems. Discussion followed regarding the enforcement of universal jurisdiction.

Mr. Connors explained that the goal of this presentation of the Quarterly Financial Statements was to include an analysis to make the numbers more meaningful. He added that he will continue to make improvements and welcomes input from the Board. The auditor will continue to present the year-end Statements, and this presentation will be made again for the quarter ending December 31st.

Mr. Connors also encouraged Board members to look at the General Fund Budget Reports from Mr. Gutchell, which show that the Agency is currently and expects to be on target at year-end.

Ms. Pearce asked whether the meaningful indicators that were developed to show how the Agency's business partners (e.g., Housing Vermont) are using debt resources for housing, could be integrated into the Quarterly Financial Statements. Mr. Connors replied that this is a goal. [Ms. Carpenter mentioned that Moody's publishes, annually, a report with all kinds of metrics. She agreed to distribute this to the Board to foster ideas for metrics.]

With respect to the Agency's bonds and GICs (Guaranteed Investment Contracts), Ms. Pearce asked how the Agency is demonstrating its due diligence and suggested that the Audit/Risk Committee or the full Board may want to review the process, in light of recent IRS and FBI investigations into bid-rigging and other anticompetitive practices. She added that she has no doubts that the Agency (and its financial partners) are operating in a legal and ethical manner. Ms. Mullikin Drake mentioned that the Agency worked with its financial advisor, Piper Jaffray, in January of this year to review and tighten its GIC bidding process. Ms. Carpenter suggested that this be a topic at the fall planning session, along with a review of the Agency's current relationships with its underwriters and financial advisor, which includes GIC brokering.

Trustee for the new Multipurpose Bond Resolution

Mr. Connors reviewed his memo regarding staff's recommendation of Wells Fargo as the trustee for the new Multipurpose Bond Resolution. In Mr. Beaulieu's (Chair of the Audit/Risk Board Committee) absence, Ms. Randall explained that the Committee met by conference call on May 2, 2007 and agreed to support staff's recommendation. Ms. Carpenter reported she had finished her due diligence related to committee questions.

Mr. Dorn made a motion to approve staff's and the Audit/Risk Management Board Committee's recommendation to authorize staff to select Wells Fargo as trustee for the new Multipurpose Bond Resolution. Mr. Frisbie seconded the motion which was unanimously approved.

LEGISLATIVE UPDATE

2007 Legislative Session

Ms. Carpenter believes the 4.5% increase to VHCB will go through. But, other than that, there's been no other successful housing legislation this session.

Ms. Carpenter could not convince legislators to adopt, for future implementation, or adopt a less ambitious version of, two of the bills she was most closely following:

- A $100,000 increase in the State Affordable Housing Tax Credit to be used to produce equity investment for homeownership development; and
- An increase in the property transfer tax exemption from $100,000 to $140,000 on VHFA-financed homes and an expansion of the exemption to borrowers using the USDA Rural Development and VHCB HOMELAND programs.

She does believe a modest fix will be made to the land gains tax so that land trust homes purchased from a private developer by a nonprofit and then transferred to a homeowner will be exempt from the tax.

There are two other small tax issues in Committee, and the outcome remains unknown:

- The Tax Department is seeking to include in the existing law a clearer interpretation of how towns assess subsidized housing.
- There is also a provision which seeks to grandfather some PILOT agreements that would affect some affordable housing projects; the agreements were allowed by statute a number of years ago. The Agency's interpretation is that the contracts should be honored for as long as they exist (10 – 40 years). The Tax Department's position is that they expire this year because of another provision in Act 60.

Of the four or five mobile home bills introduced, only one got out of Committee, and now appears to be stuck. It has to do with providing simultaneous notice of closure and sale of a park.

The New Neighborhoods Initiative (H.299) and Low Impact Developments Initiatives (H.451), did not go anywhere. Ms. Carpenter is hopeful that work will continue over the summer and fall.

It appears that homeless shelters will get $100,000 - $150,000 more for homeless shelters.

Mr. Dorn agreed that the session was very disappointing for housing as the legislature had other priorities.

OTHER

UBS Publication – "Subprime Market Update / VHFA / April 2007"

Mr. Candon pointed out an error on page A-2 of a UBS publication titled "Subprime Market Update / April 2007" where it was stated that "Subprime lenders ... have no regulatory oversight..." Staff agreed to pass along this correction to UBS and obtain enough copies of the publication for all Board members.

CY2008 Board Meetings

Ms. Carpenter explained that Ms. Couture had, by email on April 12, 2007, distributed the proposed CY2008 Board meeting schedule and solicited feedback. Since that time, two dates were changed. As was explained in the confirmation memo for this meeting, February 4th was changed to February 11th and May 5th was changed to May 12th to facilitate timelier presentations of the Quarterly Financial Statements. Being that no member of the Board expressed concern, this calendar will be published as final.

Cascades Condominiums, Winooski Redevelopment Project

Ms. Carpenter explained that staff had been approached by HallKeen about providing construction financing for the seventy-two, for sale riverfront condominiums, the Cascades. Although prices will range from a low of $198,000 to a high of $685,000, eighteen (18) units will be priced below VHFA's purchase price limit of $275,000. Given the range of sales prices, staff has determined that financing the entire project ($18 million) may not be appropriate. Instead, providing financing ($4 million) in proportion with the number of units in the Agency's price range may be worth considering. Staff wanted to get a preliminary reaction from the Board to determine if there were concerns about participating in what could be considered "high-end" housing, but which does include the statutory minimum required number of units under the Agency's purchase price limits. If staff decides to make a recommendation to the Board, it would be done at the June meeting. Ms. Carpenter then asked Board members if they would like to request that specific research be conducted, beyond the usual. No specific concerns were noted and no special requests were made.

Vermont Pension Investment Committee (VPIC)

Ms. Pearce explained that VPIC has developed an RFP to solicit proposals by June 25, 2007 from entities interested in providing investment management services VPIC's Economically Targeted Investments program. The RFP can be obtained from the State Treasurer's Web site. Ms. Pearce further explained that housing qualifies and staff, along with other housing agencies, may want to take a look. She added that she (staff member at the Treasurer's office) and Mr. Candon (on the Board of VPIC) would not be able to participate.

EXECUTIVE SESSION

At 11:45 a.m. Mr. Frisbie made a motion to go into Executive Session to evaluate the Executive Director. Ms. Pearce seconded the motion, which was unanimously approved.

Mr. Seelig made a motion to come out of Executive Session. Mr. Dorn seconded the motion which was unanimously approved. Executive Session adjourned at 12:10 p.m.

Ms. Pearce made a motion to approve the compensation for the Agency's executive director, Sarah Carpenter, as presented by the HR committee of the Board. Mr. Seelig seconded the motion, which was unanimously approved.

ADJOURNMENT

Ms. Pearce made a motion to adjourn the meeting. Mr. Candon seconded the motion and the Board unanimously approved to adjourn the meeting at 12:15 p.m.

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Senior Development Underwriter CR

DATE: May 29, 2007

RE: Request for Construction Financing & Bond Credits: Essex Senior Housing

Name:	Essex Senior Housing	**Location:**	Essex
Housing Type:	Senior Housing	**Unit Type:**	Flats
Unit Count:	48 Total Units 48 Housing Credit Units	**Unit Sizes:**	44 1-Br @ 590 avg sf 4 2-Br @ 700 avg sf
Total Cost:	$8,388,400	**Per S.F. Acquisition & Construction Cost:**	$170
Loan Requested:	$4,500,000 Construction Loan (tax exempt)	**Sponsor:**	Cathedral Square Corporation
Housing Credits:	$248,000 (Bond "4%" Credits)	**State Housing Credits:**	To Be Requested in August 2007
Other Funding:	HUD 202, VCDP, VHCB, REEP		

Recommendation: Staff recommends that the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board authorize the Executive Director to issue a Letter of Interest and/or a Commitment Letter to finance this property upon satisfactory completion of staff underwriting and due diligence; and authorize staff to issue the appropriate documentation according to the Qualified Allocation Plan.

Project Summary: Cathedral Square Corporation (CSC) is proposing the development of "Essex Senior Housing" in the Town of Essex, a three -story building with 48 senior apartments and underground parking. There will be common area for the residents including a kitchen, dining area, and activity space, and office space for on-site management. CSC has hired Scott & Partners Architects to design the building. Final local approval is anticipated this month, and Act 250 final approval in June. CSC has received commitments for all funding including HUD 202 financing which comes with rental assistance. This will be the fourth mixed finance (HUD 202 with tax credits) development in the State. There are supportive services included in the rent for the senior housing including: resident service coordination, an on-call resident manager, a commercial kitchen and dining area, support with transportation, lifeline services and assistance navigating Medicaid services. There will be a resident manager on site. Once there is sufficient demand, CSC is planning to offer housekeeping and meals as fee-based services. The building is located near a supermarket, post office, restaurants and the bike/recreation path. Forty of the units will have HUD 202 rental assistance, meaning that households at or below 50% of area median income will be eligible for the apartments, and will only need to pay 30% of their income for monthly rent. The remaining eight will be Housing Credit units, serving households at or below 60% of area median income.

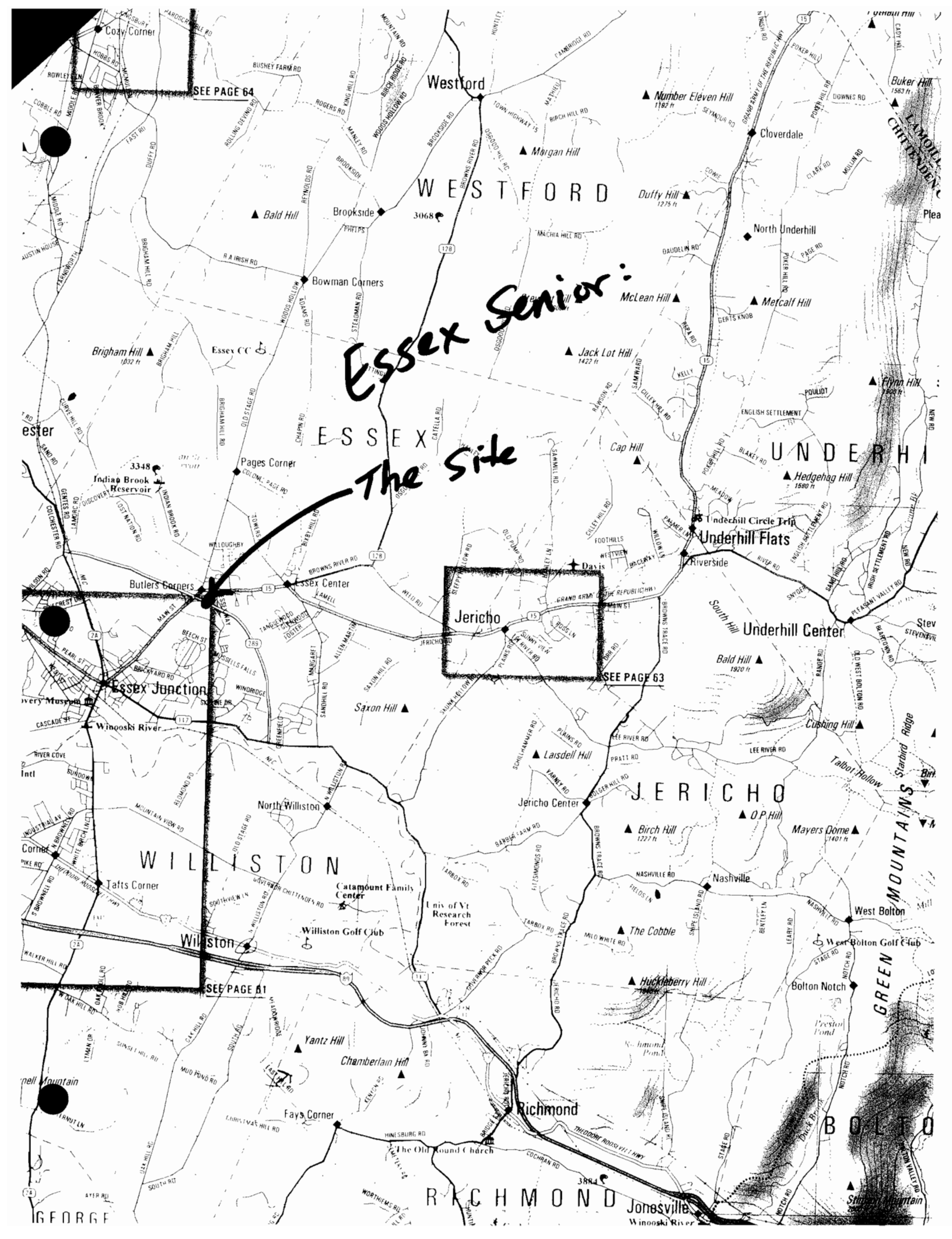
mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

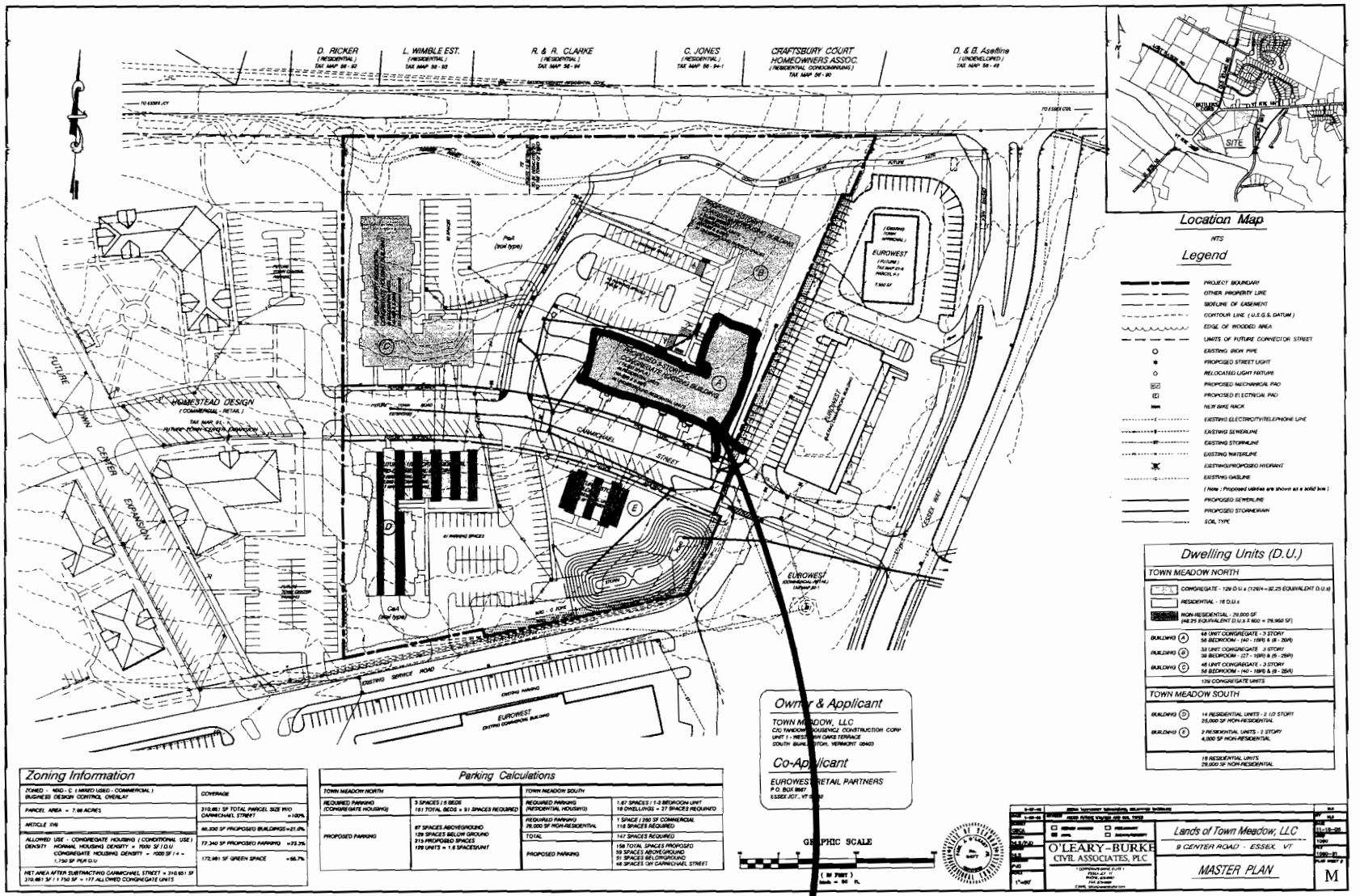
EQUAL HOUSING OPPORTUNITY

The market study strongly supports the project. It states that the combination of affordability, location, growth in the senior market and on-site services are assets that should make the project very marketable.

Staff is recommending the Board approve up to $4,500,000 in tax-exempt construction financing for the project. Sources of take out for VHFA's loan include the HUD 202 loan and tax credit equity. CSC will manage the project once it is complete. The Level I Environmental Site Assessment recommends removal of an above ground storage tank, which will be accomplished during construction. Staff has not yet received an as-built appraisal. As with all other projects, the plans and specifications and construction itself will be reviewed by our construction consultant. The project will need to comply with VHFA's design and energy standards. CSC plans to close and begin construction in September/October, complete the project by October 2008, and achieve full lease up by March 2009.

The sponsor is also requested $32,000 in State Affordable Housing Tax Credit, which the staff intends to bring for approval with all other State Credit requests in August.


Essex Senior:
The Site
SEE PAGE 64
SEE PAGE 63
SEE PAGE 61
Cozy Corner
Westford
Number Eleven Hill
1187 ft
Buker Hill
1563 ft
Cloverdale
Morgan Hill
WESTFORD
Duffy Hill
1275 ft
Bald Hill
Brookside
3068
North Underhill
Bowman Corners
McLean Hill
Metcalf Hill
Brigham Hill
1032 ft
Essex CC
Jack Lot Hill
1422 ft
Flynn Hill
ESSEX
Cap Hill
UNDERHI
Pages Corner
Hedgehog Hill
1580 ft
3348
Indian Brook Reservoir
Underhill Circle Trip
Underhill Flats
Riverside
Davis
Butlers Corners
Essex Center
Jericho
South Hill
Underhill Center
Bald Hill
1920 ft
Essex Junction
Saxon Hill
Winooski River
Cushing Hill
Larsdell Hill
Stardrid Ridge
Talbot Hollow
JERICHO
North Williston
Jericho Center
O P Hill
Birch Hill
1227 ft
Mayers Dome
1401 ft
WILLISTON
Tafts Corner
Catamount Family Center
Univ of Vt Research Forest
Nashville
West Bolton
Williston Golf Club
The Cobble
West Bolton Golf Club
Huckleberry Hill
1649 ft
Bolton Notch
GREEN MOUNTAINS
Yantz Hill
Chamberlain Hill
Richmond
Fays Corner
The Old Round Church
RICHMOND
Jonesville
Winooski River
Stuart Mountain



Proposed Essex Senior Housing

SCHEMATIC DESIGN - SOUTH ELEVATION

1/16" = 1'-0"

SCHEMATIC DESIGN - EAST ELEVATION

1/16" = 1'-0"

PROGRESS PRINT
NOT FOR CONSTRUCTION
DATE: 3/13/07

project: ESSEX SENIOR HOUSING
ESSEX, VERMONT

drwg. title: EAST ELEVATION
SCHEMATIC DESIGN EXTERIOR ELEVATIONS

scale: AS NOTED
project no.: 05-048
drawn by: pap
date: 3/15/07
file: E-ELEV-EXH

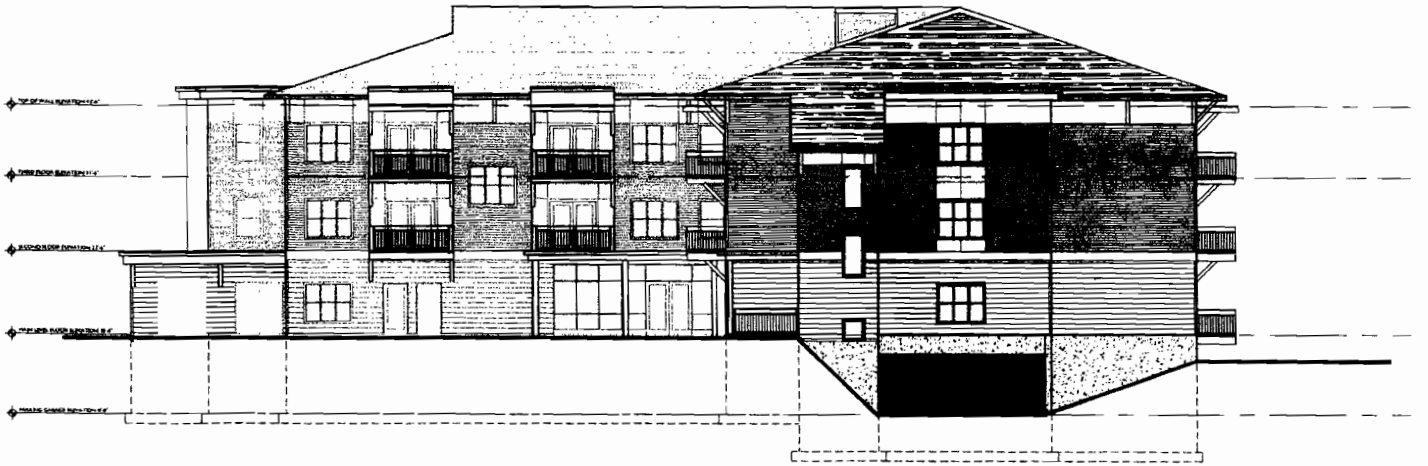
date | revisions

drwg. no.
A4.2

Sheet __ of __

SCHEMATIC DESIGN - NORTH ELEVATION

1/16" = 1'-0"



SCHEMATIC DESIGN - WEST ELEVATION

1/16" = 1'-0"

PROGRESS PRINT
NOT FOR CONSTRUCTION
DATE: 3/20/07

project: ESSEX SENIOR HOUSING
ESSEX, VERMONT

drwg. title: EAST ELEVATION
SCHEMATIC DESIGN EXTERIOR ELEVATIONS

scale: AS NOTED
project no.: 05-646
drawn by: mwp
date: 3/20/07
file: E-ELEV-EXH

date | revisions

drwg. no.
A4.1

Sheet + of +

25-May-07 **Essex Senior Housing**

Total Residential Units:	48	Increase in Income from Rental Units:	2.00%
Housing Credit Restricted Units:	48	Increase in Income from Other Sources:	1.50%
Percent Restricted:	100.00%	Increase in Income from Commercial:	0.00%
Total Development Cost:	8,388,400	Expense increase:	2.40%
Total Development Cost per Unit:	174,758	Vacancy Rate:	4%
Total Development Cost Per SF:	203	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	40.0 years
Max Credit Potential:	251,364	Short Depreciation Schedule:	7 years
Credit Amount Allocated:	**248,000**	Sponsor's Estimated Yield:	92.93%
VT State Credit	**32,000**		
Historic Credit			
LIHTC - 4%	3.48%	June 2007	

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage HUD	5,392,000	64.28%	0.50%	40	deferred
VCDP	490,000	5.84%	0.00%	40	deferred
Efficiency VT	24,000	0.29%	0.00%	0	Cap Contribution
VHCB Feasibility (GP Equity)	10,000	0.12%	0.00%	0	Cap Contribution
Deferred Development Fee	50,000	0.60%	0.00%	40	deferred
State Credit Equity	140,800	1.68%			GP Cap Contribution
Tax Credit Equity LP	2,281,600	27.20%	N/A	N/A	
	8,388,400	100.00%			
VHFA Construction Loan	**4,500,000**	**53.65%**	**7.00%**	**16 months**	**tax exempt**

USES

Acquisition	1,208,500	14.41%
Construction Hard Costs	5,843,000	69.66%
Soft Costs	1,336,900	15.94%
TOTAL USES	8,388,400	100.00%
Gap	0	

General Partner's Capital Contribution	23,046	1.00%
Limited Partner's Capital Contribution	2,281,600	99.00%
Total Equity	2,304,646	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	48
Total Units	48
Unit Fraction	100.00%
Tax Credit Square Footage	41,360
Total Residential Square Footage	41,360
Square Footage Fraction	100.00%
Applicable Fraction	100.00%

25-May-07 **Essex Senior Housing**

		Total			170			
	Total Project	**Budget**	Per Unit	Per s.f.	HUD 202	Equity	VCDP	VHCB Feas & REEP, GP loan
	ACQUISITION							
1	Land	1,025,000	21,354	24.78	345,000	200,000	480,000	
2	Site improvements in basis	175,000	3,646	4.23	175,000			
3	Demolition (without replacement)		0	0.00				
4	Property Appraisal	3,500	73	0.08		3,500		
5	Legal - Title and Recording	5,000	104	0.12		5,000		
	Subtotal - Acquisition	**1,208,500**	25,177	29.22				
	CONSTRUCTION HARD COSTS							
6	New Construction	5,098,000	106,208	123.26	4,872,000	202,000		24,000
7	Rehab & New Building		0	0.00				
8	Office Space		0	0.00				
9	Sitework		0	0.00				
10	Commercial Space Costs (if any)		0	0.00				
11	General Requirements		0	0.00				
12	Architectural / Engineering	270,000	5,625	6.53		260,000		10,000
13	Contractor Profit		0	0.00				
14	Construction Contingency	400,000	8,333	9.67		400,000		
15	Construction Management		0	0.00				
16	Construction Bond Fee		0	0.00				
17	Hazardous Materials Abatement		0	0.00				
18	Off-Site Improvements		0	0.00				
19	Furnishings, Fixtures, & Equipment	75,000	1,563	1.81		75,000		
20			0	0.00				
	Subtotal - Hard Costs	**5,843,000**	121,729	141.27				
	SOFT COSTS							
21								
22	Survey	7,500	156	0.18		7,500		
23	Legal/Accounting	25,000	521	0.60		25,000		
24	owners representatve	100,000	2,083	2.42		100,000		
25	Environmental Assessment	2,500	52	0.06		2,500		
26	Civil Engineering	incld Arch	0	0.00				
27	Permits/Fees	59,000	1,229	1.43		59,000		
28	Commissioning	0	0	0.00				
29	Compaction/Testing/soils	9,000	188	0.22		9,000		
30	Independent Market Study	3,800	79	0.09		3,800		
31	Construction Period Insurance	41,000	854	0.99		41,000		
32	Construction Interest	136,800	2,850	3.31		136,800		
33	Loan Origination Fee	0	0	0.00				
34	Taxes During Construction	10,000	208	0.24		10,000		
35	Inspection Fee	6,000	125	0.15		6,000		
36	Marketing	15,000	313	0.36		15,000		
37	Tax Credit Fees	10,200	213	0.25		10,200		
38	Soft Cost Contingency	14,000	292	0.34		14,000		
39	VHFA Lender's Council Fee	5,000	104	0.12		5,000		
40	VCDP administration	10,000	208	0.24			10,000	
41			0	0.00				
42	Cost Cert IRS & HUD	10,000	208	0.24		10,000		
43	Capital Needs Assessment		0	0.00				
	SYNDICATION COSTS							
44	Organizational (Partnership)	3,500	73	0.08		3,500		
45	Bridge Loan Fees and Expenses	12,600	263	0.30		12,600		
46	Syndication Consultant	4,500	94	0.11		4,500		
47	Tax Opinion	1,500	31	0.04		1,500		
	DEVELOPER'S FEES							
48	Developer's Fees	625,000	13,021	15.11		625,000		
49	deferred development fee	50,000	208	0.24				50,000
50	Consultant Fees	82,000	1,708	1.98		82,000		
	RESERVES							
51	Working Capital		0	0.00				
52	Rent-up (Deficit Escrow) Reserve	20,000	417	0.48		20,000		
53	Operating Reserves	73,000	1,521	1.76		73,000		
54	Sinking Fund (RA)		0	0.00				
55	Replacement Reserves		0	0.00				
	Subtotal - Soft Costs	**1,336,900**	27,852	32.32				
	TOTAL DEVELOPMENT COSTS	**8,388,400**	174,758	202.81	5,392,000	2,422,400	490,000	84,000

07 **Essex Senior Housing**

		0	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Commercial Other
	ACQUISITION						
1	Land	1,025,000					
2	Site improvements in basis	175,000	175,000		0		
3	Demolition (without replacement)	0					
4	Property Appraisal	3,500	3,500				
5	Legal - Title and Recording	5,000	5,000				
	Subtotal - Acquisition	1,208,500					
	CONSTRUCTION HARD COSTS						
6	New Construction	5,098,000		5,098,000	5,098,000		
7	Rehab & New Building	0		0	0		
8	Office Space	0					
9	Sitework	0		0	0		
10	Commercial Space Costs (if any)	0					
11	General Requirements	0		0	0		
12	Architectural / Engineering	270,000		270,000	270,000		
13	Contractor Profit	0		0	0	0	
14	Construction Contingency	400,000		400,000	400,000		
15	Survey	0		0	0		
16	Architectural/Engineering	0		0	0		
17	Hazardous Materials Abatement	0		0	0		
18	Off-Site Improvements	0		0	0		
19	Furnishings, Fixtures, & Equipment	75,000		75,000	75,000	0	
20	0	0		0	0	0	
	Subtotal - Hard Costs	5,843,000					
	SOFT COSTS						
21							
22	Survey	7,500		7,500	7,500		
23	Legal/Accounting	25,000		25,000	25,000		
24	owners representatve	100,000		100,000	100,000		
25	Environmental Assessment	2,500		2,500	2,500		
26	Civil Engineering	incld Arch		incld Arch	incld Arch		
27	Permits/Fees	59,000		59,000	59,000		
28	Commissioning	0		0	0		
29	Compaction/Testing	9,000		9,000	9,000		
30	Independent Market Study	3,800		3,800	3,800		
31	Construction Period Insurance	41,000		41,000	41,000		
32	Construction Interest	136,800		136,800	136,800		
33	Loan Origination Fee	0		0	0		
34	Taxes During Construction	10,000		10,000	10,000		
35	Inspection Fee	6,000		6,000	6,000		
36	Marketing	15,000					
37	Tax Credit Fees	10,200					
38	Soft Cost Contingency	14,000		14,000	14,000		
39	VHFA Lender's Council Fee	5,000		5,000	5,000		
40	VCDP administration	10,000		10,000	10,000		
41	0	0					
42	Cost Cert IRS & HUD	10,000		10,000	10,000		
43	Capital Needs Assessment	0					
	SYNDICATION COSTS						
44	Organizational (Partnership)	3,500					
45	Bridge Loan Fees and Expenses	12,600					
46	Syndication Consultant	4,500					
47	Tax Opinion	1,500					
	DEVELOPER'S FEES						
48	Developer's Fees	625,000		625,000	625,000		
49	deferred development fee	50,000		50,000	50,000		
50	Consultant Fees	82,000		82,000	82,000		
	RESERVES						
51	Working Capital	0					
52	Rent-up (Deficit Escrow) Reserve	20,000					
53	Operating Reserves	73,000					
54	Sinking Fund (RA)	0					
55	Replacement Reserves	0					
	Subtotal - Soft Costs	1,336,900					
	TOTALS	8,388,400	183,500	7,039,600	6,964,600	0	
	LESS: Amount of Non-qualified Financing					0	
	LESS: Adjustment for per unit cost limits	100.00%		0			
	LESS: Historic tax Credit (Residential Portion)			0	0	20%	Historic Credit Rate
	Total Eligible Basis		183,500	7,039,600		0	Annual Historic Credit
	TIMES: Adjusted for QCT/DDA	100.00%		7,039,600			
	TIMES: Applicable Fraction	100.00%	183,500	7,039,600			
	Total Qualified Basis		183,500	7,039,600	6,964,600		Long Term Depreciable Basis
	TIMES: Applicable Percentage		3.48%	3.48%	40.0		Depreciation Schedule
	Total Annual Credit Qualified		6,386	244,978	174,115		Annual Depreciation
	Total Tax Credits Requested	248,000		251,364	75,000		Short Term Depreciable Basis
	Estimated Net Syndication Proceeds (**excluding historic credit equity**)	2,281,600			7		Depreciation Schedule
	Estimated Yield - Housing Credit Syndication	92.93%			10,714		Annual Depreciation
	Equity Gap	2,281,600					
	Credits Needed to fill Equity Gap	248,000					

0.00

25-May-07 **Essex Senior Housing**

HC UNITS

Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
1 Br	HUD sect 8	590	40	510	29	244,800
2 Br	No RA	700	4	780	44	37,440
1 br	No RA	590	3	675	29	24,300
1 Br	Manager	590	1	675	29	8,100
3 Br					59	0
Common & Utility Space		12,600				
	Totals	41,360	48			314,640

NON HC UNITS

Bedrooms	Type	Square Feet	Number	Rent	Utilities	Annual Rent
0 Br					0	0
1 Br					0	0
2 Br					0	0
	Totals	41,360	0			0
		Total Units	48		**TOTAL All Units**	314,640
		Less Vacancy	4.00%			(12,586)
					NET RENT	302,054
		OTHER INCOME				
		Laundry				2,400
		Interest				500
					TOTAL INCOME	304,954

25-May-07 **Essex Senior Housing**

		Monthly	Per Unit Per Month	
Administration				
Management Fee	28,800	2,400	50	0.0%
Support Services	15,000	1,250	26	
Audit/Accounting	4,000	333	7	
Legal	1,000	83	2	
Compliance Monitoring	2,304	192	4	
Marketing	1,152	96	2	
On site Management	30,000	2,500	52	
TOTAL ADMINISTRATIVE	82,256	6,855	143	
Utilities				
Electricity	25,000	2,083	43	
Fuel	20,000	1,667	35	
Water and Sewer	15,000	1,250	26	
Fire Alarm / Emergency	6,000	500	10	
Other		0	0	
TOTAL UTILITIES	66,000	5,500	115	
Maintenance				
Maintenance / Janitor Payroll	30,000	2,500	52	
Janitor supplies	2,000	167	3	
Exterminating	2,000	167	3	
Trash Removal	4,608	384	8	
Snow Removal	5,000	417	9	
Grounds	2,000	167	3	
Repairs Material	10,000	833	17	
Repairs Contract	10,000	833	17	
HVAC Repairs / Maintenance	2,000	167	3	
Elevator Contract / Repairs	2,000	167	3	
Painting and Decorating	1,000	83	2	
Other	3,000	250	5	
TOTAL MAINTENANCE	73,608	6,134	128	
Real Estate Taxes	28,800	2,400	50	
Property Insurance	16,000	1,333	28	
Replacement Reserves	23,040	1,920	40	
Primary Debt Service		0	0	
Other "must pay" debt service		0	0	
Other	0	0	0	
Total	289,704	24,142	503	

per unit month excl. ds & res
463

25-May-07 **Essex Senior Housing**

	Check all Applicable									A					B							C					
Building #	Unit #	HOME Unit	Lead Paint Unit	Project Based Assistance	Tax Credit Unit	VHCB Restricted	Accessible	Adaptable	Unrestricted	# of Br	Sq Ft	Rent	Utility Allowance for Tenant-Paid Utilities	Gross Rent (Rent + Tenant-Paid Utilities)	OCCUPIED BY: Income level of residents to be served:							AFFORDABLE TO: Units affordable to residents at:					
															<30%	<50%	<60%	<80%	<100%	>100%		30%	50%	60%	65%	80%	100%
	1			1	1					1	590	510	29	539		1							1				
	2			1	1					1	590	510	29	539		1							1				
	3			1	1					1	590	510	29	539		1							1				
	4			1	1					1	590	510	29	539		1							1				
	5			1	1					1	590	510	29	539		1							1				
	6			1	1					1	590	510	29	539		1							1				
	7			1	1					1	590	510	29	539		1							1				
	8			1	1					1	590	510	29	539		1							1				
	9			1	1					1	590	510	29	539		1							1				
	10			1	1					1	590	510	29	539		1							1				
	11			1	1					1	590	510	29	539		1							1				
	12			1	1					1	590	510	29	539		1							1				
	13			1	1					1	590	510	29	539		1							1				
	14			1	1					1	590	510	29	539		1							1				
	15			1	1					1	590	510	29	539		1							1				
	16			1	1					1	590	510	29	539		1							1				
	17			1	1					1	590	510	29	539		1							1				
	18			1	1					1	590	510	29	539		1							1				
	19			1	1					1	590	510	29	539		1							1				
	20			1	1					1	590	510	29	539		1							1				
	21			1	1					1	590	510	29	539		1							1				
	22			1	1					1	590	510	29	539		1							1				
	23			1	1					1	590	510	29	539		1							1				
	24			1	1					1	590	510	29	539		1							1				
	25			1	1					1	590	510	29	539		1							1				
	26			1	1					1	590	510	29	539		1							1				
	27			1	1					1	590	510	29	539		1							1				
	28			1	1					1	590	510	29	539		1							1				
	29			1	1					1	590	510	29	539		1							1				
	30			1	1					1	590	510	29	539		1							1				
	31			1	1					1	590	510	29	539		1							1				
	32			1	1					1	590	510	29	539		1							1				
	33			1	1					1	590	510	29	539		1							1				
	34			1	1					1	590	510	29	539		1							1				
	35			1	1					1	590	510	29	539		1							1				
	36			1	1					1	590	510	29	539		1							1				
	37			1	1					1	590	510	29	539		1							1				
	38			1	1					1	590	510	29	539		1							1				
	39			1	1					1	590	510	29	539		1							1				
	40			1	1					1	590	510	29	539		1							1				
	41				1					2	700	780	44	824			1						1				
	42				1					2	700	780	44	824			1						1				
	43				1					2	700	780	44	824			1						1				
	44				1					2	700	780	44	824			1						1				
	45				1					1	590	675	29	704			1						1				
	46				1					1	590	675	29	704			1						1				
	47				1					1	590	675	29	704			1						1				
manager	48				1					1	590	675	29	704			1						1				
Total # Units	**48**	**0**	**0**	**40**	**48**	**0**	**0**	**0**	**0**	**Totals: 48**		**26,220**		**Total # Units:**	**0**	**40**	**8**	**0**	**0**	**0**	**0**	**40**	**8**	**0**	**0**	**0**

form[illegible]n date: 2/27/97

25-May-07 **Essex Senior Housing**

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
RD 1% Loan, No Interest Credit															
Operating Income															
Gross Rent	314,640	320,933	327,351	333,898	340,576	347,388	354,336	361,422	368,651	376,024	383,544	391,215	399,040	407,020	415,161
Other Income	2,900	2,944	2,988	3,032	3,078	3,124	3,171	3,219	3,267	3,316	3,366	3,416	3,467	3,519	3,572
Vacancy and other losses	(12,586)	(12,837)	(13,094)	(13,356)	(13,623)	(13,896)	(14,173)	(14,457)	(14,746)	(15,041)	(15,342)	(15,649)	(15,962)	(16,281)	(16,606)
Total Operating Income	304,954	311,039	317,245	323,575	330,031	336,617	343,333	350,184	357,172	364,299	371,568	378,983	386,545	394,259	402,126
Operating Expenses															
Total Expenses (excl. Reserves)	266,664	273,064	279,617	286,328	293,200	300,237	307,443	314,821	322,377	330,114	338,037	346,150	354,457	362,964	371,675
Reserves	23,040	23,040	23,040	23,040	23,040	23,040	23,040	23,040	23,040	23,040	23,040	23,040	23,040	23,040	23,040
Sub-Total Operating Expense	289,704	296,104	302,657	309,368	316,240	323,277	330,483	337,861	345,417	353,154	361,077	369,190	377,497	386,004	394,715
Return on Equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Operating Expense	289,704	296,104	302,657	309,368	316,240	323,277	330,483	337,861	345,417	353,154	361,077	369,190	377,497	386,004	394,715
Net Operating Income	15,250	14,935	14,588	14,207	13,791	13,340	12,851	12,323	11,755	11,145	10,491	9,793	9,048	8,255	7,411
Less Primary Debt Service		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Less Secondary Debt Service	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow	15,250	14,935	14,588	14,207	13,791	13,340	12,851	12,323	11,755	11,145	10,491	9,793	9,048	8,255	7,411
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash	15,250	14,935	14,588	14,207	13,791	13,340	12,851	12,323	11,755	11,145	10,491	9,793	9,048	8,255	7,411
DCR	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Cumulative Cash Flow															
Beginning Balance	73,000	88,980	104,805	120,441	135,852	151,002	165,851	180,361	194,487	208,187	221,413	234,119	246,253	257,764	268,596
Deposits	15,250	14,935	14,588	14,207	13,791	13,340	12,851	12,323	11,755	11,145	10,491	9,793	9,048	8,255	7,411
Interest 2.0%	730	890	1,048	1,204	1,359	1,510	1,659	1,804	1,945	2,082	2,214	2,341	2,463	2,578	2,686
Withdrawals	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	88,980	104,805	120,441	135,852	151,002	165,851	180,361	194,487	208,187	221,413	234,119	246,253	257,764	268,596	278,693
Cumulative Replacement Reserves															
Beginning Balance		23,270	46,543	70,049	93,789	21,767	45,025	68,515	92,240	116,202	44,404	67,888	91,607	115,563	139,759
Deposits	23,040	23,040	23,040	23,040	23,040	23,040	23,040	23,040	23,040	23,040	23,040	23,040	23,040	23,040	23,040
Interest 2.0%	230	233	465	700	938	218	450	685	922	1,162	444	679	916	1,156	1,398
Withdrawals	0	0	0	0	(96,000)	0	0	0	0	(96,000)	0	0	0	0	(144,000)
Ending Balance	23,270	46,543	70,049	93,789	21,767	45,025	68,515	92,240	116,202	44,404	67,888	91,607	115,563	139,759	20,197
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income	15,250	14,935	14,588	14,207	13,791	13,340	12,851	12,323	11,755	11,145	10,491	9,793	9,048	8,255	7,411
Plus Reserves	23,040	23,040	23,040	23,040	23,040	23,040	23,040	23,040	23,040	23,040	23,040	23,040	23,040	23,040	23,040
Less Interest Expense	(27,166)	(22,932)	(22,286)	(21,636)	(20,983)	(20,326)	(19,666)	(19,003)	(18,336)	(17,665)	(16,991)	(16,314)	(15,632)	(14,948)	(14,259)
Less Long Depreciation	(174,115)	(174,115)	(174,115)	(174,115)	(174,115)	(174,115)	(174,115)	(174,115)	(174,115)	(174,115)	(174,115)	(174,115)	(174,115)	(174,115)	(174,115)
Less Short Depreciation	(10,714)	(10,714)	(10,714)	(10,714)	(10,714)	(10,714)	(10,714)	0	0	0	0	0	0	0	0
Taxable Income (Loss)	(173,705)	(169,787)	(169,488)	(169,219)	(168,981)	(168,776)	(168,605)	(157,755)	(157,656)	(157,596)	(157,575)	(157,596)	(157,659)	(157,768)	(157,923)
Cash Flow	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings	60,797	59,425	59,321	59,227	59,143	59,072	59,012	55,214	55,180	55,158	55,151	55,158	55,181	55,219	55,273
Plus Tax Credits	248,000	248,000	248,000	248,000	248,000	248,000	248,000	248,000	248,000	248,000	0				
Plus State Credit	32,000	32,000	32,000	32,000	32,000										
After Tax Cash Flow	340,797	339,425	339,321	339,227	339,143	307,072	307,012	303,214	303,180	303,158	55,151	55,158	55,181	55,219	55,273

Total Years 15
Reinvestment Rate 7.70%

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Current After Tax Cash Flows	340,797	339,425	339,321	339,227	339,143	307,072	307,012	303,214	303,180	303,158	55,151	55,158	55,181	55,219	55,273
Future Value of Cash Flows at Yr 15:	1,036,886	958,880	890,050	826,187	766,931	644,758	598,544	548,877	509,577	473,112	79,916	74,212	68,934	64,050	59,529

Discount Rate: 3.00%

Capital Contribution Number:	1	2	3	4	5	6	7	8							
Date of Capital Contribution:	15-Oct-07	15-Sep-08	01-Nov-08	01-Jul-08											
Amount of Capital Contribution:	120,000	338,000	1,550,600	273,000		0	0	0							
Present Value of Contributions:	120,000	328,668	1,501,893	267,149	0	0	0	0							
Cash Flows	(2,217,710)	0	0	0	0	0	0	0	0	0	0	0	0	0	7,600,443

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: CONSTRUCTION FINANCING AND PROPOSED USE OF BOND HOUSING CREDITS FOR ESSEX SENIOR HOUSING, ESSEX

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow monies and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, an application has been submitted to the Agency by Cathedral Square Corporation (the "Sponsor") on behalf of a to be formed limited partnership in which the Sponsor or its subsidiary will be the general partner (the "Borrower") involving the construction of forty-eight (48) units of senior rental housing in the Town of Essex (the "Development"); and

WHEREAS, the application contemplates a mortgage loan for construction financing for the Development with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds; and

WHEREAS, the Sponsor 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; and

WHEREAS, the Agency administers the allocation and use of the federal Low Income Housing Tax Credits (both Allocated Housing Credits and Bond Housing Credits) and the State Housing Credits under the State's Qualified Allocation Plan; and

WHEREAS, the Governor of the State of Vermont has approved the 2005-2006 Qualified Allocation Plan; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated May 29, 2007, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income, or qualifies for financing with proceeds of federally tax-exempt obligations, or at least 20 percent of the units are for occupancy by persons and families of low and moderate income.

2. The acquisition and construction 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 increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency 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 loan.

6. The Sponsor is financially responsible and is a qualified housing sponsor within the meaning of the Act. The Borrower will be required to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsor for the construction financing of the Development based on the recommendations in the attached Memorandum. 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 Sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the Borrower for the construction financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsor as the representative of the Borrower. The Commitment Letter shall be conditioned on the satisfaction by the Sponsors of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

3. The Executive Director and the Loan Review Committee will establish the final source and amount of the loan for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines, and the conditions described in the Memorandum.

4. The recommendations for the use of Bond Housing Credits contained in the Memorandum which is attached and incorporated by this reference are hereby approved.

5. The Executive Director and the appropriate staff are hereby authorized to take such actions as are described in the 2005-2006 Qualified Allocation Plan regarding the use of Bond Housing Credits in an amount necessary for the Development's feasibility for the Essex Senior Housing project in the Town of Essex, Vermont.

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Senior Development Underwriter CR

DATE: May 29, 2007

RE: Request for Allocated Housing Credits: Tontine Canal, Guilford & Brattleboro

Name:	Tontine Canal	**Location:**	Guilford & Brattleboro
Housing Type:	General Occupancy	**Unit Type:**	20 flats; 1 townhouse
Unit Count:	21 units 18 Housing Credit units	**Unit Sizes:**	1 0-BR @ 361 s.f. 9 1-BR @ 530 s.f. 6 2-BR @ 934 s.f. 5 3-BR @ 1,160 s.f.
Total Cost:	$2,999,690	**Per S.F. Acquisition & Construction Cost:**	$117
Credits Requested:	$225,000 (9%)	**Sponsor:**	Brattleboro Area Community Land Trust
State Housing Credits Requested:	Will Request State Credits in August 2007	**Other Funding:**	VHCB, HOME, Efficiency Vermont, VHCB Lead, Historic Credit

Recommendation: That the VHFA Board of Commissioners pass the attached resolution and authorize staff to issue the appropriate documentation according to the Qualified Allocation Plan.

Project Summary: Brattleboro Area Community Land Trust (BACLT) is proposing to form a limited partnership to acquire and rehabilitate four existing buildings. Three buildings are located on Canal Street in Brattleboro – at 182,188 and 192. BACLT currently owns all three buildings – BACLT's offices are in 192 Canal, and 182 and 188 Canal contain residential rental units. BACLT is moving its offices to 68 Birge Street, once renovations are complete (known as the Birge & Worden project for which we provided tax credits for the residential portion). BACLT is requesting ceiling credits to convert 192 Canal Street to four residential units. Located within a residential neighborhood, the building is more conducive to residential use than commercial. BACLT plans to include two adjacent buildings in this project - 182 and 188 Canal - in order to make some physical improvements to them. Concurrently, BACLT is working on a revitalization project in the Town of Guilford, in an area called Algiers Village. The "Friends of Algiers Village" is a community group which seeks to revitalize their town by: improving housing stock and developing new affordable housing, developing some commercial space, creating some open space, improving traffic patterns and parking, and re-designing the town center. To date, Algiers Village has obtained "village center designation" from the State's downtown program, BACLT has signed an agreement to purchase a dilapidated multi-family building in town as well as a parcel to land bank for future development and open space (currently three large abandoned warehouses and some outbuildings are on the lot), and the group has developed a Master Plan prepared by an engineering firm which outlines the revitalization plan. The "Friends" and BACLT propose to work on the Algier's Village Master Plan in

phases, and begin with the acquisition and rehabilitation of the multi-unit Tontine Building. (Future development will necessitate a public water system, and the condition of the Tontine Building cannot wait). The Tontine Building, located at 500 Coolidge Highway, is currently occupied, has five residential units and two vacant commercial units. It is in poor condition. BACLT proposes to reconfigure the building into seven residential units. Of the twenty one total units (14 at 182, 199 and 192 Canal and seven at Tontine), eighteen will be tax credit units. Three will serve households at or below 50% of area median income, fifteen will serve households at or below 60% of area median income, and three units will be market units. In total, the project is creating six new units (four at 192 Canal Street and two in the Tontine Building), and improving 15 units. Act 250 is not required for this project, however the conditional use permit for 192 Canal Street will need to be amended to add residential units. The proposed density in the neighborhood is less than the allowable density, and the zoning administrator does not foresee a problem with the amendment. VHCB and HOME funding decisions will be made in June. Construction could begin as early as October and be completed in the Spring of 2008. BACLT will manage the properties.

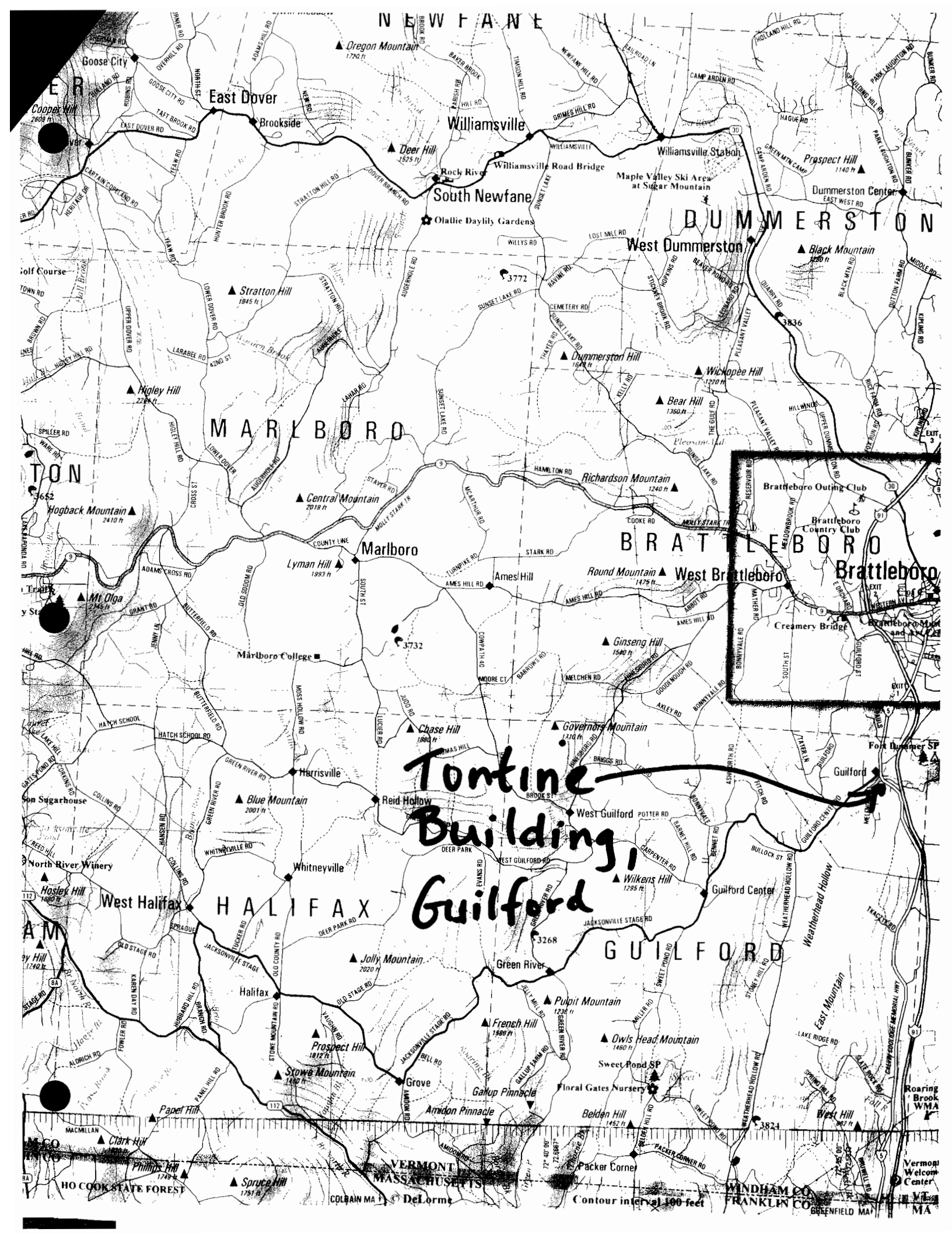
Tax Credit Discussion:

The market study supports the project in both locations, and indicates a short lease-up time for the six units that will be added. Historically, BACLT has very low vacancy rates at 182 and 188 Canal, many residents having lived there a long time.

The project meets four of the top tier priorities (rehab; family housing; historic settlement patterns; designated downtown/village center for both Brattleboro and Guilford). The enclosed Housing Credit Status Report illustrates available credit and remaining credit should all projects receive credit commitments.

Staff recommends approval of the Housing Credit request for the project.

The sponsor is also requested $37,600 in State Affordable Housing Tax Credit, which the staff intends to bring for approval with all other State Credit requests in August.

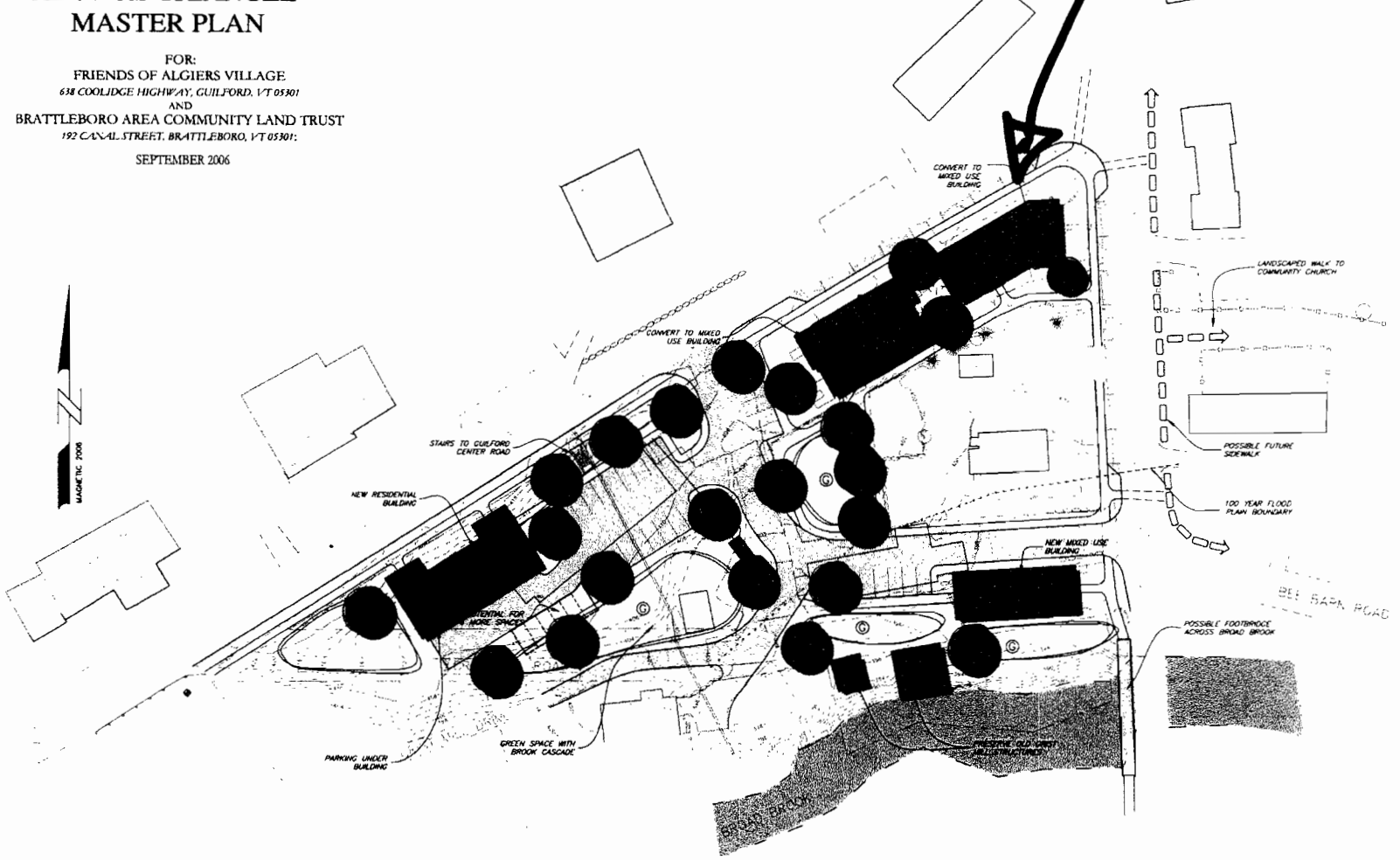

Tontine Building, Guilford
NEWFANE
DUMMERSTON
MARLBORO
BRATTLEBORO
HALIFAX
GUILFORD
Goose City
East Dover
Brookside
Williamsville
Williamsville Station
Williamsville Road Bridge
Rock River
South Newfane
Olallie Daylily Gardens
Maple Valley Ski Area at Sugar Mountain
Dummerston Center
West Dummerston
Marlboro
Ames Hill
West Brattleboro
Brattleboro
Brattleboro Outing Club
Brattleboro Country Club
Creamery Bridge
Marlboro College
Harrisville
Reid Hollow
West Guilford
Guilford
Guilford Center
Whitneyville
West Halifax
Halifax
Green River
Grove
Gallup Pinnacle
Amidon Pinnacle
Packer Corner
Floral Gates Nursery
Sweet Pond SP
Fort Dummer SP
Roaring Brook WMA
Vermont Welcome Center
Oregon Mountain 1720 ft
Deer Hill 1525 ft
Prospect Hill 1140 ft
Black Mountain 1290 ft
Stratton Hill 1945 ft
Dummerston Hill 1640 ft
Wichopee Hill 1220 ft
Bear Hill 1360 ft
Higley Hill 2284 ft
Richardson Mountain 1240 ft
Central Mountain 2019 ft
Hogback Mountain 2410 ft
Lyman Hill 1993 ft
Round Mountain 1475 ft
Mt Olga 2145 ft
Ginseng Hill 1590 ft
Chase Hill 1880 ft
Governors Mountain 1210 ft
Blue Mountain 2001 ft
Wilkens Hill 1295 ft
Jolly Mountain 2020 ft
Pulpit Mountain 1230 ft
French Hill 1586 ft
Owls Head Mountain 1460 ft
Prospect Hill 1812 ft
Stowe Mountain 1480 ft
Belden Hill 1452 ft
West Hill 982 ft
Hosley Hill 1880 ft
Papet Hill
Clark Hill
Phillips Hill 1749 ft
Spruce Hill 1751 ft
Cooper Hill 2609 ft
Mt Olga 2145 ft
3772
3836
3652
3732
3268
3824
Cooper Hill
Hogback Mountain
Mt Olga
Higley Hill
Stratton Hill
Deer Hill
Oregon Mountain
Williamsville
East Dover
Goose City
Brookside
Rock River
South Newfane
Williamsville Station
Prospect Hill
Dummerston Center
West Dummerston
Black Mountain
Dummerston Hill
Wichopee Hill
Bear Hill
Richardson Mountain
Central Mountain
Marlboro
Lyman Hill
Ames Hill
Round Mountain
West Brattleboro
Brattleboro
Ginseng Hill
Marlboro College
Chase Hill
Governors Mountain
Harrisville
Reid Hollow
West Guilford
Guilford
Guilford Center
Blue Mountain
Wilkens Hill
Whitneyville
West Halifax
Halifax
Green River
Jolly Mountain
Pulpit Mountain
French Hill
Owls Head Mountain
Prospect Hill
Stowe Mountain
Belden Hill
West Hill
Grove
Gallup Pinnacle
Amidon Pinnacle
Packer Corner
Floral Gates Nursery
Sweet Pond SP
Fort Dummer SP
Roaring Brook WMA
Vermont Welcome Center
Hosley Hill
Papet Hill
Clark Hill
Phillips Hill
Spruce Hill
Weatherhead Hollow
East Mountain
Creamery Bridge
Brattleboro Outing Club
Brattleboro Country Club
VERMONT
MASSACHUSETTS
WINDHAM CO
FRANKLIN CO
HO COOK STATE FOREST
COLRAIN MA
GREENFIELD MA
© DeLorme
Contour interval 100 feet

Tontine Building

ALGIERS TRIANGLE MASTER PLAN

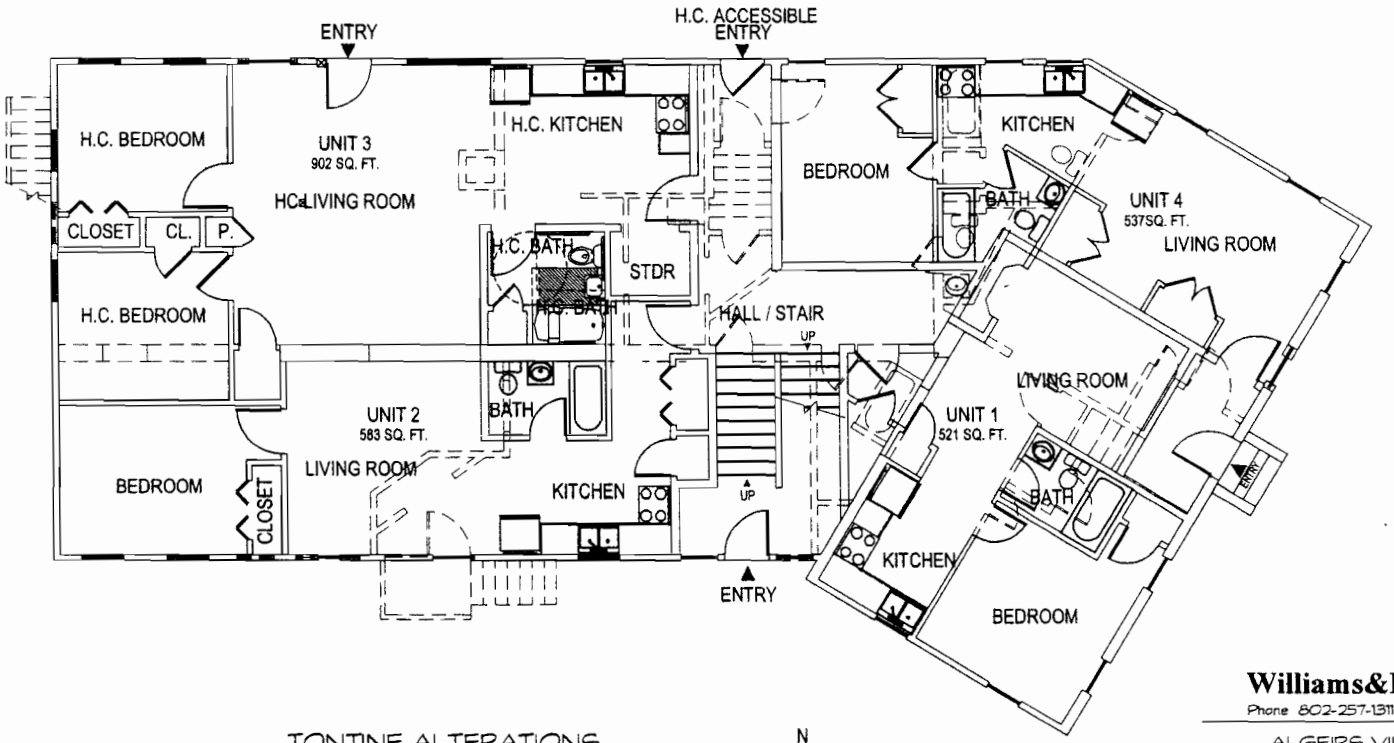
FOR:
FRIENDS OF ALGIERS VILLAGE
638 COOLIDGE HIGHWAY, GUILFORD, VT 05301
AND
BRATTLEBORO AREA COMMUNITY LAND TRUST
192 CANAL STREET, BRATTLEBORO, VT 05301

SEPTEMBER 2006



STEVENS & ASSOCIATES, P.C.
Consulting on the Design & Development of Livable Communities
ENGINEERS LANDSCAPE ARCHITECTS PLANNERS

DWELLING UNITS:	20-25
COMMERCIAL SQUARE FEET	8800SF
OFF STREET PARKING SPACES	35
ON STREET PARKING SPACES	13



TONTINE ALTERATIONS
FIRST FLOOR PLAN

0 4 8 12 16 1/8" = 1'-0"

N
W E
S

Williams&Frehsee,Inc.
Phone 802-257-1311 www.wfivt.com

ALGEIRS VILLAGE FEAS.
Guilford, Vermont
Job# 10507
FIRST FLOOR PLAN

TT-SD#1

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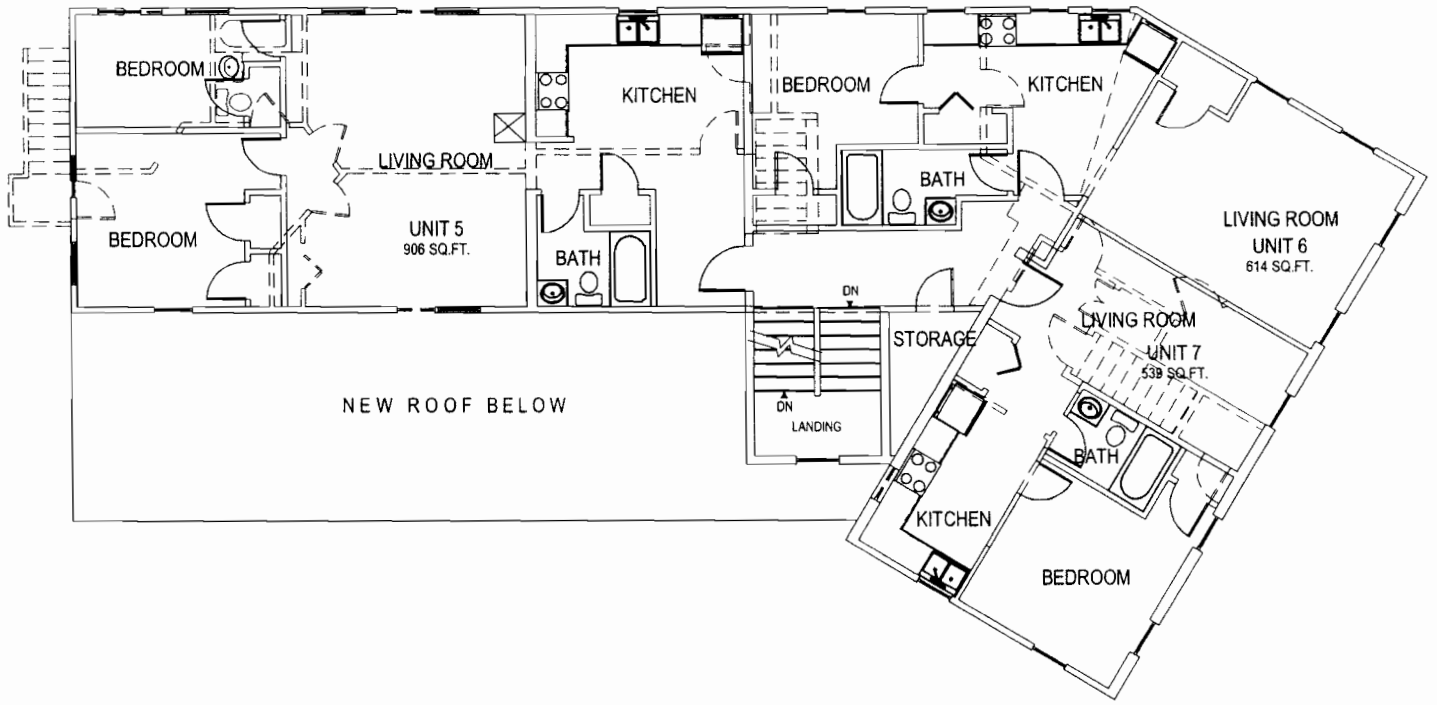

TONTINE ALTERATIONS
SECOND FLOOR PLAN

0 4 8 12 16 1/8" = 1'-0"

N
W E
S

Williams&Frehsee,Inc.

Phone 802-257-131 www.wfivt.com

ALGEIRS VILLAGE FEAS.
Guilford, Vermont
Job# 10507

SECOND FLOOR PLAN

TT-SD#2

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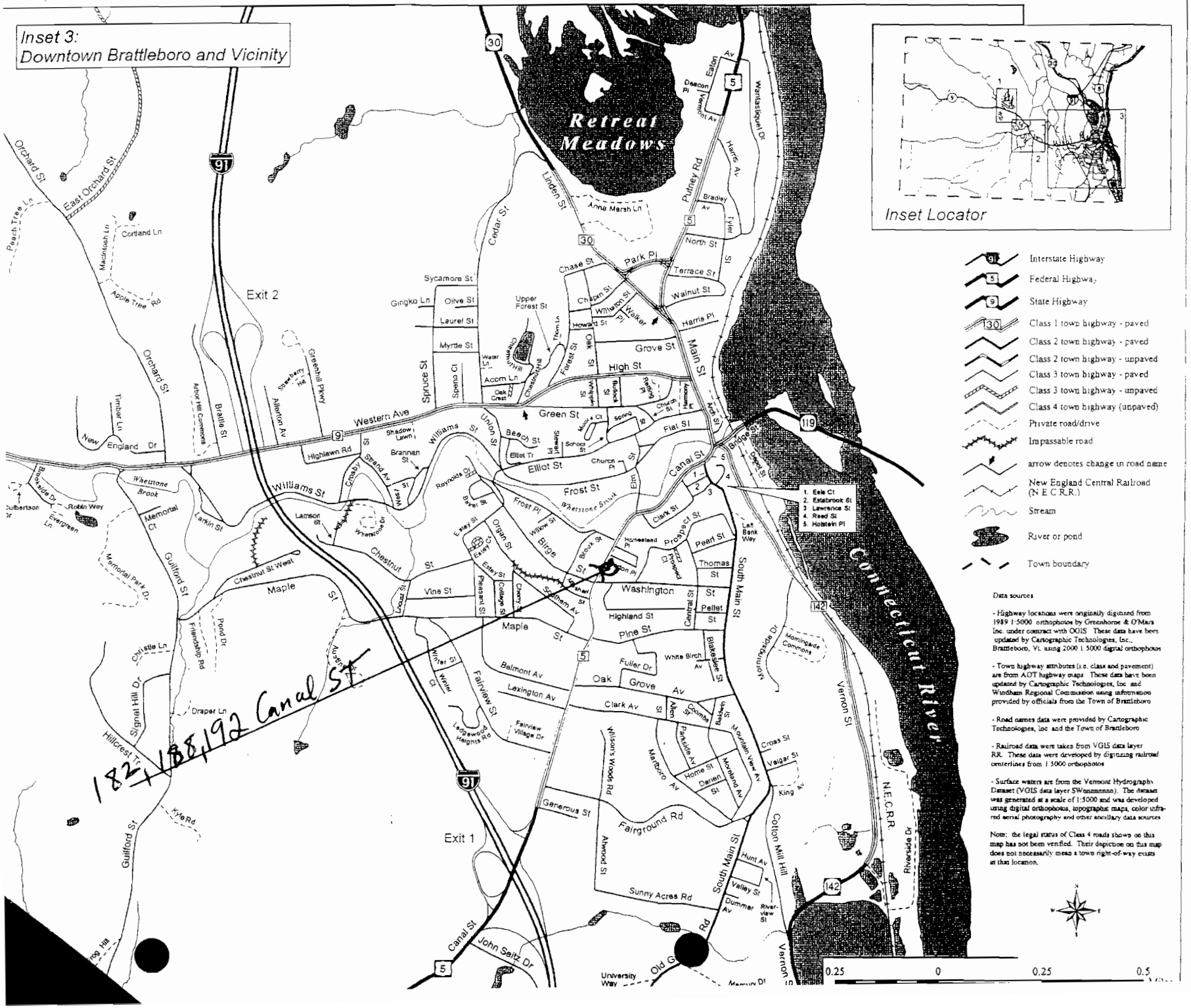
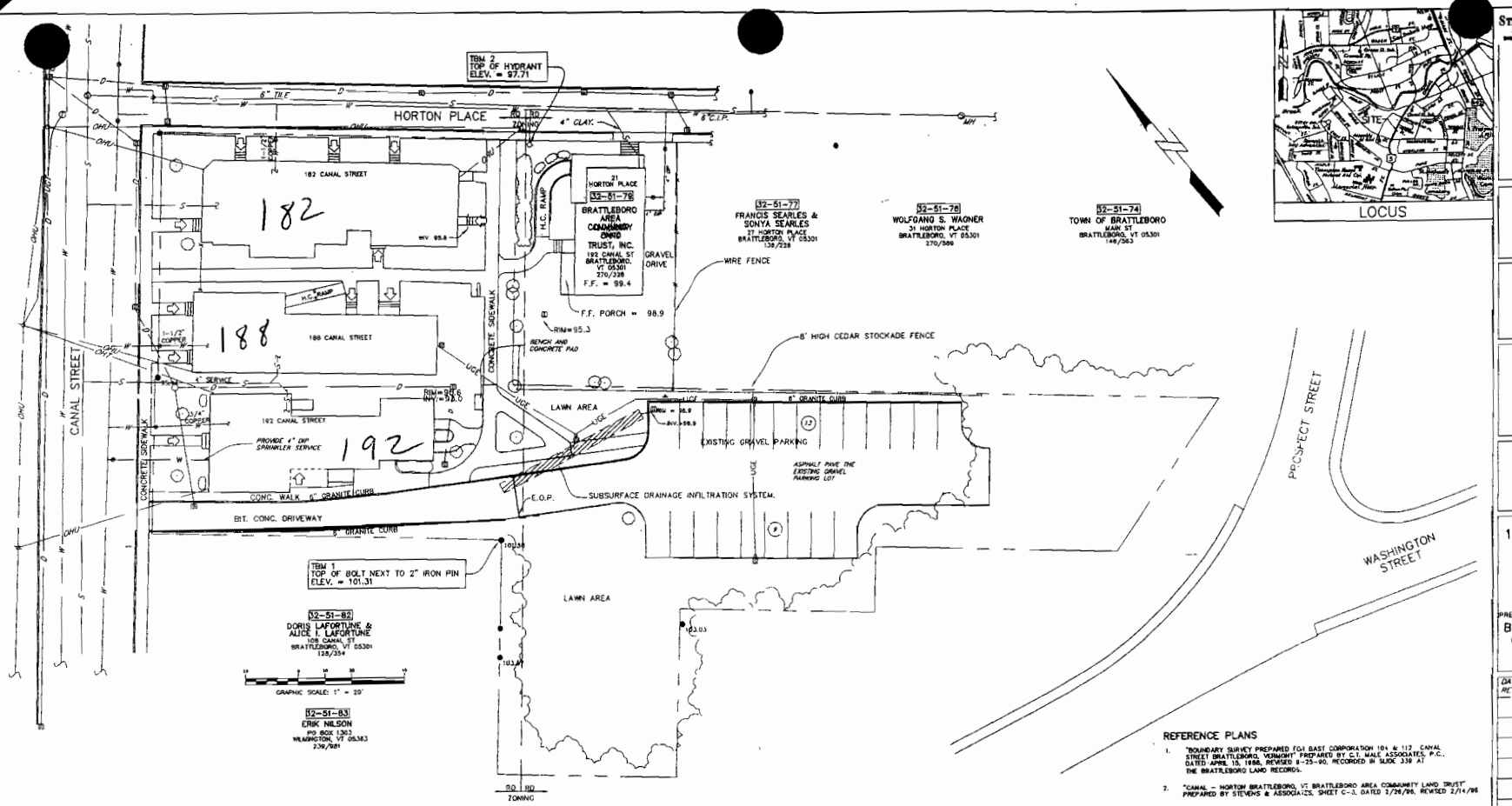

Inset 3:
Downtown Brattleboro and Vicinity
Retreat Meadows
Connecticut River
Inset Locator
Interstate Highway
Federal Highway
State Highway
Class 1 town highway - paved
Class 2 town highway - paved
Class 2 town highway - unpaved
Class 3 town highway - paved
Class 3 town highway - unpaved
Class 4 town highway (unpaved)
Private road/drive
Impassable road
arrow denotes change in road name
New England Central Railroad (N E C R R.)
Stream
River or pond
Town boundary
1. Eels Ct
2. Estabrook St
3. Lawrence St
4. Reed St
5. Holstein Pl
Exit 1
Exit 2
Western Ave
Main St
Canal St
Williams St
Guilford St
Orchard St
Putney Rd
Green St
High St
Grove St
Elliot St
Frost St
Maple St
Chestnut St
Washington St
Pine St
Oak Grove Av
Fairground Rd
Sunny Acres Rd
South Main St
Cotton Mill Hill
Vernon St
N.E.C.R.R.
Riverside Dr
Data sources
- Highway locations were originally digitized from 1989 1:5000 orthophotos by Greenhorne & O'Mara Inc. under contract with OGIS. These data have been updated by Cartographic Technologies, Inc., Brattleboro, VT, using 2000 1:5000 digital orthophotos
- Town highway attributes (i.e. class and pavement) are from AOT highway maps. These data have been updated by Cartographic Technologies, Inc. and Windham Regional Commission using information provided by officials from the Town of Brattleboro
- Road names data were provided by Cartographic Technologies, Inc. and the Town of Brattleboro
- Railroad data were taken from VGIS data layer RR. These data were developed by digitizing railroad centerlines from 1:5000 orthophotos
- Surface waters are from the Vermont Hydrography Dataset (VGIS data layer SWnnnnnnnn). The dataset was generated at a scale of 1:5000 and was developed using digital orthophotos, topographic maps, color infrared aerial photography and other ancillary data sources
Note: the legal status of Class 4 roads shown on this map has not been verified. Their depiction on this map does not necessarily mean a town right-of-way exists at that location.
0.25 0 0.25 0.5 Miles
182 + 188/192 Canal St.



LEGEND

CATCH BASIN
SEWER MANHOLE
WATERVALVE
IRON PIN FOUND
MONUMENT FOUND
SIGN POST
UTILITY POLE
LIGHT POLE
HYDRANT
ENTRY
OVERHEAD UTILITY — OHU —
WATER — W —
SEWER — S —
DRAINAGE — D —
CONIFERS
DECIDUOUS TREES
SHRUB
BOUNDARY LINE

REFERENCE PLANS

1. "BOUNDARY SURVEY PREPARED FOR BAST CORPORATION 104 & 112 CANAL STREET BRATTLEBORO, VERMONT" PREPARED BY C.T. MALE ASSOCIATES, P.C., DATED APRIL 15, 1988, REVISED 8-25-90, RECORDED IN SLIDE 339 AT THE BRATTLEBORO LAND RECORDS.
2. "CANAL – HORTON BRATTLEBORO, VT BRATTLEBORO AREA COMMUNITY LAND TRUST" PREPARED BY STEVENS & ASSOCIATES, SHEET C-3, DATED 3/20/98, REVISED 2/14/99
3. "10 HORTON PLACE-BRATTLEBORO, VT. BRATTLEBORO AREA COMMUNITY LAND TRUST" PREPARED BY STEVENS & ASSOCIATES, P.C., SHEET C-2, DATED 3/20/99.
4. APPROXIMATE PROPERTY LINES SHOWN ON THIS PLAN FOR 182 & 188 CANAL STREET WERE OBSERVED FROM AN ATTEMPT TO MAKE THE TAX MAP INFORMATION FIT FOR 182 & 188 CANAL STREET. THESE LINES ARE NOT BASED ON A BOUNDARY SURVEY.

NOTES

1. OWNERS OF RECORD: BRATTLEBORO AREA COMMUNITY LAND TRUST, INC.
   192 CANAL STREET
   BRATTLEBORO, VT 05301
   DEED: LOT 33-81-85 287/842
2. 32-51-79 DENOTES TAX MAP (32), BLOCK (51) AND LOT NUMBER (79).
3. ZONING DISTRICTS – RESIDENTIAL AND RESIDENTIAL OFFICE
   LOT 32-51-79 RD (RESIDENTIAL)
   LOT 32-51-85 RO (RESIDENTIAL OFFICE) FRONT OF LOT AT CANAL ST. AND RD AT REAR OF LOT
4. BOUNDARY INFORMATION SHOWN HEREON IS BASED ON REFERENCE PLAN 1.
5. TOPOGRAPHIC INFORMATION SHOWN HEREON IS BASED ON A FIELD SURVEY PERFORMED BY STEVENS & ASSOCIATES ENGINEERING IN 3/99 AND REFERENCE PLAN 2. ELEVATIONS ARE BASED ON ASSUMED DATUM.
6. THIS SURVEY WAS PERFORMED UNDER WINTER SNOW CONDITIONS. VERIFICATION OF OF GROUND ELEVATIONS FOR SPECIFIC DESIGN REQUIREMENTS IS RECOMMENDED.
7. OWNERS OF ADJOINING PROPERTIES ARE SHOWN ACCORDING TO CURRENT

STEVENS & ASSOCIATES, P.C.
ENGINEERS · LANDSCAPE ARCHITECTS · PLANNERS
P.O. Box 1586
Brattleboro, VT 05302
(802) 257-9529

192 CANAL ST.
BRATTLEBORO, VERMONT

PREPARED FOR:
BRATTLEBORO AREA COMMUNITY LAND TRUST
BRATTLEBORO, VERMONT

DATE:
REVISION:

CONCEPT SITE PLAN

DES. BY	BDS
DWN. BY	WMO
CHKD. BY	
SCALE	1"=20'
DATE	04/03/02
PROJECT NUM.	#02-014
DWG. NO.	

Fig-1

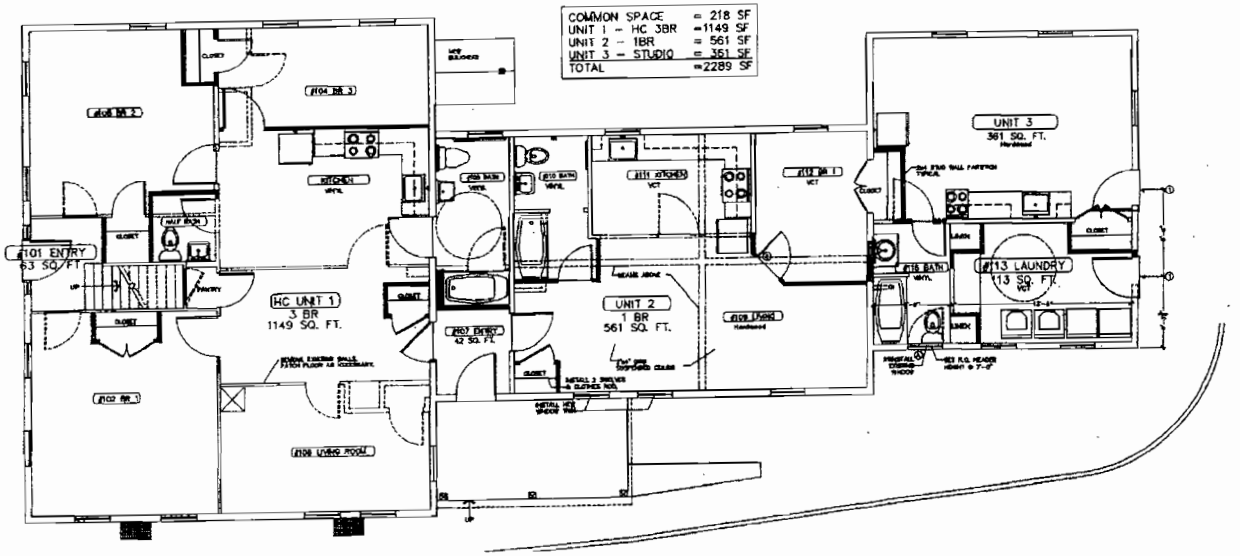
182, 188 + 192 Canal St.
Brattleboro

WEST ELEVATION

SOUTH ELEVATION

EAST ELEVATION
SCALE: 1/16" = 1'-0"

COMMON SPACE	= 218 SF
UNIT 1 – HC 3BR	=1149 SF
UNIT 2 – 1BR	= 561 SF
UNIT 3 – STUDIO	= 351 SF
TOTAL	=2289 SF



192 Canal

WALL TYPES

Williams & Frehsee, Inc.
167 Main Street, Suite 309
Brattleboro, Vermont 05301
Phone: 802-257-1311 Fax: 802-257-9429
E-mail: info@wfvt.com

DATE: 3.29.07
DRAWN BY: DMS
CHKD/APPD BY: DF
REVISIONS:
1
2
3

B.A.C.L.T. OFFICE ADDITION
192 CANAL STREET
BRATTLEBORO, VERMONT

FIRST FLOOR PLAN, ELEVATIONS, & SCHEDULES

PROJECT #: 10028

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25-May-07 **Tontine & 182, 188 192 Canal**

Total Residential Units:	21	Increase in Income from Rental Units:	1.50%	
Housing Credit Restricted Units:	18	Increase in Income from Other Sources:	1.50%	
Percent Restricted:	85.71%	Increase in Income from Commercial:	0.00%	
Total Res Development Cost:	2,999,690	Expense increase:	3.00%	
Total Res Cost per Unit:	142,842	Vacancy Rate:	5%	
Total Development Cost Per SF:	152	Partner's Tax Rate:	35%	
Historic Credit	347,000	Long Depreciation Schedule:	27.5	years
Max Credit Potential:	226,489	Short Depreciation Schedule:	7	years
Credit Amount Allocated:	**225,000**			
State Credit	**37,600**			
LIHTC - 9%	8.11%			
LIHTC - 4%	3.48%	June 2007		

SOURCES		% of Total Development Cost	Interest Rate	Amortization	Term
Bank	0	0.00%	8.00%	25	25
HOME	235,000	7.83%	5.40%	30	deferred
Deferred Fee	40,000	1.33%	0.00%	30	deferred
VHCB	275,000	9.17%	0.00%	30	deferred
VHCB Lead	15,000	0.50%	0.00%	25	deferred
VHCB Feasibility (GP Cap Contr	23,600	0.79%	N/A	N/A	Cap Contrib
Equity LP Contribution	1,908,000	63.61%	N/A	N/A	
Historic Credit equity	329,650	10.99%	N/A	N/A	
Efficiency VT	8,000	0.27%	0.00%	30	
State credit equity	165,440	5.52%	N/A	N/A	
	2,999,690	100.00%			

USES		
Acquisition	438,199	14.61%
Construction Hard Costs	1,875,704	62.53%
Soft Costs	685,787	22.86%
TOTAL USES Residential	2,999,690	100.00%

Gap 0

		Budget	Per Unit	Per s.f.	Allocation of Sources VHCB Terms:___	HOME	Feas/Lead Terms:___		Equity Terms:___	REEP VCIL, GP Loan,Feasibility
	ACQUISITION									
1	Land	85,000	4,048	4.31	40,000				45,000	
2	Purchase of Building(s)	345,499	16,452	17.51	235,000				110,499	
3	Demolition (without replacement)	0	0	0.00						
4	Property Appraisal	1,200	57	0.06		1,200				
5	Legal - Title and Recording	6,500	310	0.33		5,000			1,500	
	Subtotal - Acquisition	438,199	20,867	22.21						
	CONSTRUCTION HARD COSTS									
6	Rehab Tontine	1,217,778	57,989	61.72		100,144			1,109,634	8,000
7		0	0	0.00						
8	Commercial space	0	0	0.00						
9	Sitework Canal ST	0	0	0.00						
10	Water Line	0	0	0.00						
11	Rehab 192 Canal ST	271,133	12,911	13.74					271,133	
12	Rehab 188, 182 Canal ST	199,993	9,523	10.14					199,993	
13	Contractor Profit	0	0	0.00						
14	Construction Contingency	137,000	6,524	6.94					137,000	
15	Construction Management	0	0	0.00						
16	Hazardous Materials Abatement	6,000	286	0.30					6,000	
17	Lead Abatement	15,000	714	0.76			15,000			
18	Off-Site Improvements	0	0	0.00						
19	Furnishings, Fixtures, & Equipment	28,800	1,371	1.46					28,800	
20	Other	0	0	0.00						
	Subtotal - Hard Costs	1,875,704	89,319	95.06						
	SOFT COSTS									
21	Architectural	125,000	5,952	6.33		55,000	10,000		60,000	
22	Engineering	50,000	2,381	2.53		35,000	13,600		1,400	
23	Legal/Accounting	20,000	952	1.01					20,000	
24	Relocation	15,500	738	0.79		10,500			5,000	
25	Environmental Assessment	6,000	286	0.30		6,000				
26	Asbestos survey	3,778	180	0.19		3,778				
27	Permits/Fees	18,500	881	0.94		17,500			1,000	
28	Survey	5,000	238	0.25		878			4,122	
29	Construction Period Insurance	13,500	643	0.68					13,500	
30	Construction Interest	59,000	2,810	2.99					59,000	
31	Construction Loan Origination Fee	5,000	238	0.25					5,000	
32	Taxes During Construction	7,000	333	0.35					7,000	
33	Clerk of the Works	0	0	0.00						
34	Marketing	4,500	214	0.23					4,500	
35	Tax Credit Fees	10,350	493	0.52					10,350	
36	Soft Cost Contingency	10,159	484	0.51					10,159	
37		0	0	0.00						
38	Mark Study	3,000	143	0.15					3,000	
39	Preservation Consult Buildings	4,000							4,000	
40	Capital Needs Assessment	3,500							3,500	
41	Other (_____)	0	0	0.00						
	SYNDICATION COSTS									
42	Organizational (Partnership)	2,500	119	0.13					2,500	
43	Bridge Loan Fees and Expenses	11,500	548	0.58					11,500	
44	Syndication Consultant	3,500	167	0.18					3,500	
45	Land Carrying Costs	23,500	1,119	1.19					23,500	
	DEVELOPER'S FEES									
46	Developer's Fees	160,000	7,619	8.11					160,000	
47	Deferred Fee	40,000	1,905	2.03						40,000
48	Consultant Fees	55,000	2,619	2.79					55,000	
	RESERVES									
49	Working Capital	0	0	0.00						
50	Rent-up (Deficit Escrow) Reserve	13,000	619	0.66					13,000	
51	Other Operating Reserves	0	0	0.00						
52	Sinking Fund	0	0	0.00						
53	Replacement Reserves	13,000	619	0.66					13,000	
	Subtotal - Soft Costs	685,787	32,657	34.76						
	TOTAL DEVELOPMENT COSTS	2,999,690	142,842	152	275,000	235,000	38,600	0	2,403,090	48,000

ACQUISITION	Tontine	Total Canal ST	192 CANAL	188 Canal	182 Canal
Land	40,000	45,000	15,000	15,000	15,000
Purchase of Building(s)	148,000	197,499	135,120	28,704	33,675
Demolition (without replacement)					
Property Appraisal	1,200				
Legal - Title and Recording	2,000	4,500	2,590	904	1,006
Subtotal - Acquisition	191,200	246,999			
CONSTRUCTION HARD COSTS					
Rehab Tontine	1,217,778				
Commercial space					
Sitework			0	0	0
Water Line					
Rehab 192 Canal St		271,133	271,133		
Rehab 188, 182		199,993		94,691	105,302
Contractor Profit					
Construction Contingency	95,000	42,000	24,171	8,442	9,387
Construction Management					
Hazardous Materials Abatement	6,000				
Lead Abatement	15,000				
Off-Site Improvements					
Furnishings, Fixtures, & Equipment	12,000	16,800	4,800	6,000	6,000
Other					
Subtotal - Hard Costs	1,345,778	529,926			
SOFT COSTS					
Architectural	90,000	35,000	20,142	7,035	7,823
Engineering	35,000	15,000	8,632	3,015	3,353
Legal/Accounting	12,000	8,000	4,604	1,608	1,788
Relocation	15,500			0	0
Environmental Assessment	3,500	2,500	1,439	502	559
Asbestos survey	3,000	778	448	156	174
Permits/Fees	15,000	3,500	2,014	703	782
Survey	3,500	1,500	863	301	335
Construction Period Insurance	7,500	6,000	3,453	1,206	1,341
Construction Interest	45,000	14,000	8,057	2,814	3,129
Construction Loan Origination Fee	2,500	2,500	1,439	502	559
Taxes During Construction	4,500	2,500	1,439	502	559
Clerk of the Works	0	0	0	0	0
Marketing	3,000	1,500	863	301	335
Tax Credit Fees	8,500	1,850	1,065	372	413
Soft Cost Contingency	5,659	4,500	2,590	904	1,006
			0	0	0
Mark Study	1,500	1,500	863	301	335
Preservation Consult Buildings	4,000		0	0	0
Capital Needs Assessment	2,000	1,500	863	301	335
Other (_____)			0	0	0
SYNDICATION COSTS					
Organizational (Partnership)	1,500	1,000	575	201	224
Bridge Loan Fees and Expenses	6,500	5,000	2,877	1,005	1,118
Syndication Consultant	2,000	1,500	863	301	335
Land Carrying Costs	23,500		0	0	0
DEVELOPER'S FEES					0
Developer's Fees	160,000	0	0	0	0
Deferred Fee	40,000		0	0	0
Consultant Fees	45,000	10,000	5,755	2,010	2,235
RESERVES					
Working Capital			0	0	0
Rent-up (Deficit Escrow) Reserve	8,000	5,000	2,877	1,005	1,118
Other Operating Reserves			0	0	0
Sinking Fund			0	0	0
Replacement Reserves	8,000	5,000	2,877	1,005	1,118
Subtotal - Soft Costs	556,159	129,628			
TOTAL DEVELOPMENT COSTS	2,093,137	906,553	527,415	179,795	199,344

1,830,137	
219,616	
207,000	

Allocation Percentages for Canal ST

Total Canal Rehab Cost	471,126
% 192 Rehab Cost	57.55%
% 188 Rehab Cost	20.10%
%182 Rehab Cost	22.35%
	100.00%

25-May-07 **Tontine & [redacted] 192 Canal**

		Budget	TONTINE Acquisition Basis	TONTINE Construction Basis	TONTINE Residential Depreciation	TONTINE Historic Credit Basis	TONTINE Other	192 CANAL ST Acquisition Basis	192 CANAL ST Construction Basis	192 CANAL ST Residential Depreciation	192 CANAL ST Historic Credit Basis	192 CANAL ST Other	188 CANAL ST Acquisition Basis	188 CANAL ST Construction Basis	188 CANAL ST Residential Depreciation	188 CANAL ST Historic Credit Basis	188 CANAL ST Other	182 CANAL ST Acquisition Basis	182 CANAL ST Construction Basis	182 CANAL ST Residential Depreciation	182 CANAL ST Historic Credit Basis	182 CANAL ST Other
	ACQUISITION																						
1	Land	85,000																					
2	Purchase of Building(s)	345,499	148,000		148,000			135,120		135,120			28,704		28,704			33,675		33,675			
3	Demolition (without replacement)	0	0		0			0		0			0		0			0		0			
4	Property Appraisal	1,200	1,200		1,200			0		0			0		0			0		0			
5	Legal - Title and Recording	6,500	2,000		2,000			2,590		2,590			904		904			1,006		1,006			
	Subtotal - Acquisition	438,199																					
	CONSTRUCTION HARD COSTS																						
6	Rehab Tontine	1,217,778		1,217,778	1,217,778	1,137,778			0	0				0	0				0	0			
7	0	0			0				0	0				0	0				0	0			
8	Commercial space	0			0				0	0				0	0				0	0			
9	Sitework Canal ST	0			0				0	0				0	0				0	0			
10	Water Line	0			0				0	0				0	0				0	0			
11	Rehab 192 Canal ST	271,133			0				271,133	271,133				0	0				0	0			
12	Rehab 188, 182 Canal ST	199,993			0				0	0				94,691	94,691				105,302	105,302			
13	Contractor Profit	0			0	0			0	0				0	0				0	0			
14	Construction Contingency	137,000		95,000	95,000	95,000			24,171	24,171				8,442	8,442				9,387	9,387			
15	Construction Management	0		0	0	0			0	0				0	0				0	0			
16	Hazardous Materials Abatement	6,000		6,000	6,000	6,000			0	0				0	0				0	0			
17	Lead Abatement	15,000		15,000	15,000	15,000			0	0				0	0				0	0			
18	Off-Site Improvements	0			0	0			0	0				0	0				0	0			
19	Furnishings, Fixtures, & Equipment	28,800		12,000	12,000				4,800	4,800				6,000	6,000				6,000	6,000			
20	Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Subtotal - Hard Costs	1,875,704																					
	SOFT COSTS																						
21	Architectural	125,000		90,000	90,000	90,000			20,142	20,142				7,035	7,035				7,823	7,823			
22	Engineering	50,000		35,000	35,000	35,000			8,632	8,632				3,015	3,015				3,353	3,353			
23	Legal/Accounting	20,000		12,000	12,000	12,000			4,604	4,604				1,608	1,608				1,788	1,788			
24	Relocation	15,500		15,500	15,500	15,500			0	0				0	0				0	0			
25	Environmental Assessment	6,000		3,500	3,500	3,500			1,439	1,439				502	502				559	559			
26	Asbestos survey	3,778		3,000	3,000	3,000			448	448				156	156				174	174			
27	Permits/Fees	18,500		15,000	15,000	15,000			2,014	2,014				703	703				782	782			
28	Survey	5,000		3,500	3,500	3,500			863	863				301	301				335	335			
29	Construction Period Insurance	13,500		7,500	7,500	7,500			3,453	3,453				1,206	1,206				1,341	1,341			
30	Construction Interest	59,000		45,000	45,000	45,000			8,057	8,057				2,814	2,814				3,129	3,129			
31	Construction Loan Origination Fee	5,000		2,500	2,500	2,500			1,439	1,439				502	502				559	559			
32	Taxes During Construction	7,000		4,500	4,500	4,500			1,439	1,439				502	502				559	559			
33	Clerk of the Works	0		0	0	0			0	0				0	0				0	0			
34	Marketing	4,500																					
35	Tax Credit Fees	10,350																					
36	Soft Cost Contingency	10,159		5,659	5,659	5,659			2,590	2,590				904	904				1,006	1,006			
37	0	0		0	0	0			0	0				0	0				0	0			
38	Mark Study	3,000			0	0																	
39	Preservation Consult Buildings	4,000		4,000	4,000	4,000			0	0				0	0				0	0			
40	Capital Needs Assessment	3,500			0	0																	
41	Other ( )	0		0	0	0			0	0				0	0				0	0			
	SYNDICATION COSTS																						
42	Organizational (Partnership)	2,500																					
43	Bridge Loan Fees and Expenses	11,500																					
44	Syndication Consultant	3,500																					
45	Land Carrying Costs	23,500																					
	DEVELOPER'S FEES																						
46	Developer's Fees	160,000		160,000	160,000	160,000			0	0				0	0				0	0			
47	Deferred Fee	40,000		40,000	40,000	40,000			0	0				0	0				0	0			
48	Consultant Fees	55,000		45,000	45,000	45,000			5,755	5,755				2,010	2,010				2,235	2,235			
	RESERVES																						
49	Working Capital	0																					
50	Rent-up (Deficit Escrow) Reserve	13,000																					
51	Other Operating Reserves	0																					
52	Sinking Fund	0																					
53	Replacement Reserves	13,000																					
	Subtotal - Soft Costs	685,787																					
	TOTALS	2,999,690	151,200	1,837,437	1,976,637	1,745,437		137,710	360,979	493,889	0		29,608	130,393	154,001	0		34,681	144,332	173,013	0		
LESS	Amount of Non-qualified Financing		0					0					0										
LESS	Adjustment for per unit cost limits	100.00%		0					0					0					0				
LESS	Historic tax Credit (Residential Portion)			349,087	349,087	20%	Historic Credit Rate		0	0	20%	Historic Credit Rate		0	0	20%	Historic Credit Rate		0	0	20%	Historic Credit Rate	
	Total Eligible Basis		151,200	1,488,350		349,087	Annual Historic Credit	137,710	360,979		0	Annual Historic Credit	29,608	130,393		0	Annual Historic Credit	34,681	144,332		0	Annual Historic Credit	
TIMES	Adjusted for QCT/DDA	130.0%		1,934,854					469,273					169,511					187,632				
TIMES	Applicable Fraction	see below	151,200	1,934,854				137,710	469,273				16,672	95,448				27,745	150,105				
	Total Qualified Basis		151,200	1,934,854	1,627,550	Long Term Depreciable Basis		137,710	469,273	493,889	Long Term Depreciable Basis		16,672	95,448	154,001	Long Term Depreciable Basis		27,745	150,105	173,013	Long Term Depreciable Basis	
TIMES	Applicable Percentage		3.48%	8.11%	27.5	Depreciation Schedule		3.48%	8.11%	27.5	Depreciation Schedule		3.48%	8.11%	27.5	Depreciation Schedule		3.48%	8.11%	27.5	Depreciation Schedule	
	Total Annual Credit Quahfied		5,262	156,917	59,184	Annual Depreciation		4,792	38,058	17,960	Annual Depreciation		580	7,741	5,600	Annual Depreciation		966	12,174	6,291	Annual Depreciation	
	Total Tax Credits Requested	225,000			12,000	Short Term Depreciable Basis				4,800	Short Term Depreciable Basis				6,000	Short Term Depreciable Basis				6,000	Short Term Depreciable Basis	
	Estimated Net Syndication Proceeds																						
	(excluding historic credit equity)				7	Depreciation Schedule				7	Depreciation Schedule				7	Depreciation Schedule				7	Depreciation Schedule	
	Estimated Yield - Housing Credit Syndication				1,714	Annual Depreciation				686	Annual Depreciation				857	Annual Depreciation				857	Annual Depreciation	
	Equity Gap	0																					
	Credits Needed to fill Equity Gap																						

Total Housing Credit	**226,489**
Total Long Depreciation	**89,035**
Total Short Depreciation	**4,114**
Total Long Commercial	

188 Canal Total SF	4,090
Qualifed Units	2,303
SF % Qualified Units	56.31%
# 188 Canal Units	5
# Qualified Units	3
Unit % Qualified Units	60.00%

182 Canal Total SF	4,683
Qualifed Units	3,777
SF % Qualified Units	80.65%
# 182 Canal Units	5
# Qualified Units	4
Unit % Qualified Units	80.00%

[illegible] revision date: 2/27/07

25-May-07 **Tontine & 182, 188 192 Canal**

HC Restricted Units Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
Tontine						
1 Br Unit 1	50%	521	1	525	27	6,300
1 Br Unit 2		583	1	535	27	6,420
2 Br Unit 3	50%	902	1	600	41	7,200
1 Br Unit 4		537	1	535	27	6,420
2 BR Unit 5		906	1	630	41	7,560
1 br unit 6		614	1	535	27	6,420
1 BR Unit 7		537	1	535	27	6,420
192 Canal Street						
3 BR		1,149	1	685	56	8,220
1 Br		561	1	540	27	6,480
Studio	50%	361	1	375	12	4,500
2 BR		1,088	1	630	41	7,560
188 Canal Street						
1 BR Unit 2		502	1	516	27	6,192
2 BR Unit 3		788	1	580	41	6,960
2 BR Unit 5		1,013	1	580	41	6,960
182 Canal Street						
1 BR Unit 2		401	1	357	27	4,284
1 BR Unit 3		513	1	482	27	5,784
3 BR Unit 4		1,514	1	592	56	7,104
3 BR Unit 5		1,349	1	640	56	7,680
common area & Porches		1,435				0
	Totals	15,274	18			118,464

Non-HC Restricted Units Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
188 Canal ST						0
3 BR Unit 1	80%	852	1	610	56	7,320
3 BR Unit 4	80%	935	1	662	56	7,944
182 Canal ST						
2 BR Unit 1	80%	906	1	580	41	6,960
	porches	850				0
	Common Area	641				0
	Common Area	274				0
	Totals	4,458	3			22,224

All Units

Grand Totals	19,732	21	140,688
Less Vacancy	5.00%		(7,034)
		NET RENT	133,654
OTHER INCOME			
Laundry			1,800
Interest Income			400
Less Vacancy			0
		TOTAL INCOME	135,854
Total SF	19,732		

25-May-07

Tontine & 182, 188 192 Canal

	Check all Applicable									A					B						C					
Building #	Unit #	HOME Unit	Lead Paint Unit	Project Based Assistance	Tax Credit Unit	VHCB Restricted	Accessible	Adaptable	Unrestricted	Number of Bedrooms	Proposed Square Footage	Proposed Rent	Utility Allowance for Tenant-Paid Utilities	Gross Rent (Rent + Tenant-Paid Utilities)	OCCUPIED BY: Income level of residents to be served:						AFFORDABLE TO: Units affordable to residents at:					
															<30%	<50%	<60%	<80%	<100%	>100%	30%	50%	60%	65%	80%	100%+
Tontine																										
	1		X		X	X				1	521	525	27	552		1						1				
	2		X		X	X				1	583	535	27	562			1						1			
	3	X	X		X	X	X			2	902	600	41	641		1						1				
	4		X		X	X				1	537	535	27	562			1						1			
	5	X	X		X	X				2	906	630	41	671			1						1			
	6		X		X	X				1	614	535	27	562			1						1			
	7		X		X	X				1	537	535	27	562			1						1			
192 Canal																										
	1	X			X	X	X			3	1,149	685	56	741			1						1			
	2	X				X				1	561	540	27	567			1						1			
	3				X	X				0	361	375	12	387		1						1				
	4	X			X	X				2	1,088	630	41	671			1						1			
188 Canal St																										
	1									3	852	610	56	666				1				1				
	2				X					1	502	516	27	543	1								1			
	3				X					2	788	580	41	621		1						1				
	4									3	935	662	56	718				1				1				
	5				X					2	1,013	580	41	621				1				1				
182 Canal																										
	1									2	906	580	41	621				1				1				
	2				X					1	401	357	27	384			1				1					
	3				X					1	513	482	27	509		1						1				
	4				X					3	1,514	592	56	648			1					1				
	5				X					3	1,435	640	56	696		1						1				
Total # Units	**21**	**5**								**Totals:**	16,618	11,724		**Total # Units:**	1	6	10	4	0	0	1	11	9	0	0	0

25-May-07 **Tontine & 182, 188 192 Canal**

	Annual	Monthly	Per Unit Per Month		Tontine & 192	188	182
Administration							
Management Fee	12,620	1,052	50	9.3%	6,500	3,060	3,060
Supportive Services	0	0	0				
Audit/Accounting	4,000	333	16		4,000		
Legal	600	50	2		500	50	50
Compliance Monitoring	912	76	4		528	144	240
Marketing	900	75	4		800	50	50
Other	200	17	1		100	50	50
TOTAL ADMINISTRATIVE	19,232	1,603	76				
Utilities							
Electricity	3,944	329	16		2,500	744	700
Fuel	20,400	1,700	81		7,000	6,400	7,000
Water and Sewer	5,900	492	23		3,500	1,300	1,100
Fire Alarm / Emergency	500	42	2		500		
Other	450	38	2		300	100	50
TOTAL UTILITIES	31,194	2,600	124				
Maintenance							
Maintenance / Janitor Payroll	16,722	1,394	66		7,000	4,861	4,861
Janitor Supplies	370	31	1		150	110	110
Exterminating	0	0	0				
Trash Removal	1,046	87	4		950	48	48
Snow Removal	2,892	241	11		1,500	696	696
Grounds	1,700	142	7		900	400	400
Repairs Material	1,576	131	6		600	400	576
Repairs Contract	3,364	280	13		1,500	1,000	864
HVAC Repairs / Maintenance	1,200	100	5		1,200		
Elevator Contract / Repairs	0	0	0				
Painting and Decorating	750	63	3		450	150	150
Other	1,360	113	5		500	430	430
TOTAL MAINTENANCE	30,980	2,582	123				
				per unit month			
Real Estate Taxes	15,200	1,267	60	excl. ds & res.	8,500	3,200	3,500
Property Insurance	8,050	671	32	415	4,800	1,600	1,650
Replacement Reserves	15,000	1,250	60		8,000	3,500	3,500
Primary Debt Service	0	0	0				
Other "must pay" debt service	0	0	0				
Other		0	0				
Total	119,656	9,971	475				

25-May-07		**Tontine & 182, 188 192 Canal**																			
	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
		2,008	2,009	2,010	2,011	2,012	2,013	2,014	2,015	2,016	2,017	2,018	2,019	2,020	2,021	2,022	2,023	2,024	2,025	2,026	2,027
Operating Income																					
Gross Rent		140,688	142,798	144,940	147,114	149,321	151,561	153,834	156,142	158,484	160,861	163,274	165,723	168,209	170,732	173,293	175,893	178,531	181,209	183,927	186,686
Other Income		2,200	2,233	2,266	2,300	2,335	2,370	2,406	2,442	2,478	2,515	2,553	2,591	2,630	2,670	2,710	2,751	2,792	2,834	2,876	2,919
Vacancy Commercial		0																			
Vacancy Residential		(7,034)	(7,140)	(7,247)	(7,356)	(7,466)	(7,578)	(7,692)	(7,807)	(7,924)	(8,043)	(8,164)	(8,286)	(8,410)	(8,537)	(8,665)	(8,795)	(8,927)	(9,060)	(9,196)	(9,334)
Total Operating Income		135,854	137,891	139,960	142,059	144,190	146,353	148,548	150,776	153,038	155,334	157,664	160,029	162,429	164,865	167,338	169,849	172,396	174,982	177,607	180,271
Operating Expenses																					
Total Expenses (excl. Reserves)		104,656	107,796	111,030	114,360	117,791	121,325	124,965	128,714	132,575	136,552	140,649	144,868	149,214	153,691	158,302	163,051	167,942	172,980	178,170	183,515
Reserves		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	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Total Operating Expense		119,656	122,796	126,030	129,360	132,791	136,325	139,965	143,714	147,575	151,552	155,649	159,868	164,214	168,691	173,302	178,051	182,942	187,980	193,170	198,515
Net Operating Income		16,198	15,096	13,930	12,699	11,399	10,028	8,583	7,063	5,463	3,781	2,015	160	(1,785)	(3,825)	(5,963)	(8,202)	(10,546)	(12,998)	(15,563)	(18,244)
Less Primary Debt Service		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GP Management Fee		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	12,690	0	12,690	0
Annual Cash Flow		16,198	15,096	13,930	12,699	11,399	10,028	8,583	7,063	5,463	3,781	2,015	160	(1,785)	(3,825)	(5,963)	(8,202)	(23,236)	(12,998)	(28,253)	(18,244)
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	0	0	0	1,785	3,825	5,963	8,202	23,236	12,998	28,253	18,244
Net Cash		16,198	15,096	13,930	12,699	11,399	10,028	8,583	7,063	5,463	3,781	2,015	160	0	0	0	0	0	0	0	0
DCR																					
Cumulative Cash Flow																					
Beginning Balance		0	16,360	31,933	46,642	60,400	73,121	84,712	95,075	104,110	111,710	117,763	122,153	124,758	125,468	124,152	120,672	114,883	93,945	82,826	56,229
Deposits		16,198	15,096	13,930	12,699	11,399	10,028	8,583	7,063	5,463	3,781	2,015	160	0	0	0	0	0	0	0	0
Interest	2.0%	162	478	778	1,060	1,322	1,563	1,780	1,972	2,137	2,272	2,375	2,445	2,495	2,509	2,483	2,413	2,298	1,879	1,657	1,125
Withdrawals		0	0	0	0	0	0	0	0	0	0	0	0	(1,785)	(3,825)	(5,963)	(8,202)	(23,236)	(12,998)	(28,253)	(18,244)
Ending Balance		16,360	31,933	46,642	60,400	73,121	84,712	95,075	104,110	111,710	117,763	122,153	124,758	125,468	124,152	120,672	114,883	93,945	82,826	56,229	39,110
Cumulative Replacement Reserves																					
Beginning Balance		13,000	28,410	44,128	60,161	76,514	40,694	56,658	72,941	89,550	106,491	16,271	31,746	47,531	63,632	80,055	10,806	26,172	41,845	57,832	74,139
Deposits		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	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Interest	2.0%	410	718	1,033	1,353	1,680	964	1,283	1,609	1,941	2,280	475	785	1,101	1,423	1,751	366	673	987	1,307	1,633
Withdrawals		0	0	0	0	(52,500)	0	0	0	0	(107,500)	0	0	0	0	(86,000)	0	0	0	0	(86,000)
Ending Balance		28,410	44,128	60,161	76,514	40,694	56,658	72,941	89,550	106,491	16,271	31,746	47,531	63,632	80,055	10,806	26,172	41,845	57,832	74,139	4,772
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16				
Net Operating Income		16,198	15,096	13,930	12,699	11,399	10,028	8,583	7,063	5,463	3,781	2,015	160	(1,785)	(3,825)	(5,963)	(8,202)				
Plus Reserves		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	15,000	15,000	15,000				
Less GP Management Fee		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0				
Less Interest Expense		(12,690)	(12,690)	(12,690)	(12,690)	(12,690)	(12,690)	(12,690)	(12,690)	(12,690)	(12,690)	(12,690)	(12,690)	(12,690)	(12,690)	(12,690)	(12,690)				
Less Long Depreciation		(89,035)	(89,035)	(89,035)	(89,035)	(89,035)	(89,035)	(89,035)	(89,035)	(89,035)	(89,035)	(89,035)	(89,035)	(89,035)	(89,035)	(89,035)	(89,035)	Original Basis			#REF!
Less Bridge interest		(8,500)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0				
Less Short Depreciation		(4,114)	(4,114)	(4,114)	(4,114)	(4,114)	(4,114)	(4,114)	0	0	0	0	0	0	0	0	0	Less Depreciation			#########
Taxable Income (Loss)		(83,141)	(75,743)	(76,909)	(78,140)	(79,440)	(80,811)	(82,255)	(79,662)	(81,262)	(82,943)	(84,710)	(86,564)	(88,510)	(90,550)	(92,688)	(94,927)	Basis at Sale			#REF!
																		Sales Price			275,000
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Gain			#REF!
Plus Tax Savings		29,099	26,510	26,918	27,349	27,804	28,284	28,789	27,882	28,442	29,030	29,648	30,298	30,979	31,693	32,441	33,224	Exit Tax			#REF!
Plus Tax Credits		572,000	225,000	225,000	225,000	225,000	225,000	225,000	225,000	225,000	225,000										
Plus State Credits		37,600	37,600	37,600	37,600	37,600															
After Tax Cash Flow		638,699	289,110	289,518	289,949	290,404	253,284	253,789	252,882	253,442	254,030	29,648	30,298	30,979	31,693	32,441	33,224				
Total Years	15																				
Reinvestment Rate	4.00%																				
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16				
Current After Tax Cash Flows		638,699	289,110	289,518	289,949	290,404	253,284	253,789	252,882	253,442	254,030	29,648	30,298	30,979	31,693	32,441	33,224				
Future Value of Cash Flows at Yr 15:		1,161,596	505,578	486,819	468,792	451,469	378,616	364,781	349,496	336,798	324,596	36,427	35,793	35,190	34,616	34,071	33,552				

Discount Rate:																		Losses	1,338,256		
Capital Contribution Number	1	2	3	4	5	6	7	8										Cap Contrib	2,072,000		
Date of Capital Contribution	15-Oct-07	15-Mar-08	15-Oct-08	15-Jan-09	15-Apr-09													Gain	(733,744)		
Amount of Capital Contribution	10,000	602,000	935,000	525,000	165,650	0	0	0										Exit Tax	(256,810)		
Present Value of Contributions:																					
Cash Flows						0	0	0	0	0	0	0	0	0	0	0	5,038,190				
			2,237,650																		
IRR:			2,237,650																		

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: PROPOSED ALLOCATION OF ALLOCATED HOUSING CREDITS FOR TONTINE CANAL HOUSING, GUILFORD AND BRATTLEBORO

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow monies and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, an application has been submitted to the Agency by Brattleboro Area Community Land Trust (the "Sponsor") on behalf of a to be formed limited partnership in which the Sponsor or its subsidiary will be the general partner (the "Borrower") involving the acquisition and rehabilitation of twenty-one (21) units of general occupancy rental housing in three (3) buildings in the Town of Brattleboro and one (1) building in the Town of Guilford, Vermont (the "Development"); and

WHEREAS, the Agency administers the allocation and use of the federal Low Income Housing Tax Credits (both Allocated Housing Credits and Bond Housing Credits) and the State Housing Credits under the State's Qualified Allocation Plan; and

WHEREAS, the Governor of the State of Vermont has approved the 2005-2006 Qualified Allocation Plan; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated May 29, 2007, containing information and recommendations about the Development (the "Memorandum");

WHEREFORE, it is hereby RESOLVED:

1. The recommendations for the allocation of Allocated Housing Credits contained in the Memorandum which is attached and incorporated by this reference are hereby approved;

2. That the Executive Director and the appropriate staff are hereby authorized to take such actions as are described in the 2005-2006 Qualified Allocation Plan regarding the proposed allocation of federal Allocated Housing Credits in the amount of $225,000 for the Tontine Canal Housing project in the Towns of Guilford and Brattleboro, Vermont.

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: David Adams, Chief of Program Operations

DATE: May 24th, for Board Meeting of June 4th 2007

RE: Loan Modifications as part of Series 1995A Bond Refunding ("95A Resolution")

Board Action Requested
Approval of staff authority to conduct loan modifications described below in conjunction with the refunding of the Multi-Family 95A Resolution.

Multipurpose Bond Objectives
Staff is working on the first bond issue under the Multipurpose Bond Indenture/Resolution approved by the Board at its April 2, 2007 meeting. Although the final bond structure is a work in progress, we intend to include a Single Family component and a Multi-Family component. Other than the fact that we are combining these two for the first time, we do not anticipate the bond structure to vary from previous Board approved parameters. We expect to issue the bonds toward the end of June.

At present, there are twenty-eight (28) multifamily projects with loans that were funded from the 95A Resolution. One of the primary objectives of this bond issue is to "refund" or pay-off old Multi-Family bonds issued under the 95A Resolution, and to move the loans from the old resolution into the new resolution. This refunding will achieve the following:

- There is roughly $10 million in excess yield loans tied to the 95A Resolution. The underlying bonds would mature on or around 2014. At that time the Agency would need to bring its excess yield into compliance.
- Refunding the bonds from the 95A Resolution extends the yield compliance date out another thirty (30) years.
- Combining Single Family bonds with Multi-Family bonds in the Multipurpose Resolution will allow us to bring ourselves into yield compliance without having to write-off, or forgive the zero percent loans we have made.
- Placing multifamily loans in the new bond issue gives us the opportunity to provide financing options and relief to several projects on the Watch List.

Modification Options for Loans in this Refunding
Staff is considering a number of different financing options for each project depending on the physical and financial needs of the project and the intentions of the project owner. Staff would like to be able to make loan modifications (rates and terms) and extend additional debt to projects meeting certain conditions without having to present them individually to the Board. These options are described below for your review.

1. There are six (6) projects, of the twenty-eight (28) total where the owners have agreed to enter into extended affordability covenants for the term of the loan, desire to make project improvements and agree to a "prepayment lock-out period."

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

Staff will modify the rates to current market rates at the time of the bond issue, extend the maturity dates to new thirty (30) year terms, and provide additional loans in amounts sufficient to meet project needs as long as debt coverage ratios are improved to a minimum of 1.15, and loan-to-value ratios remain at acceptable levels. No new appraisals are anticipated.

Risk associated with these will be HAP contract renewals, and what happens to project rents in the event the HAP contracts are not renewed. Of the six (6) projects, four (4) are in Chittenden County with current rents at or near market rents and these are not Watch List projects. The remaining two (2) projects are in Randolph and Castleton, are on the Watch List and both need financial restructuring and a small amount of new debt. Debt coverage ratios are significantly improved across this entire group with the minimum DCR at 1.37 after restructuring.

2. Twenty (20) projects currently have not requested or agreed to extend the terms of their loans, have not agreed to extended affordability and have not requested additional debt for project improvements. Some of these have high rates and debt coverage ratios below acceptable levels. Twelve (12) of these are likely to at least remain in the VHFA portfolio until their stated maturity date. Eight (8) have the ability to prepay at anytime with thirty (30) days notice to VHFA.

   In general, staff will not change interest rates, terms or provide additional debt, unless the owner agrees to keep a project in the affordable housing inventory. For those that do, in one form or another, and where physical and financial needs dictate, we may offer a rate reduction and/or extend the maturity date of the loan. Any loan modifications for this group would be intended to improve operating cash flows and provide better funding for capital improvements over time. Eleven (11) of these projects are on the Watch List and are the most likely candidates for loan modifications.

3. There are a number of project owners that, in spite of offers by staff to provide loan modifications in exchange for agreements to keep their project in the affordable housing inventory, and to keep their financing with VHFA, have not been willing to commit.

   We will refund these loans into the new bond issue to eliminate the related excess yield issues, but no changes in terms are anticipated. We will continue to work with the project owners and could make modifications later if agreements can be made.

4. Any projects that involve an acquisition by a new owner, including tax credit partnerships, and those that are requesting substantial new debt, will be fully underwritten and presented to the Board individually.

Staff will continue to work with all of these projects in an effort to shore up those that have significant physical and/or financial needs, and work toward retaining these in portfolio and the affordable housing inventory. Any modifications we entertain will result in significant improvement in debt coverage ratios while maintaining appropriate loan-to-value ratios.

This was presented to the Board Audit/Risk Management Committee on May 16th, and was approved by that committee for recommendation to the full Board.

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Senior Development Underwriter

DATE: May 29, 2007

RE: Request for Construction Financing & Allocated Housing Credits (43 units) and Request for Construction Financing & Bond Credits (15 units): Armory Square, Windsor

Name:	Armory Square	**Location:**	Windsor
Housing Type:	General Occupancy	**Unit Type:**	Flats
Unit Count:	58 units 51 tax credit units	**Unit Sizes:**	27 1-BR @ 720 s.f. 24 2-BR @ 911 s.f. 7 3-BR @ 1,150 s.f.
Total Cost:	$17,091,798	**Per S.F. Acquisition & Construction Cost:**	$187
Credits Requested:	$599,600 (9%) for 43 units $133,450 (4%) for 15 units	**Sponsors:**	Rockingham Area Community Land Trust, Housing Vermont
Loans Requested:	$2,500,000 taxable construction loan (43 units) $2,600,000 tax-exempt construction loan (15 units)	**State Housing Credits Requested:**	Will Request State Credits in August 2007
Other Funding: VCDP, VHCB, HOME, Rural Development, Efficiency Vermont, VHCB Lead, Neighborworks, HUD Special Purpose, AHP, Historic Credit, Town of Windsor, Preservation Trust, Bank Debt (AHP subsidized)			

Project Background: Armory Square is a historic four-story brick building containing 72 residential rental units located in Windsor. It was built in 1920-22 as company housing, and it originally was designed with 64 one-bedroom units and 8 two-bedroom units. In 1989, the building was purchased by Armory Square Limited Partnership whose general partners are Martin Berezin, Herbert Berezin, and Gerald Doherty of Massachusetts, and rehabilitated using Housing Credits and HUD project based Section 8 vouchers under the Section 8 Moderate Rehab program. It was then converted to 64 two-bedroom units (of 715 square feet each) and 8 three-bedroom units (of 870 square feet each). *(This project also involves the acquisition of a two-unit residential rental building across the street, which will be sold off to be developed into commercial space – it is not shown in this budget.)* The property has been poorly managed, both physically and with regards to resident selection and services. The units are tiny, functionally obsolete, in poor condition, with no amenities, limited parking, and a lack of safety and security. The reputation has been bad for years, and perhaps is now operating as poorly as it ever has – frequent police calls, issues with elevated lead levels in several children, an unsafe playground, [illegible] there are currently 25 vacancies.

Several years ago the Windsor Town Administrator along with representatives of the Select Board, Windsor Improvement Corporation, the American Precision Museum, and a number of social service agencies, contacted major housing officials in the State including VSHA, VHFA, VCDP, HUD and Labor & Industry to request their help in improving Armory Square. Efforts to put pressure on the owner to improve physical and social conditions at the property had no effect. The owner has operated the property within the terms of the law and the Section 8 Contract – albeit at the bare minimum. In the past year, HVT has negotiated with the owner and they signed an Agreement in May of 2006. The original purchase price was reduced in response to an appraisal commissioned by HVT, and done by a VHFA-approved appraiser.

Redevelopment Plan:
Since that time, HVT and RACLT have been working on feasibility – design plans to decrease the number of units and increase their size (marketability, functionality), cost estimates, funding strategies, meetings with Town representatives regarding redevelopment goals, meetings with residents, and meetings with social service providers.

Representatives of funding sources have met several times to discuss this project. Chief among the concerns is the acquisition price. The to-be-formed limited partnerships of HVT and RACLT will purchase 74 units ($42,365/unit), sell off two units (duplex across the street) and downsize the 72-unit building to 58 units, thereby incurring a higher per unit acquisition cost ($50,948/unit). It is still a high price for a building in poor condition. Among the discussions funders have had is regarding the option of using funding resources to build new housing in Windsor. Unfortunately, the problem of Armory Square will not go away if new housing is built, and will continue to plague the neighborhood, Town and County. In addition, though it is an expensive project, it is also a historic rehab and a troubled project and its redevelopment brings resources to the project that wouldn't otherwise be available: including approximately $2.7 million in historic credit equity and $1.274 million in HUD Special Purpose Funding (which together equate to more than $68,500 per unit in funding).

Redevelopment of this property will not only improve the lives of the residents, but also benefit the neighborhood, the Town, the region. The Town of Windsor has placed redevelopment of Armory Square as its primary economic development strategy.

HVT and RACLT are proposing to divide the building into two projects in order to maximize resources. The "bond" project is 15 units, financed with a $2,600,000 tax exempt construction loan and $133,450 in bond (4%) credits, Rural Development (RD) 515 loan, VHCB, HOME, HUD Special Purpose, Town funds, VCDP, State Credits, Historic Credit, Preservation Trust, Neighborworks, VHCB Lead Funds, and Efficiency Vermont funds. All 15 units will be tax credit restricted and all 15 units will have Section 8 rental assistance.

The "allocated" project is 43 units, seven are market units, 36 of them are tax credit restricted units including 15 of them with Section 8 rental assistance. The overall goal is to have more of a mixed-income community. This project will be financed using: $599,600 in Housing Credits (9%), Affordable Housing Program (AHP) loan and grant, VHCB, HOME, VCDP, HUD Special Purpose, VHCB Lead Funds, State Credits, Efficiency Vermont Funds, Neighborworks, and Historic Credit.

Under current law, Housing Credits are prohibited from being used in a project with Mod Rehab Section 8s. However, the sponsors are working on this issue with the Vermont State Housing Authority (VSHA) and there are two possible solutions: (1) push for enactment of legislation currently in the works to end the prohibition; or (2) VSHA has agreed to swap the current Mod Rehab vouchers with other vouchers to make the project work with Housing Credits.

HVT and RACLT have been involved in a community planning process to consider factors in the redevelopment including, creating a mixed-income community, utilizing best practices in green building in a historic rehab, energy efficiency and community participation. Also included in the community planning is brainstorming future improvements that would benefit both the residents and the Town, such as creation of a

riverwalk in back of the property. Many parties have been involved in the process, including: Town officials, Windsor Improvement Corporation, American Precision Museum, Windsor Schools, Windsor Area Community Partnership, Southern Windsor County Regional Planning Commission, and the private sector.

Many major funding decisions will be made in June – VHFA, VHCB, VCDP. AHP will be decided in July, HUD Special Purpose in October and Neighborworks in November. In terms of permitting, the project will need Town site plan approval which is anticipated in September. The sponsors hope to close in September and begin construction soon thereafter. Construction should take approximately 16 months. A property manager has not yet been selected, and since quality management is such a critical component of turning this development around, this issue is being added as a condition (see below).

Summary of Request to VHFA:
For the 15 unit RD project, the sponsors are seeking: $2,600,000 in tax exempt construction financing and $133,450 in bond (4%) Housing Credits. They are also seeking $45,000 in State Credits, which will be brought to the Board in August with all of the State Credit requests.

For the 43 unit allocated credit project, the sponsors are seeking: $2,500,000 in taxable construction financing (VHFA will share the construction lending role with Mascoma Bank) and $599,600 in ceiling (9%) Housing Credits. They are also seeking $80,000 in State Credits, which will be brought to the Board in August with all of the State Credit requests. The project meets the tax credit criteria (see Housing Credit Status Report).

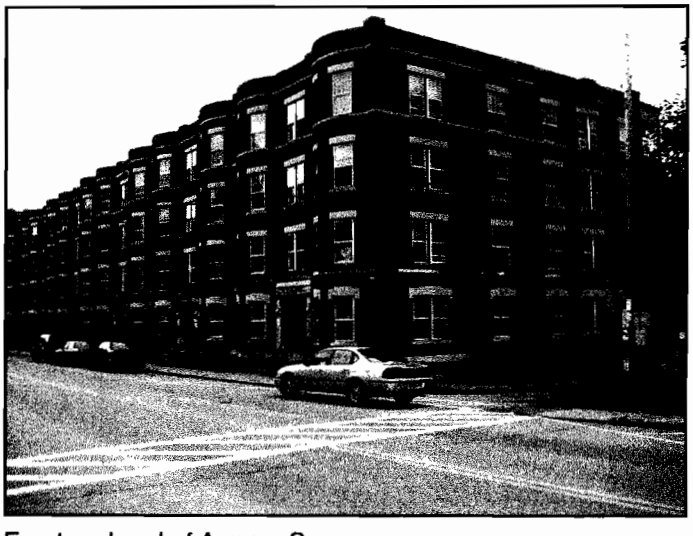
Recommended Conditions for Approval:
From discussions with other funding sources as well as internal staff discussions, separate from the regular loan and Housing Credit conditions, we are recommending the following conditions to be included:

- Staff (and other funders) are concerned that the acquisition cost is high relative to property condition and historic vacancy rates. Sponsors shall provide an appraisal update which takes into consideration current physical conditions and actual historic vacancy rate. If the appraisal update produces a different value than that of the current appraisal, that value shall be reflected in a re-negotiated acquisition cost.
- The management cancellation fee of $165,000 payable to the Sellers is not acceptable to VHFA and shall not be allowed as an eligible development cost.
- A Tax Stabilization Agreement between the Town and the new Owners of the property is strongly encouraged in order to benefit the development.
- Staff recommends the sponsors work on private fundraising to increase non-public sources of funds to the redevelopment.
- Sponsors to obtain commitments for other funding (per the attached budgets) or requisite financing (the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent) prior to closing.
- Sponsors to obtain a property management contract with a strong, experienced property manager with the capacity to adequately handle management of this difficult property during and post rehab, acceptable to VHFA.
- Sponsors to obtain written commitment from VSHA and HUD that the Mod Rehab classification and Section 8s can be swapped with other project-based Section 8s in order for Housing Credits to be used in the redevelopment.

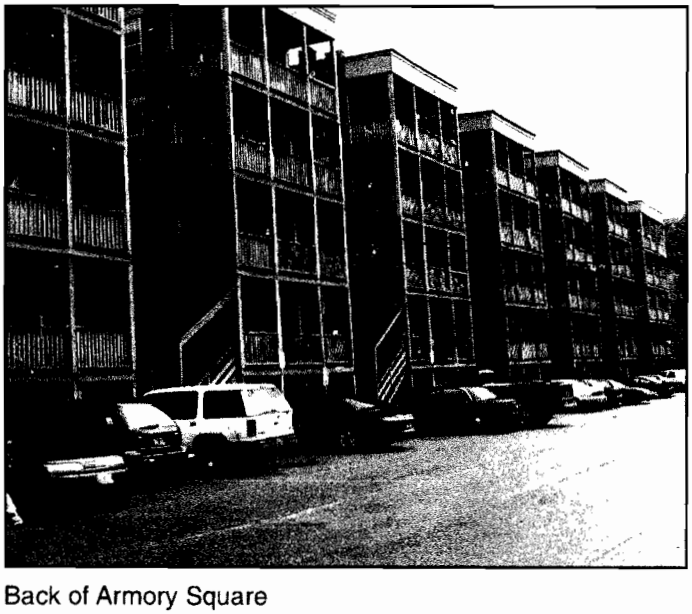
Recommendation: Staff recommends that the VHFA Board of Commissioners pass the attached resolutions and make the required findings as outlined in the second section of the resolutions ("It is hereby determined:"), and that the Board authorize the Executive Director to issue a Letter of Interest and/or a Commitment Letter to finance this property upon satisfactory completion of staff underwriting and due diligence; and authorize staff to issue the appropriate documentation according to the Qualified Allocation Plan.

Armory Square, Windsor

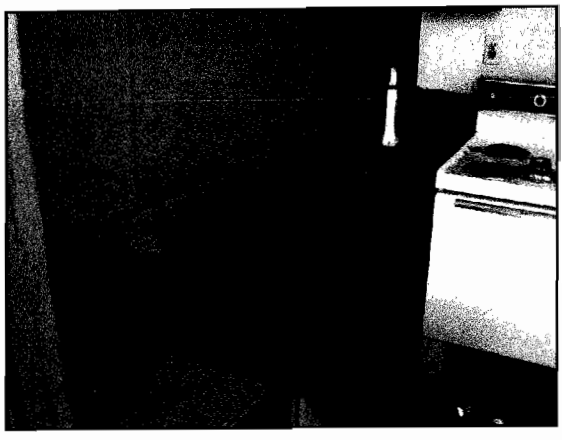
South block parapet



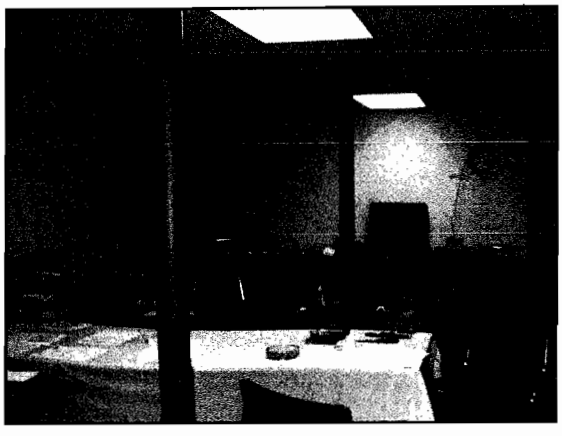
Front and end of Armory Square



Back of Armory Square



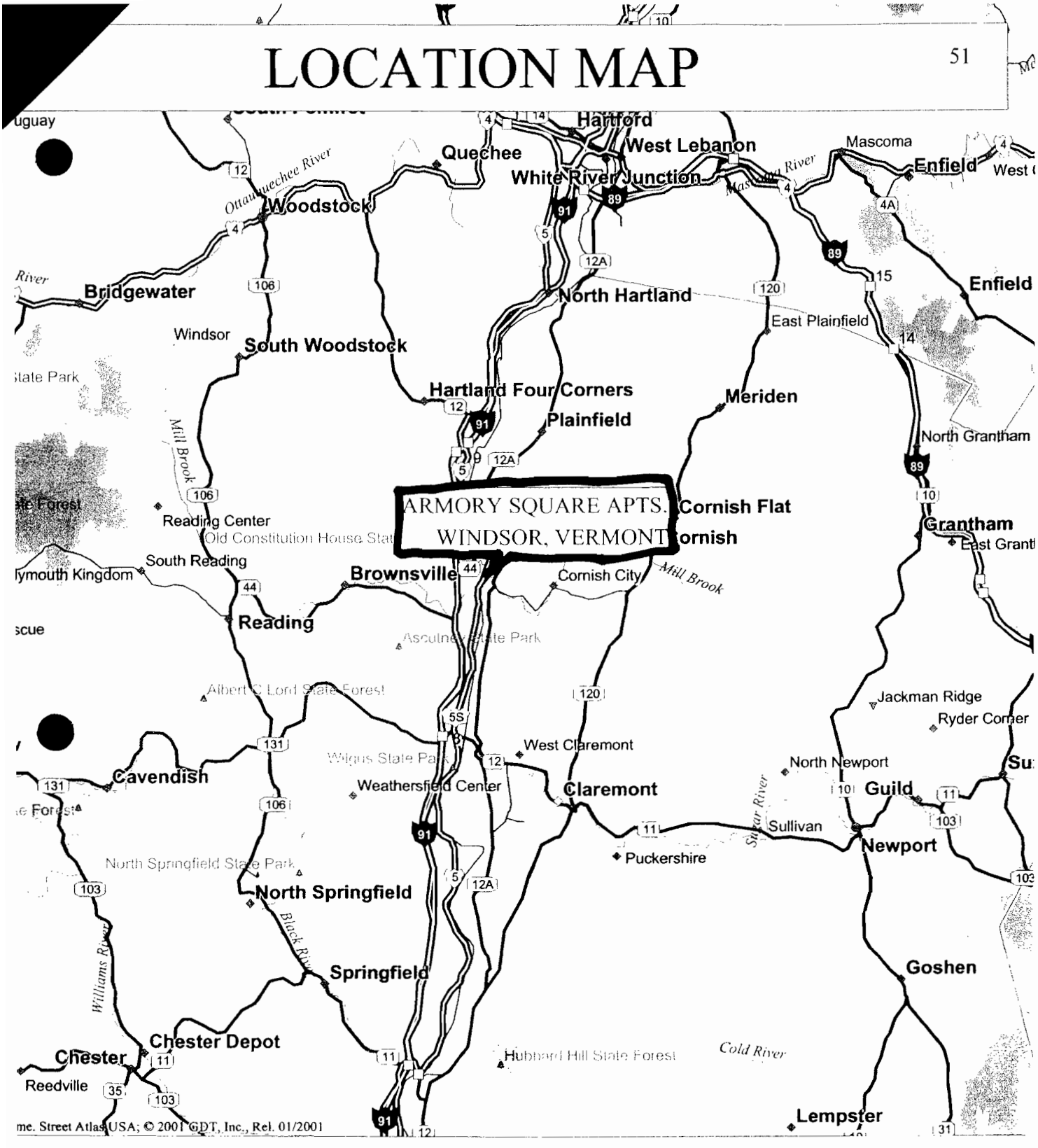
Vacant unit



Community room

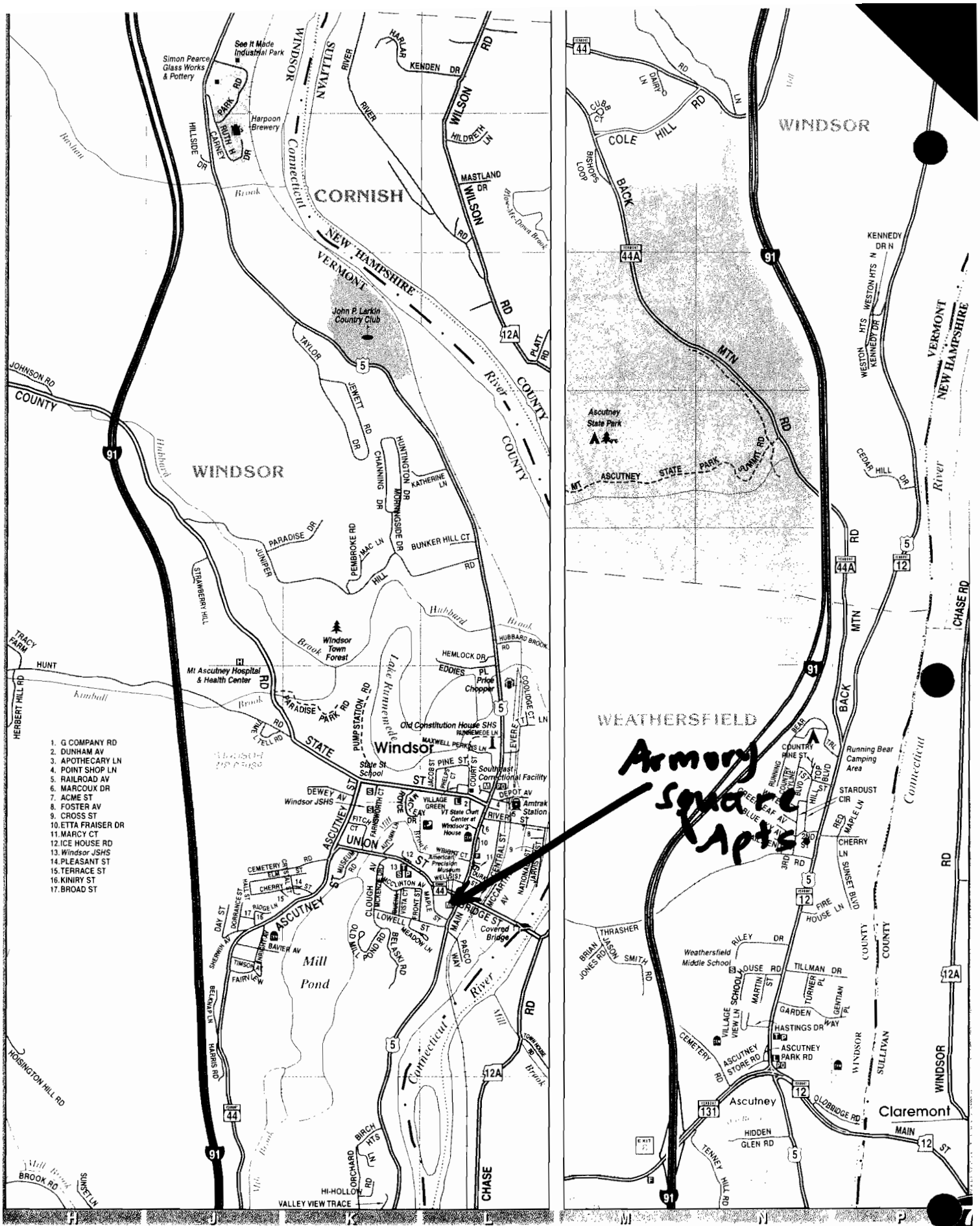
Interior of a top floor apartment

LOCATION MAP



11:32 2006
,000 (at center)

- Local Road
- Major Connector
- State Route
- Interstate/Limited Access
- Toll Highway
- US Highway
- Exit
- County Seat
- Small Town
- Geographic Feature
- Park/Reservation
- Locale
- City
- County Boundary
- State Boundary
- Population Center
- Land
- Water
- National Park
- State Park/Forest
- River/Canal
- Intermittent River
- City Park
- Inundated Area



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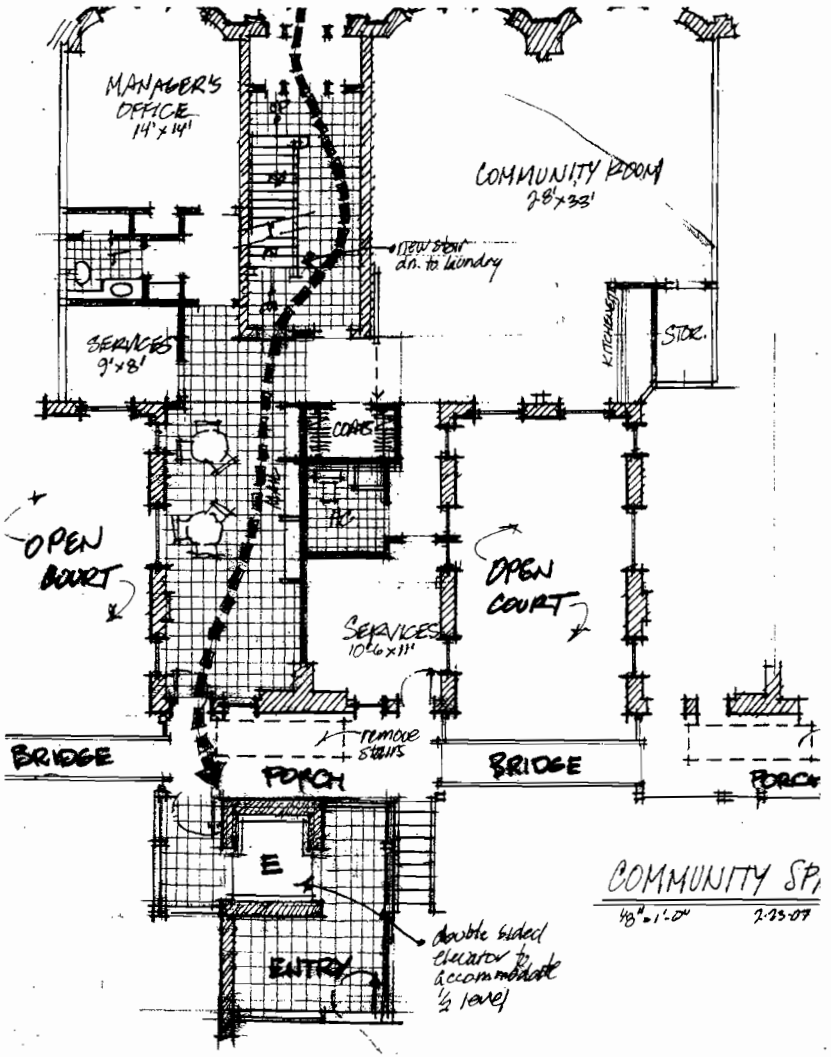
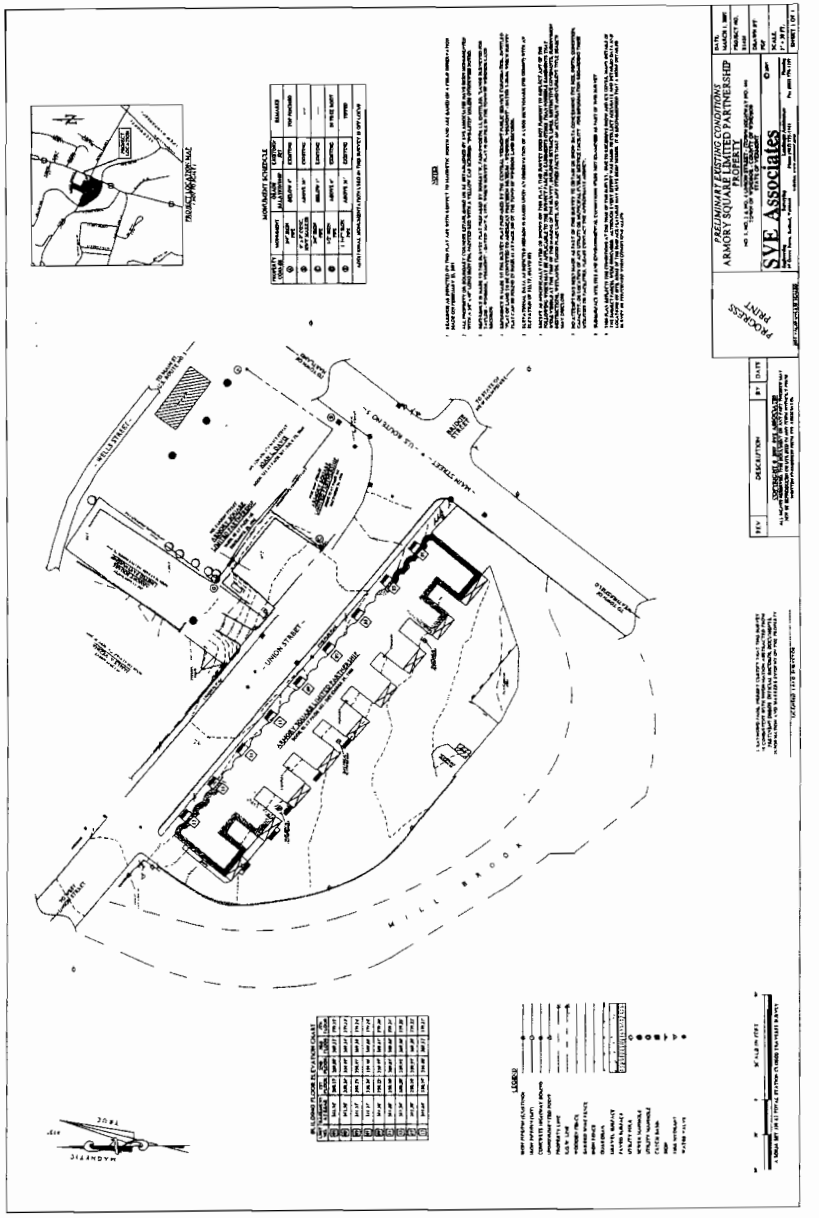
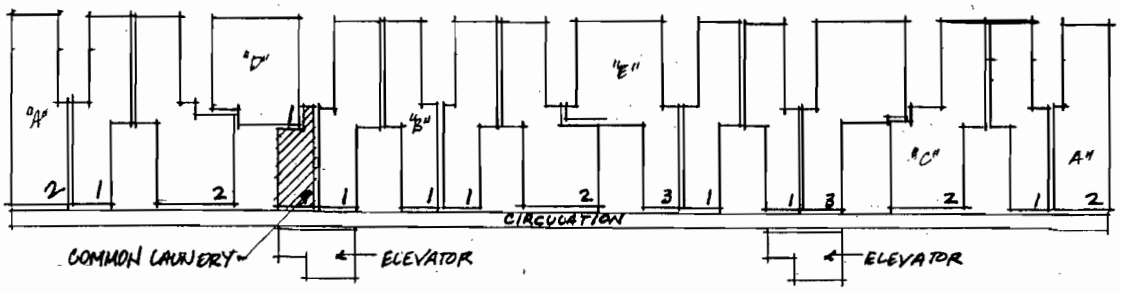


Community Space Plan

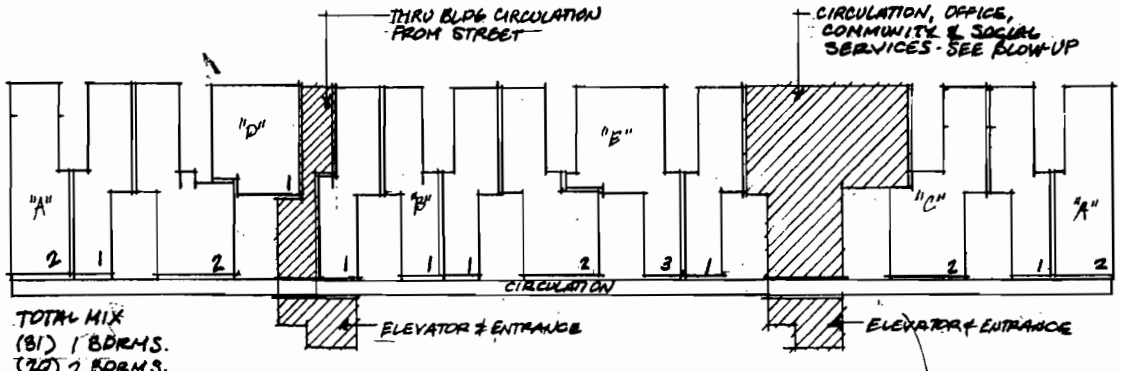


Armory Site Plan



LEVELS 2-3 & 4
ARMORY SQUARE APARTMENTS
2.24.07 GBA

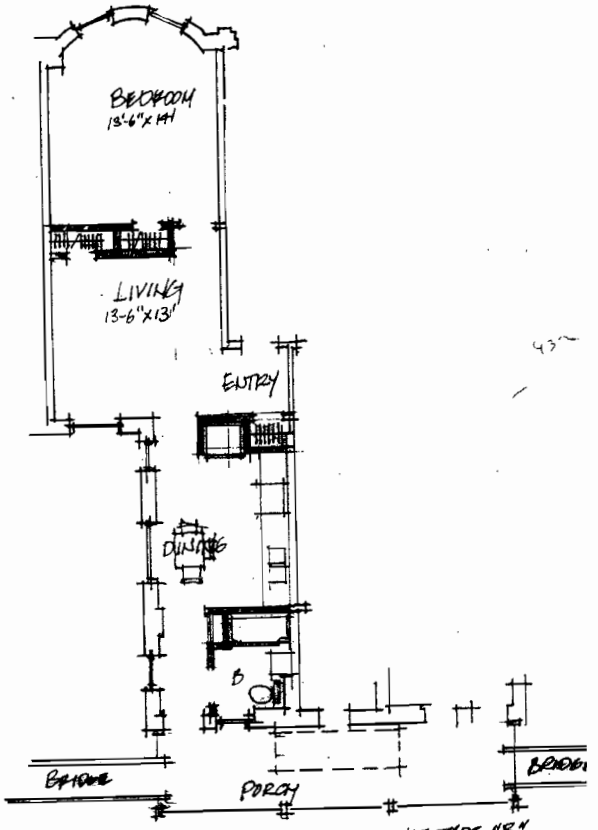
2nd, 3rd, 4th Fl.



TOTAL MIX
(31) 1 BDRMS.
(20) 2 BDRMS.
(7) 3 BDRMS
(58)

LEVEL 1
ARMORY SQUARE APARTMENTS
2.24.07 GBA

1st Fl.

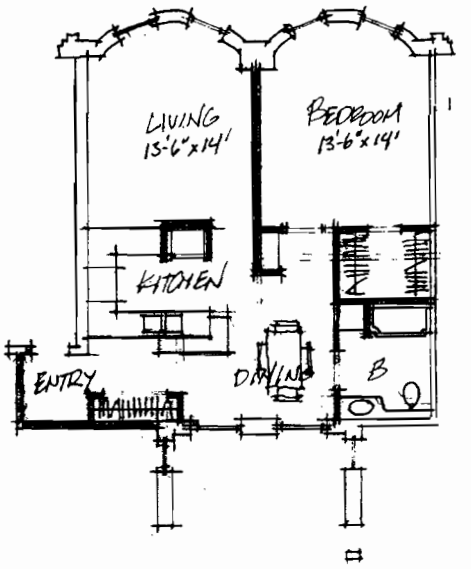


+/- 720 SF TYPICAL UNIT TYPE "B"

1 BEDROOM UNIT - ARMORY

1/8"-1'-0" 2.24.07 GBA

1 BR unit
720 SF

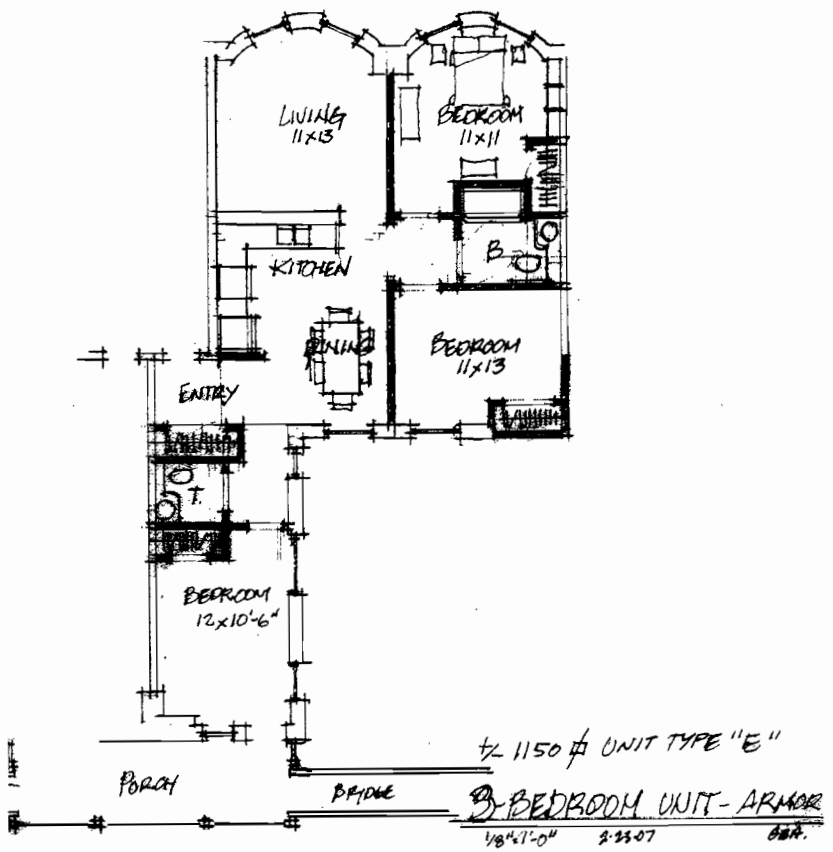


+/- 860 SF UNIT TYPE "D"

1 BEDROOM UNIT ARMORY

1/8"-1'-0" 2.24.07 GBA

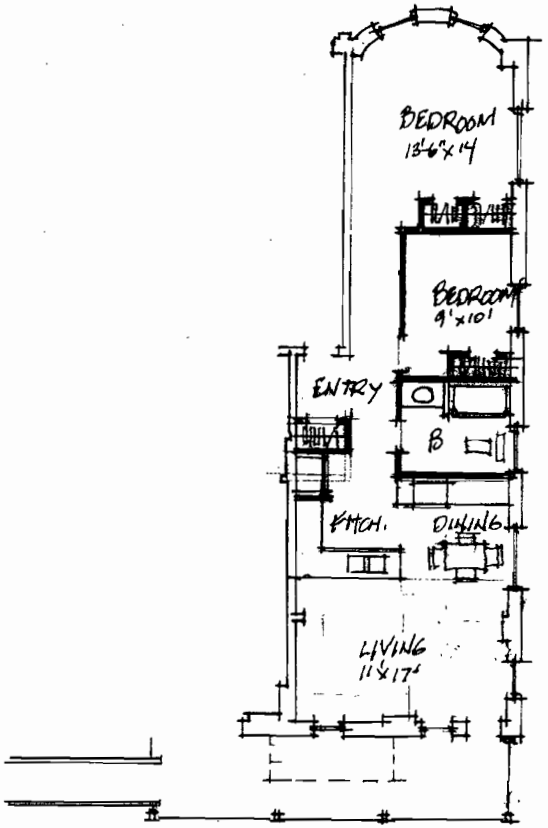
1 BR unit
860 SF



+/- 1150 ☐ UNIT TYPE "E"

3-BEDROOM UNIT - ARMORY

1/8"=1'-0" 2.23.07 BBR.



+/- 835 ☐ END UNIT - TYPE "A"

2-BEDROOM UNIT ARMORY

1/8"=1'-0" 2.27.07 GEA

3 BR Unit

1150 SF

2 BR Unit

835 SF

29-May-07 **Armory Square Allocated**

Total Residential Units:	43	Increase in Income from Rental Units:	1.50%
Housing Credit Restricted Units:	36	Increase in Income from Other Sources:	1.50%
Percent Restricted:	83.72%	Increase in Income from Commercial:	0.00%
Total Development Cost:	12,406,301	Expense increase:	3.00%
Total Development Cost per Unit:	288,519	Vacancy Rate:	5%
Total Development Cost Per SF:	344	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	28.0 years
Max Credit Potential:	599,609	Short Depreciation Schedule:	7 years
Credit Amount Allocated:	**599,609**	Sponsor's Estimated Yield:	123.12%
State Credit Requested	**80,000**		
LIHTC - 9%	8.11%	(June 2007)	
LIHTC - 4%	3.48%		

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage	725,000	5.84%	5.00%	30	30
HOME	550,000	4.43%	5.00%	0	0
VHCB - GF Loan	900,000	7.25%	0.00%	0	0
HUD Special Purpose Loan	854,978	6.89%	0.00%	0	0
VHCB - Lead Funds	60,000	0.48%	0.00%	0	0
VCDP - Loan	700,000	5.64%	0.00%	0	0
State Credits	442,000	3.56%	0.00%	0	0
REEP Loan	54,315	0.44%	0.00%	0	0
AHP Grant	400,000	3.22%	0.00%	0	0
NeighborWorks	344,000	2.77%	5.00%	0	0
Other Equity - Gap/Dev. Loan	753	0.01%	N/A	N/A	
Historic equity	0	0.00%	N/A	N/A	
Tax Credit Equity	7,375,255	59.45%	N/A	N/A	
TOTAL SOURCES	12,406,301	100.00%			
VHFA Construction Loan	2,500,000	taxable	7.00%		18 months

USES

Acquisition	2,172,209	17.51%
Construction Hard Costs	7,971,671	64.26%
Soft Costs	2,262,421	18.24%
TOTAL USES	12,406,301	100.00%
Gap	0	

General Partner's Capital Contribution	7,383	0.10%
Limited Partner's Capital Contribution	7,375,255	99.90%
Total Equity	7,382,638	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	36
Total Units	43
Unit Fraction	83.72%
Tax Credit Square Footage	29,745
Total Residential Square Footage	36,100
Square Footage Fraction	82.40%
Applicable Fraction	82.40%

29-May-07 **Armory Square Allocated**

		Budget	Per Unit	Per s f	Allocation of Sources: VHCB Terms: ___	HOME Terms ___	VCDP Terms ___	Debt Terms: ___	Equity Terms ___	Other Terms ___	TOTAL SOURCES				
												14,009,197	74,775	187	
	ACQUISITION														
1	Land	106,996	2,488	2 96							0				
2	Purchase of Building(s)	2,032,933	47,278	56 32							0	2,990,000	40,405		
3	Option	25,346	589	0 70							0		41,528		
4	Property Appraisal	2,173	51	0.06							0				
5	Legal - Title and Recording	4,761	111	0 13							0				
	Subtotal - Acquisition	2,172,209	50,516	60 18								13,664,197	49 850	74,775	183
	CONSTRUCTION HARD COSTS														
6	Rehabilitation	6,985,350	162,450	193 52							0	9,645,975			
7	New Building(s)		0	0.00							0				
8	Accessory Buildings		0	0.00							0				
9	Sitework	181,043	4,210	5 02							0	250,000			
10	Commercial Space Costs (if any)		0	0 00							0				
11	General Requirements		0	0.00							0				
12	Contractor Overhead		0	0 00							0				
13	Contractor Profit		0	0 00							0				
14	Construction Contingency	716,639	16.666	19 85							0	991,247			
15	Construction Management		0	0 00							0				
16	Construction Bond Fee		0	0 00							0				
17	Hazardous Materials Abatement	55,037	1,280	1.52							0	76,000			
18	Off-Site Improvements		0	0.00							0				
19	Furnishings, Fixtures, & Equipment	33,602	781	0.93							0	46,400			
20	Other (_____)		0	0 00							0				
	Subtotal - Hard Costs	7,971,671	185,388	220.85								11,009,622	189,821		
	SOFT COSTS														
21	Architectural	603,560	14,036	16 72							0				
22	Engineering		0	0 00							0				
23	Legal/Accounting	25,346	589	0 70							0				
24	Relocation	119,488	2,779	3 31							0				
25	Environmental Assessment	3,259	76	0 09							0				
26	Energy Assessment		0	0 00							0				
27	Permits/Fees	33,180	772	0 92							0				
28	Independent Market Study		0	0.00							0				
29	Construction Period Insurance		0	0.00							0				
30	Construction Interest	275,356	6,404	7 63							0				
31	Construction Loan Origination Fee	36,000	837	1.00							0				
32	Taxes During Construction		0	0.00							0				
33	Clerk of the Works	14,483	337	0 40							0				
34	Marketing	8,690	202	0.24							0				
35	Tax Credit Fees	21,848	508	0.61							0				
36	Soft Cost Contingency	15,920	370	0 44							0				
37	Permanent Loan Origination Fee		0	0 00							0				
38	Lender's Counsel's Fee		0	0.00							0				
39	Other (_____)		0	0 00							0				
	SYNDICATION COSTS														
40	Organizational (Partnership)		0	0.00							0				
41	Bridge Loan Fees and Expenses		0	0 00							0				
42	Syndication Consultant		0	0.00							0				
43	Tax Opinion		0	0 00							0				
	DEVELOPER'S FEES														
44	Developer's Fees	869,008	20,209	24.07							0				
45	Other Partnership Fees		0	0 00							0				
46	Consultant Fees	7,242	168	0 20							0				
	RESERVES														
47	Working Capital	133,972	3,116	3 71							0				
48	Rent-up (Deficit Escrow) Reserve		0	0.00							0				
49	Other Operating Reserves	95,069	2,211	2 63							0				
50	Sinking Fund		0	0.00							0				
51	Replacement Reserves		0	0.00							0				
	Subtotal - Soft Costs	2,262,421	52,614	62.68											
	TOTAL DEVELOPMENT COSTS	12,406,301	288,519	344	0	0	0	0	0	0	0				

11,301,010	
876,250	
7.75%	devel fee

29-May-07 **Armory Square Allocated**

		Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	106,996					
2	Purchase of Building(s)	2,032,933	2,032,933		2,032,933		
3	Option	25,346					
4	Property Appraisal	2,173	2,173		2,173	2,173	
5	Legal - Title and Recording	4,761	4,761		4,761		
	Subtotal - Acquisition	2,172,209					
	CONSTRUCTION HARD COSTS						
6	Rehabilitation	6,985,350		6,985,350	6,985,350	6,985,350	
7	New Building(s)	0					
8	Accessory Buildings	0					
9	Sitework	181,043		181,043	181,043	135,782	
10	Commercial Space Costs (if any)	0					
11	General Requirements	0					
12	Contractor Overhead	0					
13	Contractor Profit	0					
14	Construction Contingency	716,639		716,639		716,639	
15	Construction Management	0					
16	Construction Bond Fee	0					
17	Hazardous Materials Abatement	55,037		55,037		55,037	
18	Off-Site Improvements	0					
19	Furnishings, Fixtures, & Equipment	33,602		33,602	33,602		
20	Other (_____)	0				0	
	Subtotal - Hard Costs	7,971,671					
	SOFT COSTS						
21	Architectural	603,560		603,560	603,560	603,560	
22	Engineering	0					
23	Legal/Accounting	25,346		25,346	25,346	25,346	
24	Relocation	119,488		119,488	119,488	119,488	
25	Environmental Assessment	3,259		3,259	3,259	3,259	
26	Energy Assessment	0					
27	Permits/Fees	33,180		33,180	33,180	33,180	
28	Independent Market Study	0					
29	Construction Period Insurance	133,972		133,972	133,972	133,972	
30	Construction Interest	275,356		275,356	275,356	275,356	
31	Construction Loan Origination Fee	36,000		36,000	36,000	36,000	
32	Taxes During Construction	0					
33	Clerk of the Works	14,483		14,483	14,483	14,483	
34	Marketing	8,690			8,690		
35	Tax Credit Fees	21,848			21,848	21,848	
36	Soft Cost Contingency	15,920		15,920	15,920	15,920	
37	Permanent Loan Origination Fee	0					
38	Lender's Counsel's Fee	0					
39	Other (_____)	0					
	SYNDICATION COSTS						
40	Organizational (Partnership)	0					
41	Bridge Loan Fees and Expenses	0					
42	Syndication Consultant	0					
43	Tax Opinion	0					
	DEVELOPER'S FEES						
44	Developer's Fees	869,008		869,008	869,008	869,008	
45	Other Partnership Fees	0					
46	Consultant Fees	7,242		7,242	7,242	7,242	
	RESERVES						
47	Working Capital	0					
48	Rent-up (Deficit Escrow) Reserve	0					
49	Other Operating Reserves	95,069					
50	Sinking Fund	0					
51	Replacement Reserves	0					
	Subtotal - Soft Costs	2,262,421					
	TOTALS	12,406,301	2,039,867	10,108,485	11,373,612	10,053,643	
LESS:	Amount of Non-qualified Financing						
LESS:	Adjustment for per unit cost limits	0		10,108,485			
LESS:	Historic tax Credit (Residential Portion)			2,010,729	2,010,729	20%	Historic Credit Rate
	Total Eligible Basis		2,039,867	8,097,756		2,010,729	Annual Historic Credit
TIMES:	Adjusted for QCT/DDA	100.0%		8,097,756			
TIMES:	Applicable Fraction	82.40%	1,680,771	6,672,237			
	Total Qualified Basis		1,680,771	6,672,237	9,362,883		Long Term Depreciable Basis
TIMES:	Applicable Percentage		3.48%	8.11%	28.0		Depreciation Schedule
	Total Annual Credit Qualified		58,491	541,118	334,389		Annual Depreciation

Total Tax Credits Requested	599,609	599,609
Estimated Net Syndication Proceeds		
(excluding historic credit equity)	7,375,255	
Estimated Yield - Housing Credit Syndication	123.12%	
Equity Gap	7,375,255	
Credits Needed to fill Equity Gap	599,609	

33,602		Short Term Depreciable Basis
7		Depreciation Schedule
4,800		Annual Depreciation

1,729,227	Historic equity
368,000	state equity
5,278,408	LIHTC equity
7,375,635	

29-May-07 **Armory Square Allocated**

HC Restricted Units

Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br		0	0	0	0	0
1 Br		720	21	580	39	146,268
2 Br		911	11	664	49	87,636
3 Br		1,150	4	796	56	38,208
4+ Br		0	0	0	0	0
	Totals	29,741	36			272,112

Non-HC Restricted Units

Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br		0	0	0	0	0
1 Br		720	2	675	39	16,200
2 Br		983	5	799	49	47,964
3 Br		1,150	0	0	56	0
4+ Br		0	0	0	0	0
	Totals	6,355	7			64,164

All Units

Grand Totals	36,096	43	336,276
Less Vacancy	5.00%		(16,814)
NET RENT			319,463

OTHER INCOME

Laundry	2,400
Parking	0
Commercial Space Income	0
Other	0

TOTAL INCOME	321,863

29-May-07

Armory Square Allocated

	Check all Applicable									A					B						C					
Building #	Unit #	HOME Unit	Lead Paint Unit	Project Based Assistance	Tax Credit Unit	VHCB Restricted	Accessible	Adaptable	Unrestricted	Number of Bedrooms	Proposed Square Footage	Proposed Rent	Utility Allowance for Tenant-Paid Utilities	Gross Rent (Rent + Tenant-Paid Utilities)	OCCUPIED BY: Income level of residents to be served:						AFFORDABLE TO: Units affordable to residents at:					
															<30%	<50%	<60%	<80%	<100%	>100%	30%	50%	60%	65%	80%	100%+
c-4	1				1					1	720	563	39	602			1									
c-5	2			1	1					1	720	624	39	663		1										
c-6	3				1					1	720	563	39	602			1									
d-1	4				1					1	720	563	39	602			1									
d-2	5			1	1					1	720	624	39	663		1										
d-3	6				1					1	720	563	39	602			1									
d-4	7			1	1					1	720	624	39	663		1										
d-5	8			1	1					3	1,150	811	56	867		1										
d-6	9				1					3	1,150	781	56	837			1									
d-7	10			1	1					3	1,150	811	56	867		1										
d-8	11				1					3	1,150	781	56	837			1									
e-1	12				1					2	1,020	676	49	725			1									
e-2	13								1	2	1,020	820	49	869				1								
e-3	14				1					2	1,020	676	49	725			1									
e-4	15								1	2	1,020	820	49	869				1								
f-1	16				1					1	720	563	39	602			1									
f-2	17				1					1	720	563	39	602			1									
f-3	18								1	1	720	675	39	714				1								
f-4	19				1					1	720	563	39	602			1									
f-5	20								1	1	720	675	39	714				1								
f-6	21				1					1	720	563	39	602			1									
f-7	22				1					1	720	563	39	602			1									
f-8	23				1					1	720	563	39	602			1									
g-1	24			1	1					1	720	624	39	663		1										
g-2	25				1					1	720	563	39	602			1									
g-3	26			1	1					1	720	624	39	663		1										
g-4	27				1					1	720	563	39	602			1									
h-1	28			1	1					2	860	717	49	766		1										
h-2	29				1					2	860	633	49	682			1									
h-3	30			1	1					2	860	717	49	766		1										
h-4	31				1					2	860	633	49	682			1									
h-5	32				1					2	1,020	676	49	725			1									
h-6	33								1	2	1,020	820	49	869				1								
h-7	34				1					2	1,020	676	49	725			1									
h-8	35								1	2	1,020	820	49	869				1								
i-1	36				1					1	720	563	39	602			1									
i-2	37				1					1	720	563	39	602			1									
i-3	38				1					1	720	563	39	602			1									
i-4	39			1	1					1	720	624	39	663		1										
i-5	40				1					2	835	633	49	682			1									
i-6	41				1					2	835	633	49	682			1									
i-7	42				1					2	835	633	49	682			1									
i-8	43								1	2	835	717	49	766				1								
Total # Units	43	0	0	10	36	0	0	0	7	Totals:	36,100	28,023		Total # Units:	0	10	26	7	0	0	0	0	0	0	0	0

29-May-07 **Armory Square Allocated**

	Annual	Monthly	Per Unit Per Month
Administration			
Management Fee	33,540	2,795	65
Supportive Services	15,480	1,290	30
Audit/Accounting	4,128	344	8
Legal	2,580	215	5
Compliance Monitoring	2,064	172	4
Marketing		0	0
Other	8,256	688	16
TOTAL ADMINISTRATIVE	66,048	5,504	128
Utilities			
Electricity	10,320	860	20
Fuel	33,540	2,795	65
Water and Sewer	20,124	1,677	39
Fire Alarm / Emergency	1,548	129	3
Other	3,096	258	6
TOTAL UTILITIES	68,628	5,719	133
Maintenance			
Maintenance / Janitor Payroll	30,960	2,580	60
Janitor Supplies	2,580	215	5
Exterminating	516	43	1
Trash Removal	7,224	602	14
Snow Removal	4,128	344	8
Grounds	4,128	344	8
Repairs Material		0	0
Repairs Contract		0	0
HVAC Repairs / Maintenance	2,064	172	4
Elevator Contract / Repairs	2,580	215	5
Painting and Decorating	2,064	172	4
Other	4,128	344	8
TOTAL MAINTENANCE	60,372	5,031	117
Real Estate Taxes	26,316	2,193	51
Property Insurance	13,416	1,118	26
Replacement Reserves	20,640	1,720	40
Primary Debt Service	46,703	3,892	91
Other "must pay" debt service		0	0
Other		0	0
Total	302,123	25,177	586

29-May-07	Armory Square Allocated														
Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income															
Gross Rent	336,276	341,321	346,440	351,637	356,912	362,265	367,699	373,215	378,813	384,495	390,263	396,117	402,058	408,089	414,210
Other Income	2,400	2,436	2,473	2,510	2,547	2,585	2,624	2,664	2,704	2,744	2,785	2,827	2,869	2,913	2,956
Vacancy and other losses	(16,814)	(17,066)	(17,322)	(17,582)	(17,846)	(18,113)	(18,385)	(18,661)	(18,941)	(19,225)	(19,513)	(19,806)	(20,103)	(20,404)	(20,711)
Total Operating Income	321,863	326,691	331,591	336,565	341,613	346,737	351,939	357,218	362,576	368,015	373,535	379,138	384,825	390,597	396,456
Operating Expenses															
Total Expenses (excl. Reserves)	234,780	241,823	249,078	256,550	264,247	272,174	280,340	288,750	297,412	306,335	315,525	324,990	334,740	344,782	355,126
Reserves	20,640	20,950	21,264	21,583	21,907	22,235	22,569	22,907	23,251	23,600	23,954	24,313	24,678	25,048	25,423
Total Operating Expense	255,420	262,773	270,342	278,133	286,154	294,410	302,908	311,657	320,663	329,934	339,478	349,303	359,418	369,830	380,549
Net Operating Income	66,443	63,918	61,249	58,432	55,460	52,328	49,030	45,561	41,913	38,080	34,057	29,834	25,407	20,767	15,907
Less Primary Debt Service	46,703	46,703	46,703	46,703	46,703	46,703	46,703	46,703	46,703	46,703	46,703	46,703	46,703	46,703	46,703
Less Secondary Debt Service	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow	19,739	17,214	14,546	11,728	8,756	5,625	2,327	(1,143)	(4,791)	(8,623)	(12,647)	(16,869)	(21,296)	(25,936)	(30,797)
Operating Subsidies / Sinking Fund	0	0	0	0	0	0	0	1,143	4,791	8,623	12,647	16,869	21,296	25,936	30,797
Net Cash	19,739	17,214	14,546	11,728	8,756	5,625	2,327	0	0	0	0	0	0	0	0
DCR	142.26%	136.86%	131.14%	125.11%	118.75%	112.04%	104.98%	97.55%	89.74%	81.54%	72.92%	63.88%	54.40%	44.47%	34.06%
Cumulative Cash Flow															
Beginning Balance	95,069	116,710	136,258	153,529	168,327	180,450	189,684	195,804	198,577	197,758	193,090	184,305	171,122	153,248	130,377
Deposits	19,739	17,214	14,546	11,728	8,756	5,625	2,327	0	0	0	0	0	0	0	0
Interest 2.0%	1,901	2,334	2,725	3,071	3,367	3,609	3,794	3,916	3,972	3,955	3,862	3,686	3,422	3,065	2,608
Withdrawals	0	0	0	0	0	0	0	(1,143)	(4,791)	(8,623)	(12,647)	(16,869)	(21,296)	(25,936)	(30,797)
Ending Balance	116,710	136,258	153,529	168,327	180,450	189,684	195,804	198,577	197,758	193,090	184,305	171,122	153,248	130,377	102,188
Cumulative Replacement Reserves															
Beginning Balance	0	20,846	42,422	64,747	87,841	25,723	48,695	72,464	97,049	122,473	62,758	88,207	114,527	141,742	169,875
Deposits	20,640	20,950	21,264	21,583	21,907	22,235	22,569	22,907	23,251	23,600	23,954	24,313	24,678	25,048	25,423
Interest 2.0%	206	626	1,061	1,511	1,976	737	1,200	1,678	2,173	2,685	1,495	2,007	2,537	3,085	3,652
Withdrawals	0	0	0	0	(86,000)	0	0	0	0	(86,000)	0	0	0	0	(129,000)
Ending Balance	20,846	42,422	64,747	87,841	25,723	48,695	72,464	97,049	122,473	62,758	88,207	114,527	141,742	169,875	69,950
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income	66,443	63,918	61,249	58,432	55,460	52,328	49,030	45,561	41,913	38,080	34,057	29,834	25,407	20,767	15,907
Plus Reserves	20,640	20,950	21,264	21,583	21,907	22,235	22,569	22,907	23,251	23,600	23,954	24,313	24,678	25,048	25,423
Less Interest Expense	95,956	98,406	100,978	103,678	106,513	109,488	112,611	115,890	119,331	122,944	126,737	130,718	134,897	139,284	143,890
Less Long Depreciation	(334,389)	(334,389)	(334,389)	(334,389)	(334,389)	(334,389)	(334,389)	(334,389)	(334,389)	(334,389)	(334,389)	(334,389)	(334,389)	(334,389)	(334,389)
Less Short Depreciation	(4,800)	(4,800)	(4,800)	(4,800)	(4,800)	(4,800)	(4,800)	0	0	0	0	0	0	0	0
Taxable Income (Loss)	(156,150)	(155,916)	(155,698)	(155,496)	(155,310)	(155,138)	(154,979)	(150,031)	(149,894)	(149,765)	(149,642)	(149,523)	(149,407)	(149,289)	(149,169)
Cash Flow	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings	54,653	54,570	54,494	54,424	54,359	54,298	54,243	52,511	52,463	52,418	52,375	52,333	52,292	52,251	52,209
Plus Tax Credits	2,610,338	599,609	599,609	599,609	599,609	599,609	599,609	599,609	599,609	599,609					
plus State Credits	80,000	80,000	80,000	80,000	80,000										
After Tax Cash Flow	2,744,990	734,179	734,103	734,033	733,968	653,907	653,852	652,120	652,072	652,027	52,375	52,333	52,292	52,251	52,209
Total Years 15															
Reinvestment Rate 8.60%															
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Current After Tax Cash Flows	2,744,990	734,179	734,103	734,033	733,968	653,907	653,852	652,120	652,072	652,027	52,375	52,333	52,292	52,251	52,209
Future Value of Cash Flows at Yr 15:	9,462,114	2,330,343	2,145,581	1,975,483	1,818,884	1,492,157	1,373,876	1,261,729	1,161,727	1,069,656	79,117	72,794	66,977	61,625	56,699

Discount Rate:	6.00%								
Capital Contribution Number	1	2	3	4	5	6	7	8	
Date of Capital Contribution	30-Sep-07	30-Dec-08	30-Mar-09	29-May-07	29-May-07	29-May-07	29-May-07	29-May-07	
Amount of Capital Contribution	100	5,836,284	1,458,971	0	0	0	0	0	
Present Value of Contributions:	100	5,408,295	1,331,854	0					
Cash Flows	(6,740,250)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	#########

IRR: 8.96%
Equity Yield: 84.27%

29-May-07 **Armory Square (Bond)**

Total Residential Units:	15	Increase in Income from Rental Units:	1.50%	
Housing Credit Restricted Units:	15	Increase in Income from Other Sources:	1.50%	
Percent Restricted:	100.00%	Increase in Income from Commercial:	1.50%	
Total Development Cost:	4,687,278	Expense increase:	3.00%	
Total Development Cost per Unit:	312,485	Vacancy Rate:	5%	
Total Development Cost Per SF:	341	Partner's Tax Rate:	35%	
		Long Depreciation Schedule:	27.5	years
Max Credit Potential:	133,458	Short Depreciation Schedule:	7	years
Credit Amount Allocated:	**133,458**	Sponsor's Estimated Yield:	143.85%	
State Credit Requested	**45,000**			
LIHTC - 9%	8.11%	June 2007		
LIHTC - 4%	3.48%			

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage - RD	1,000,000	21.33%	1.00%	50	50
HOME	200,000	4.27%	5.00%	30	int. only
VHCB	375,000	8.00%	0.00%	30	30
HUD Special Purpose	419,022	8.94%	0.00%	30	30
VHCB Lead	19,000	0.41%	0.00%	30	30
Town of Windsor	100,000	2.13%	0.00%	30	30
VCDP - Loan	300,000	6.40%	0.00%	30	30
REEP	20,685	0.44%	0.00%	30	30
Preservation Trust - HVT Loan	35,000	0.75%	0.00%	30	30
Developer Equity	0	0.00%	N/A	N/A	
Neighborworks	120,000	2.56%	N/A	N/A	
State Credit Equity	198,000	4.22%	N/A	N/A	
Tax Credit Equity	1,900,571	40.55%	N/A	N/A	
TOTAL SOURCES	4,687,278	100.00%			
VHFA Construction Loan	2,600,000	55.47%	tax-exempt		18 month

USES

Acquisition	827,366	17.65%
Construction Hard Costs	3,037,951	64.81%
Soft Costs	821,961	17.54%
TOTAL USES	4,687,278	100.00%
Gap	0	

General Partner's Capital Contribution	19,198	1.00%
Limited Partner's Capital Contribution	1,900,567	99.00%
Total Equity	1,919,765	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	15
Total Units	15
Unit Fraction	100.00%
Tax Credit Square Footage	13,754
Total Residential Square Footage	13,754
Square Footage Fraction	100.00%
Applicable Fraction	100.00%

29-May-07 **Armory Square (Bond)**

		Budget	Per Unit	Per s.f.	Allocation of Sources: VHCB Terms:___	HOME Terms:___	VCDP Terms:___	Debt Terms:___	Equity Terms:___	Other Terms:___	TOTAL SOURCES
	ACQUISITION										
1	Land	40,754	2,717	2.96							0
2	Purchase of Building(s)	774,317	51,621	56.30							0
3	Option	9,654	644	0.70							0
4	Property Appraisal	827	55	0.06							0
5	Legal - Title and Recording	1,814	121	0.13							0
	Subtotal - Acquisition	827,366	55,158	60.15							
	CONSTRUCTION HARD COSTS										
6	Rehabilitation	2,660,625	177,375	193.44							0
7	New Building(s)		0	0.00							0
8	Accessory Buildings		0	0.00							0
9	Sitework	68,957	4,597	5.01							0
10	Commercial Space Costs (if any)		0	0.00							0
11	General Requirements		0	0.00							0
12	Contractor Overhead		0	0.00							0
13	Contractor Profit		0	0.00							0
14	Construction Contingency	274,608	18,307	19.97							0
15	Construction Management		0	0.00							0
16	Construction Bond Fee		0	0.00							0
17	Hazardous Materials Abatement	20,963	1,398	1.52							0
18	Off-Site Improvements		0	0.00							0
19	Furnishings, Fixtures, & Equipment	12,798	853	0.93							0
20	Other (_____)		0	0.00							0
	Subtotal - Hard Costs	3,037,951	202,530	220.88							
	SOFT COSTS										
21	Architectural	189,979	12,665	13.81							0
22	Engineering		0	0.00							0
23	Legal/Accounting	9,654	644	0.70							0
24	Relocation	45,512	3,034	3.31							0
25	Environmental Assessment	1,241	83	0.09							0
26	Energy Assessment		0	0.00							0
27	Permits/Fees	12,638	843	0.92							0
28	Independent Market Study		0	0.00							0
29	Construction Period Insurance	51,028	3,402	3.71							0
30	Construction Interest	89,644	5,976	6.52							0
31	Construction Loan Origination Fee	29,100	1,940	2.12							0
32	Taxes During Construction		0	0.00							0
33	Clerk of the Works	5,517	368	0.40							0
34	Marketing	3,310	221	0.24							0
35	Tax Credit Fees	8,322	555	0.61							0
36	Soft Cost Contingency	6,066	404	0.44							0
37	Permanent Loan Origination Fee		0	0.00							0
38	Lender's Counsel's Fee		0	0.00							0
39	HP Consultant	2,758	184	0.20							0
	SYNDICATION COSTS										
40	Organizational (Partnership)		0	0.00							0
41	Bridge Loan Fees and Expenses		0	0.00							0
42	Syndication Consultant		0	0.00							0
43	Tax Opinion		0	0.00							0
	DEVELOPER'S FEES										
44	Developer's Fees	165,496	11,033	12.03							0
45	Other Partnership Fees	165,496	11,033	12.03							0
46	Consultant Fees		0	0.00							0
	RESERVES										
47	Working Capital		0	0.00							0
48	Rent-up (Deficit Escrow) Reserve		0	0.00							0
49	Other Operating Reserves	36,200	2,413	2.63							0
50	Sinking Fund		0	0.00							0
51	Replacement Reserves		0	0.00							0
	Subtotal - Soft Costs	821,961	54,797	59.76							
	TOTAL DEVELOPMENT COSTS	4,687,278	312,485	341	0	0	0	0	0	0	0

	4,320,086
	330,992
	7.66%

29-May-07 **Armory Square (Bond)**

		Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	40,754					
2	Purchase of Building(s)	774,317	774,317		774,317		
3	Option	9,654					
4	Property Appraisal	827	827		827	827	
5	Legal - Title and Recording	1,814	1,814		1,814		
	Subtotal - Acquisition	827,366					
	CONSTRUCTION HARD COSTS						
6	Rehabilitation	2,660,625		2,660,625	2,660,625	2,660,625	
7	New Building(s)	0					
8	Accessory Buildings	0					
9	Sitework	68,957		68,957	68,957	51,718	
10	Commercial Space Costs (if any)	0					
11	General Requirements	0					
12	Contractor Overhead	0					
13	Contractor Profit	0					
14	Construction Contingency	274,608		274,608	274,608	274,608	
15	Construction Management	0					
16	Construction Bond Fee	0					
17	Hazardous Materials Abatement	20,963		20,963	20,963		
18	Off-Site Improvements	0					
19	Furnishings, Fixtures, & Equipment	12,798		12,798			
20	Other (_____)	0					
	Subtotal - Hard Costs	3,037,951					
	SOFT COSTS						
21	Architectural	189,979		189,979	189,979	189,979	
22	Engineering	0					
23	Legal/Accounting	9,654		9,654	9,654	9,654	
24	Relocation	45,512		45,512	45,512	45,512	
25	Environmental Assessment	1,241		1,241	1,241	1,241	
26	Energy Assessment	0					
27	Permits/Fees	12,638		12,638	12,638	12,638	
28	Independent Market Study	0					
29	Construction Period Insurance	51,028		51,028	51,028	51,028	
30	Construction Interest	89,644		89,644	89,644	89,644	
31	Construction Loan Origination Fee	29,100		29,100	29,100	29,100	
32	Taxes During Construction	0					
33	Clerk of the Works	5,517		5,517	5,517	5,517	
34	Marketing	3,310			3,310		
35	Tax Credit Fees	8,322			8,322	8,322	
36	Soft Cost Contingency	6,066		6,066	6,066	6,066	
37	Permanent Loan Origination Fee	0					
38	Lender's Counsel's Fee	0					
39	HP Consultant	2,758		2,758	2,758	2,758	
	SYNDICATION COSTS						
40	Organizational (Partnership)	0					
41	Bridge Loan Fees and Expenses	0					
42	Syndication Consultant	0					
43	Tax Opinion	0					
	DEVELOPER'S FEES						
44	Developer's Fees	165,496		165,496	165,496	165,496	
45	Other Partnership Fees	165,496		165,496	165,496	165,496	
46	Consultant Fees	0					
	RESERVES						
47	Working Capital	0					
48	Rent-up (Deficit Escrow) Reserve	0					
49	Other Operating Reserves	36,200					
50	Sinking Fund	0					
51	Replacement Reserves	0					
	Subtotal - Soft Costs	821,961					
	TOTALS	4,687,278	776,958	3,812,080	4,587,872	3,770,229	
LESS:	Amount of Non-qualified Financing						
LESS:	Adjustment for per unit cost limits						
LESS:	Historic tax Credit (Residential Portion)			754,046	754,046	20%	Historic Credit Rate
	Total Eligible Basis		776,958	3,058,034		754,046	Annual Historic Credit
TIMES:	Adjusted for QCT/DDA	100.00%		3,058,034			
TIMES:	Applicable Fraction	100.00%	776,958	3,058,034			
	Total Qualified Basis		776,958	3,058,034	3,833,826	Long Term Depreciable Basis	1,146,525
TIMES:	Applicable Percentage		3.48%	3.48%	27.5	Depreciation Schedule	115.811
	Total Annual Credit Qualified		27,038	106,420	139,412	Annual Depreciation	
							1,321,234
	Total Tax Credits Requested	133,458		133,458	12,798	Short Term Depreciable Basis	87%
	Estimated Net Syndication Proceeds (excluding historic credit equity)	1,900,571			7	Depreciation Schedule	
	Estimated Yield - Housing Credit Syndication	143.85%		135,438	1,828	Annual Depreciation	
	Equity Gap	1,900,571		(1,980)			(17,012)
	Credits Needed to fill Equity Gap	133,458					
				0			

29-May-07 **Armory Square (Bond)**

HC Restricted Units

Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br		0	0	0	0	0
1 Br		720	4	624	0	29,952
2 Br		928	8	740	0	71,040
3 Br		1,150	3	811	0	29,196
4+ Br		0	0	0	0	0
	Totals	13,754	15			130,188

Non-HC Restricted Units

Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br		0	0	0	0	0
1 Br		0	0	0	0	0
2 Br		0	0	0	0	0
3 Br		0	0	0	0	0
4+ Br		0	0	0	0	0
	Totals	0	0			0

All Units

Grand Totals	13,754	15	130,188
Less Vacancy	5.00%		(6,509)
NET RENT			123,679

OTHER INCOME

Laundry	50	600
Parking		0
Commercial Space Income		
Other		
TOTAL INCOME		124,279

29-May-07

Armory Square (Bond)

	Check all Applicable									A					B						C					
Building #	Unit #	HOME Unit	Lead Paint Unit	Project Based Assistance	Tax Credit Unit	VHCB Restricted	Accessible	Adaptable	Unrestricted	Number of Bedrooms	Proposed Square Footage	Proposed Rent	Utility Allowance for Tenant-Paid Utilities	Gross Rent (Rent + Tenant-Paid Utilities)	OCCUPIED BY: Income level of residents to be served:						AFFORDABLE TO: Units affordable to residents at:					
															<30%	<50%	<60%	<80%	<100%	>100%	30%	50%	60%	65%	80%	100%+
Amory	a-1			1	1	1				2	835	717	49	766		1					1					
Bond	a-2			1	1	1				2	835	717	49	766		1					1					
	a-3			1	1	1				2	835	717	49	766		1					1					
	a-4			1	1	1				2	835	717	49	766		1					1					
	a-5			1	1	1				1	720	624	39	663		1					1					
	a-6			1	1	1				1	720	624	39	663		1					1					
	a-7			1	1	1				1	720	624	39	663		1					1					
	a-8			1	1	1				1	720	624	39	663		1					1					
	b-1			1	1	1				2	1,020	762	49	811		1					1					
	b-2			1	1	1				2	1,020	762	49	811		1					1					
	b-3			1	1	1				2	1,020	762	49	811		1					1					
	b-4			1	1	1				2	1,020	762	49	811		1					1					
	c-1			1	1	1				3	1,150	811	56	867		1					1					
	c-2			1	1	1				3	1,150	811	56	867		1					1					
	c-3			1	1	1				3	1,150	811	56	867		1					1					
Total # Units	15	0	0	15	15	15	0	0	0	Totals:	13,750	10,845		Total # Units:	0	15	0	0	0	0	15	0	0	0	0	0

29-May-07 **Armory Square (Bond)**

	Annual	Monthly	Per Unit Per Month
Administration			
Management Fee	11,700	975	65
Supportive Services	5,400	450	30
Audit/Accounting	1,440	120	8
Legal	900	75	5
Compliance Monitoring	720	60	4
Office Expense	1,440	120	8
Other	1,440	120	8
TOTAL ADMINISTRATIVE	23,040	1,920	128
Utilities			
Electricity	3,600	300	20
Fuel - Gas	11,700	975	65
Water and Sewer	7,020	585	39
Fire Alarm / Emergency	540	45	3
Other	1,080	90	6
TOTAL UTILITIES	23,940	1,995	133
Maintenance			
Maintenance / Janitor Payroll	10,800	900	60
Janitor Supplies	900	75	5
Exterminating	180	15	1
Trash Removal	2,520	210	14
Snow Removal	1,440	120	8
Grounds	1,440	120	8
Repairs Material		0	0
Repairs Contract		0	0
HVAC Repairs / Maintenance	720	60	4
Elevator Contract / Repairs	900	75	5
Painting and Decorating	720	60	4
Other	1,440	120	8
TOTAL MAINTENANCE	21,060	1,755	117
Real Estate Taxes	9,180	765	51
Property Insurance	4,680	390	26
Replacement Reserves	7,200	600	40
Primary Debt Service		0	0
Other "must pay" debt service		0	0
Other		0	0
Total	89,100	7,425	495

29-May-07	Armory Square (Bond)														
Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income															
Gross Rent	130,188	132,141	134,123	136,135	138,177	140,249	142,353	144,488	146,656	148,856	151,088	153,355	155,655	157,990	160,360
Other Income	600	609	618	627	637	646	656	666	676	686	696	707	717	728	739
Vacancy and other losses	(6,509)	(6,607)	(6,706)	(6,807)	(6,909)	(7,012)	(7,118)	(7,224)	(7,333)	(7,443)	(7,554)	(7,668)	(7,783)	(7,899)	(8,018)
Total Operating Income	124,279	126,143	128,035	129,955	131,905	133,883	135,892	137,930	139,999	142,099	144,230	146,394	148,590	150,819	153,081
Operating Expenses															
Total Expenses (excl. Reserves)	81,900	84,357	86,888	89,494	92,179	94,945	97,793	100,727	103,748	106,861	110,067	113,369	116,770	120,273	123,881
Reserves	7,200	7,308	7,418	7,529	7,642	7,756	7,873	7,991	8,111	8,232	8,356	8,481	8,608	8,738	8,869
Total Operating Expense	89,100	91,665	94,305	97,023	99,821	102,701	105,666	108,718	111,859	115,093	118,423	121,850	125,378	129,010	132,750
Net Operating Income	35,179	34,478	33,730	32,932	32,084	31,182	30,226	29,212	28,140	27,006	25,808	24,544	23,211	21,808	20,331
Less Primary Debt Service	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423
Less Secondary Debt Service	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow	9,755	9,055	8,306	7,509	6,661	5,759	4,803	3,789	2,717	1,582	385	(879)	(2,212)	(3,615)	(5,092)
Operating Subsidies / Sinking Fund	0	0	0	0	0	0	0	0	0	0	0	879	2,212	3,615	5,092
Net Cash	9,755	9,055	8,306	7,509	6,661	5,759	4,803	3,789	2,717	1,582	385	0	0	0	0
DCR	138.37%	135.62%	132.67%	129.54%	126.20%	122.65%	118.89%	114.91%	110.69%	106.22%	101.51%	96.54%	91.30%	85.78%	79.97%
Cumulative Cash Flow															
Beginning Balance	36,200	46,679	56,668	66,108	74,939	83,098	90,520	97,133	102,865	107,639	111,374	113,986	115,386	115,483	114,177
Deposits	9,755	9,055	8,306	7,509	6,661	5,759	4,803	3,789	2,717	1,582	385	0	0	0	0
Interest 2.0%	724	934	1,133	1,322	1,499	1,662	1,810	1,943	2,057	2,153	2,227	2,280	2,308	2,310	2,284
Withdrawals	0	0	0	0	0	0	0	0	0	0	0	(879)	(2,212)	(3,615)	(5,092)
Ending Balance	46,679	56,668	66,108	74,939	83,098	90,520	97,133	102,865	107,639	111,374	113,986	115,386	115,483	114,177	111,369
Cumulative Replacement Reserves															
Beginning Balance	0	7,200	14,652	22,363	30,339	8,587	16,516	24,719	33,204	41,979	21,051	29,828	38,905	48,292	57,995
Deposits	7,200	7,308	7,418	7,529	7,642	7,756	7,873	7,991	8,111	8,232	8,356	8,481	8,608	8,738	8,869
Interest 2.0%	0	144	293	447	607	172	330	494	664	840	421	597	778	966	1,160
Withdrawals	0	0	0	0	(30,000)	0	0	0	0	(30,000)	0	0	0	0	(60,000)
Ending Balance	7,200	14,652	22,363	30,339	8,587	16,516	24,719	33,204	41,979	21,051	29,828	38,905	48,292	57,995	8,024
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income	35,179	34,478	33,730	32,932	32,084	31,182	30,226	29,212	28,140	27,006	25,808	24,544	23,211	21,808	20,331
Plus Reserves	7,200	7,308	7,418	7,529	7,642	7,756	7,873	7,991	8,111	8,232	8,356	8,481	8,608	8,738	8,869
Less Interest Expense	(19,929)	(20,273)	(20,641)	(21,034)	(21,452)	(21,898)	(22,372)	(22,877)	(23,414)	(23,984)	(24,589)	(25,232)	(25,913)	(26,636)	(27,401)
Less Long Depreciation	(139,412)	(139,412)	(139,412)	(139,412)	(139,412)	(139,412)	(139,412)	(139,412)	(139,412)	(139,412)	(139,412)	(139,412)	(139,412)	(139,412)	(139,412)
Less Short Depreciation	(1,828)	(1,828)	(1,828)	(1,828)	(1,828)	(1,828)	(1,828)	0	0	0	0	0	0	0	0
Taxable Income (Loss)	(118,791)	(119,728)	(120,734)	(121,813)	(122,967)	(124,199)	(125,514)	(125,086)	(126,575)	(128,158)	(129,837)	(131,618)	(133,505)	(135,502)	(137,613)
Cash Flow	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings	41,577	41,905	42,257	42,634	43,038	43,470	43,930	43,780	44,301	44,855	45,443	46,066	46,727	47,426	48,165
Plus Tax Credits	133,458	133,458	133,458	133,458	133,458	133,458	133,458	133,458	133,458	133,458					
Plus State Credits	45,000	45,000	45,000	45,000	45,000										
Plus Historic Credit	754,046														
After Tax Cash Flow	974,080	220,362	220,715	221,092	221,496	176,927	177,388	177,238	177,759	178,313	45,443	46,066	46,727	47,426	48,165
Total Years	15														
Reinvestment Rate	8.00%														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Current After Tax Cash Flows	974,080	220,362	220,715	221,092	221,496	176,927	177,388	177,238	177,759	178,313	45,443	46,066	46,727	47,426	48,165
Future Value of Cash Flows at Yr 15:	3,089,947	647,247	600,261	556,748	516,449	381,973	354,599	328,055	304,648	282,960	66,771	62,673	58,862	55,317	52,018

Discount Rate:	6.00%								
Capital Contribution Number	1	2	3	4	5	6	7	8	
Date of Capital Contribution	30-Sep-07	29-Jun-08	30-Dec-08	29-May-07	29-May-07	29-May-07	29-May-07	29-May-07	
Amount of Capital Contribution	100	1,529,045	382,161	0	0	0	0	0	
Present Value of Contributions:	100	1,461,038	354,136	0					
Cash Flows	(1,815,274)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	7,358,527
IRR:	9.78%		1,911,306						
Equity Yield:	137%								

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: CONSTRUCTION FINANCING AND PROPOSED ALLOCATION OF ALLOCATED HOUSING CREDITS FOR ARMORY SQUARE, WINDSOR

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow monies and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, an application has been submitted to the Agency by Rockingham Area Community Land Trust, Inc. and Housing Vermont (the "Sponsors") on behalf of a to be formed limited partnership in which the Sponsors or their subsidiaries will be the general partners (the "Borrower") involving the acquisition and rehabilitation of forty-three (43) of a total of fifty-eight (58) units of general occupancy rental housing and in the Town of Windsor (the "Development"); and

WHEREAS, the application contemplates a mortgage loan for construction financing for the Development with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds; and

WHEREAS, the Sponsors qualify and the Borrower 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

WHEREAS, the Agency administers the allocation of the federal Low Income Housing Tax Credits (both Allocated Housing Credits and Bond Housing Credits) and the State Housing Credits under the State's Qualified Allocation Plan; and

WHEREAS, the Governor of the State of Vermont has approved the 2005-2006 Qualified Allocation Plan; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated May 29, 2007, containing information, conditions and recommendations about the Development (the "Memorandum");

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 to be incurred by the housing sponsors 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 sponsors undertaking the Development will increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency 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 loan.

6. The Sponsors are financially responsible and are qualified housing sponsors within the meaning of the Act. The Borrower will be required to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsors for construction financing of the Development based on the recommendations in the attached Memorandum. 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 Sponsors in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the Borrower for construction financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsors as the representatives of the Borrower. The Commitment Letter shall be conditioned on the satisfaction by the Sponsors of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

3. The Executive Director and the Loan Review Committee will establish the final source and amount of the loan for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines, and the conditions, if any, described in the Memorandum.

4. The recommendations for the allocation of Allocated Housing Credits contained in the Memorandum which is attached and incorporated by this reference are hereby approved.

5. The Executive Director and the appropriate staff are hereby authorized to take such actions as are described in the 2005-2006 Qualified Allocation Plan regarding the proposed allocation of federal Allocated Housing Credits in the amount of $599,600.00 for the Armory Square project in the Town of Windsor, Vermont.

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: CONSTRUCTION FINANCING AND PROPOSED USE OF BOND HOUSING CREDITS FOR ARMORY SQUARE, WINDSOR

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow monies and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, an application has been submitted to the Agency by Rockingham Area Community Land Trust, Inc. and Housing Vermont (the "Sponsors") on behalf of a to be formed limited partnership in which the Sponsors or their subsidiaries will be the general partners (the "Borrower") involving the acquisition and rehabilitation of fifteen (15) of a total of fifty-eight (58) units of general occupancy rental housing and in the Town of Windsor (the "Development"); and

WHEREAS, the application contemplates a mortgage loan for construction financing for the Development with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds; and

WHEREAS, the Sponsors qualify and the Borrower 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

WHEREAS, the Agency administers the allocation of the federal Low Income Housing Tax Credits (both Allocated Housing Credits and Bond Housing Credits) and the State Housing Credits under the State's Qualified Allocation Plan; and

WHEREAS, the Governor of the State of Vermont has approved the 2005-2006 Qualified Allocation Plan; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated May 29, 2007, containing information, conditions and recommendations about the Development (the "Memorandum");

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 to be incurred by the housing sponsors 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 sponsors undertaking the Development will increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency 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 loan.

6. The Sponsors are financially responsible and are qualified housing sponsors within the meaning of the Act. The Borrower will be required to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsors for construction financing of the Development based on the recommendations in the attached Memorandum. 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 Sponsors in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the Borrower for construction financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsors as the representatives of the Borrower. The Commitment Letter shall be conditioned on the satisfaction by the Sponsors of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

3. The Executive Director and the Loan Review Committee will establish the final source and amount of the loan for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines, and the conditions, if any, described in the Memorandum.

4. The recommendations for the proposed use of Bond Housing Credits contained in the Memorandum which is attached and incorporated by this reference are hereby approved.

5. The Executive Director and the appropriate staff are hereby authorized to take such actions as are described in the 2005-2006 Qualified Allocation Plan regarding the use of Bond Housing Credits in an amount necessary for the Development's feasibility for the Armory Square project in the Town of Windsor, Vermont.

		72	128
Acquisition Cost	Total	per unit	per bedroom
	2,999,575	41,661	23,434
		58	96
Apartment reduction premium		583,251	749,894

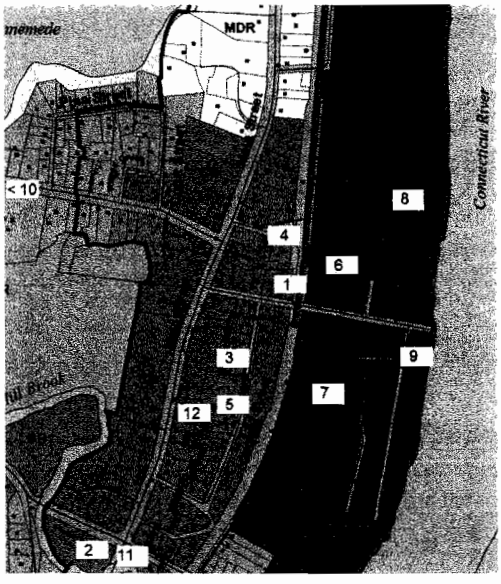
Cost Premium Analysis

Total	Per unit	Per SF	
17,091,938	294,689	229	
-749,894			bedroom reduction premiuim (23,434 per going from 128 to 96)
-2,625,455			federal historic credit
-1,387,223			budgeted special federal earmarks
-1,212,719			tax exempt bond credits
11,116,647	191,666	149	

Windsor Community Development Plan

The Town of Windsor will create new jobs and housing during the next five years through development and redevelopment initiatives that are currently underway and in the planning stages. The majority of this community development activity is planned for Windsor's downtown and areas adjacent to the downtown. Please refer to the accompanying map for location details. These developments include:

- Windsor 'Waypoint Interpretative Center' project (1), a downtown visitor information center currently under construction. This project is the centerpiece of a larger infrastructure plan for downtown Windsor. The project is funded by a $1,000,000 AOT grant.
- That funding is also supporting major roadway/sidewalk reconstruction (4) in the River Street, Railroad Avenue, and Depot Street areas. These improvements enhance the entrance to the Rails to River area, which is funded by a $1,000,000 FHWA award.
- The Armory Square Apartments' (2) redevelopment project will substantially rehabilitate this historic structure and provide affordable housing opportunities for current and future residents. It will enhance the southern entrance to Windsor.
- The Center for Precision Manufacturing project (3) will create 40 new skilled jobs in Windsor. The public-private partnership between the Windsor Improvement Corporation and Olympia Precision Manufacturing will create a new DOD funded "Center for Excellence." This revitalization of the Central Street area will move the Town to consider a relocation of its Town Highway facility (5) to allow for new opportunities to develop along the Central Street corridor.
- The mixed-use redevelopment of the Stacey property (6) and portions of the Cone Blanchard (8) and Goodyear (7) sites is in the planning phase. The Town has dealt or is currently dealing with the issue of contamination on or around these sites to prepare these sites for their redevelopment possibilities.
- Seldon Laboratories was recently approved for VEDA financing, to support company growth that is leading to the creation of new jobs at this high tech company, located at the former Cone-Blanchard manufacturing facility.
- 90 units of new, affordable single-family and condominium housing, "Morgan Meadows," (10) is currently in the permitting process on West State Street, near the Mount Ascutney Hospital. The developer has indicated that houses will sell for under $250,000. RACLT is exploring a partnership with the developer. New housing development is also being explored at other locations near downtown.
- Recent grant awards have solidified the emergence of the American Precision Museum (11) as a major Vermont cultural attraction. This museum has been joined in the past year by the Cornish Colony Museum (12), featuring the work of famous artist Maxfield Parrish.
- The Jarvis Street neighborhood (9) and the Town will begin exploring options for this historic neighborhood, now threatened by changes in the potential for flood damage revealed through FEMA's new satellite flood mapping process.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Connecticut River

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Director of Development

DATE: May 25, 2007

RE: Request for Allocated Credit: King Street Housing, Burlington

Name:	King Street Housing	**Location:**	Burlington
Housing Type:	General Occupancy	**Unit Type:**	Flats
Unit Count:	20 Total 17 Housing Credit units	**Unit Sizes:**	2 efficiencies, avg. 483 sq. ft. 16 one-bedrooms, avg. 586 sq. ft. 2 two-bedrooms, avg. 810 sq. ft.
Total Cost:	$4,985,006	**Per S.F. Acquisition & Construction Cost:**	$245.58
Housing Credits:	$410,000 (Ceiling "9%" Credits)	**Sponsors:**	Champlain Housing Trust & Housing Vermont
Other Funding:	HUD Special Purpose Funds, VHCB, HOME, Burlington Housing Trust Fund, REEP		

Recommendation: That the VHFA Board of Commissioners pass the attached resolution to authorize staff to issue the appropriate documentation according to the Qualified Allocation Plan.

Project Summary:
The Sponsor (a partnership to be formed by Champlain Housing Trust [CHT] and Housing Vermont [HVT]) has an option to purchase (as a condominium interest) a portion of the Howard Bank Block on King Street in Burlington, and their proposal is to develop a five story new construction development consisting of: a floor and a half of covered parking, a floor and a half of commercial space, and two floors of affordable housing. This proposal for Housing Credits represents only the two residential floors of this larger development, along with ten parking spaces in an adjacent garage. At first the housing will be a leasing co-operative, and at the end of the tax credit compliance period it would convert to cooperative homeownership housing. CHT intends to consolidate their own offices from other scattered locations into the commercial portion of this building as well. The remainder of the Howard Bank block is being developed into: for-sale lofts, a parking structure, commercial space, and other housing (in smaller, existing buildings). The Purchase and Sales agreement specifies that the Sponsor will pay for the King Street property by paying a pro-rated share of: 1) the land; 2) the up-front soft costs and site preparation costs for the entire Howard Bank Block site; and 3) the garage structure. The total acquisition cost of the King Street Housing site is $850k, and of this total the housing is shown as paying for about $331k and the commercial space as paying for $519k. The sponsor intends to allocate all 26 parking spaces within the building to the office use, and to have ten spaces for tenants in an adjacent parking garage to-be-built.

Given the project's size and location, no Act 250 permit is needed. Preliminary Development Review Board (DRB) approval is in hand and final is anticipated for June 2007. The proposed construction schedule is to begin work in November 2007 and complete about 15 months later. All other funding has been committed. The structure is being designed and built to Leadership in Environmental and Energy Design (LEED) criteria and the architect is Lemay + Youkel. The building will have an elevator and a decent amount of storage and common areas. The project will be managed by CHT. The commercial portion of the development will use the New Markets Tax Credits (NMTC), similar to the Main Street Mill development in Richford. NMTC brings new equity into the State. It is a complicated, labor-intensive, expensive source of money, and it cannot be used for

housing. While its use is not widespread for these reasons, this location and use qualify for the NMTC and it is good that sponsors are able to tap into this new source when they can.

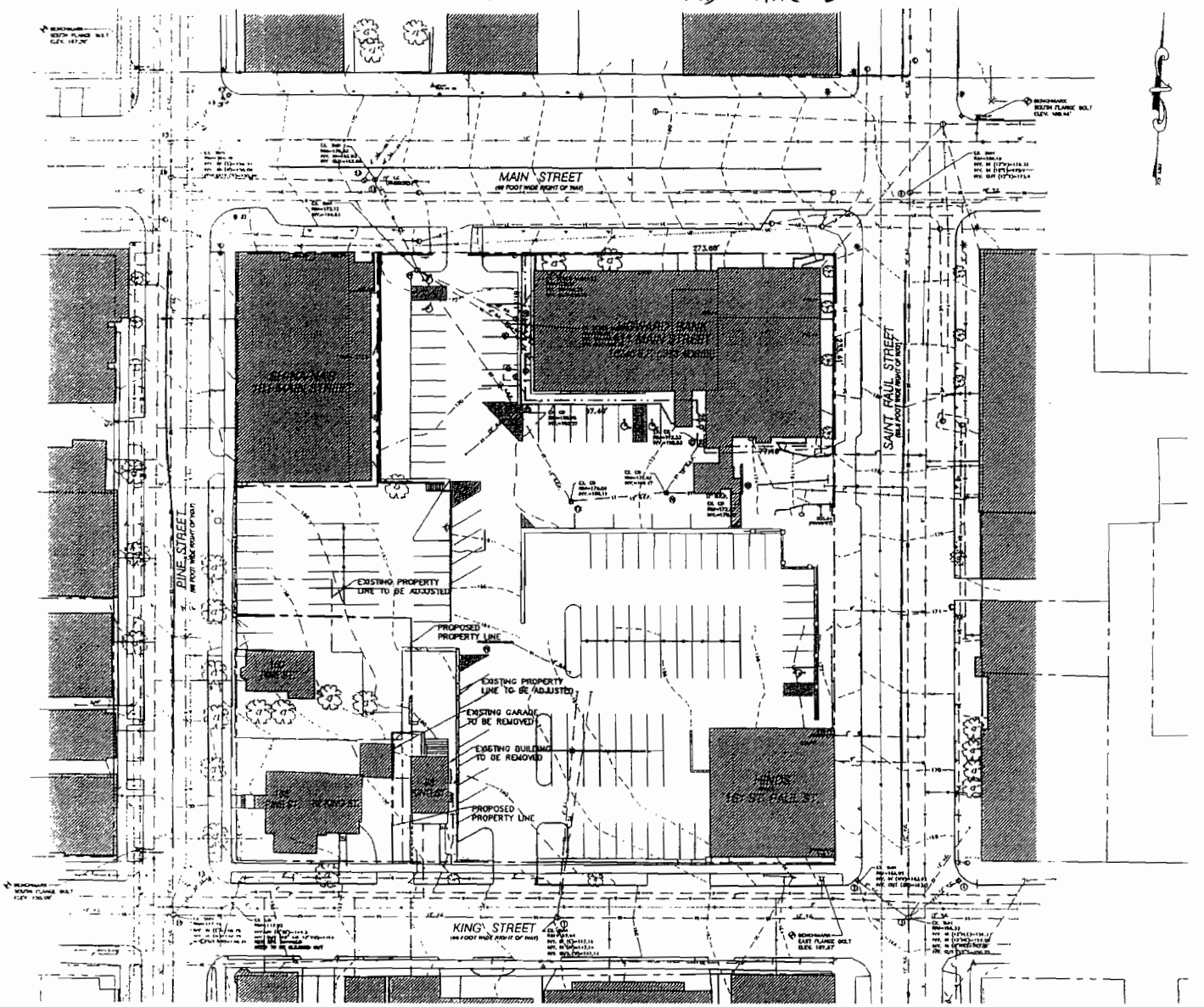
Tax Credit Discussion:
This project meets three top tier priorities (infill new construction in low vacancy community; maintains historic settlement pattern of compact urban center; in a designated downtown) and one lower tier priority (project is intended for eventual tenant ownership) as described in the Plan. The development has not applied for State affordable housing credits and does not intend to use them.

The sponsor has submitted a market study done by Kurt Kaffenberger. Because it is over a year old staff have requested an update, and any award of credits is subject to receipt and review of an updated study. The original market study looked at a larger housing development proposal 40 units of mixed-income housing in this building. The study also states that one parking space per housing unit would be provided and included in the base rent, which is the standard in this housing market. This development, for practical reasons, is providing half this (ten spaces for twenty units) and the sponsor is taking some market risk because of this. The units are all efficiencies, ones, and twos, both in the market study and in the current proposal, but in a different mix and different numbers. Staff believe that the market can quickly absorb the units given their size, rent, layout, and bedroom configuration, and the risk around the parking issue is one staff are willing to let the Sponsor take.

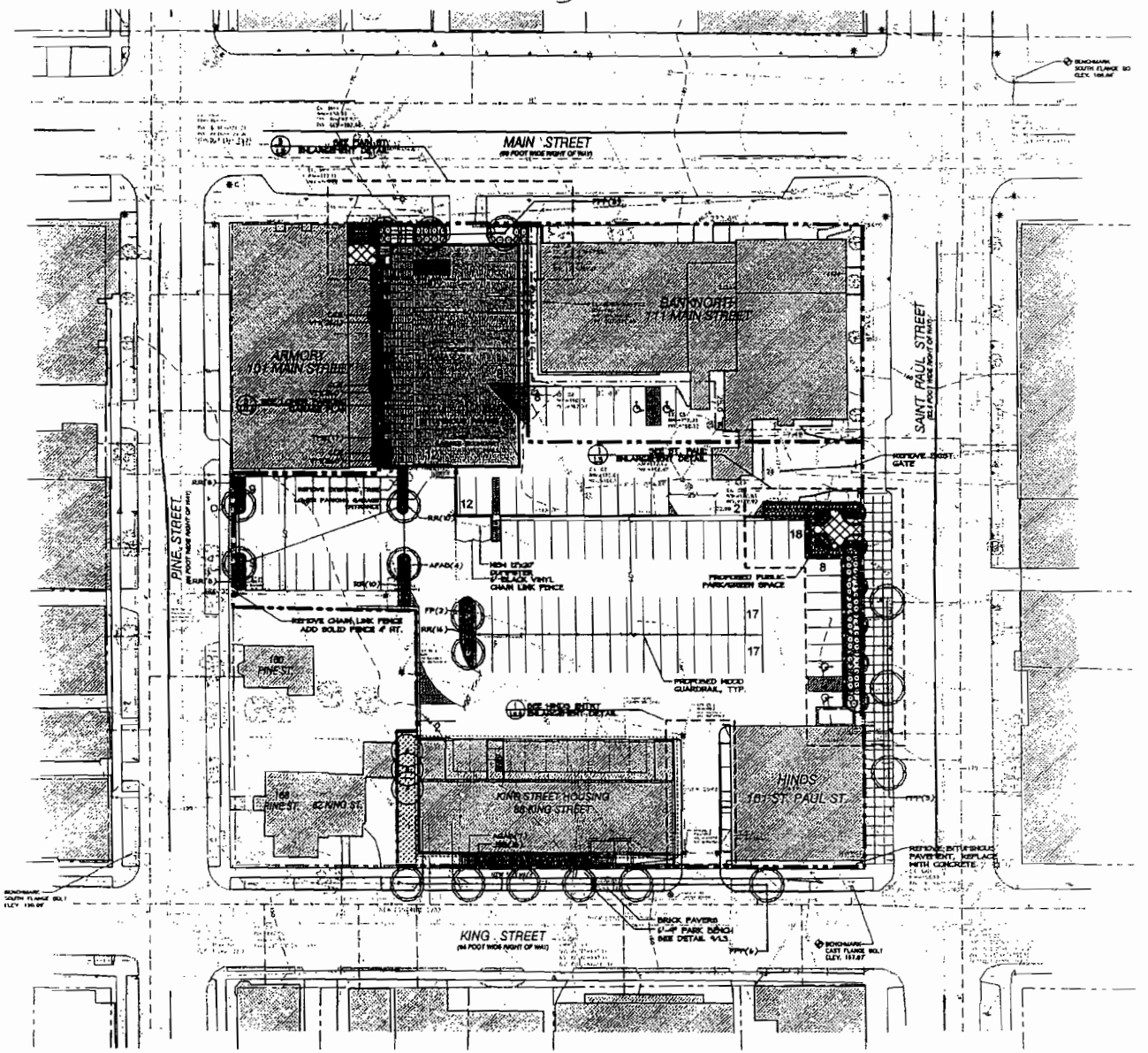
The project does not appear to have any problems meeting the Housing Credit program's design standards but for the requirement that projects of twenty units or more that are not designated for senior use provide a playground. The sponsor requests a waiver from this requirement, given the configuration of small units, the site, and the proximity to nearby City parks and the King Street Youth Center. Staff support this request for waiver.

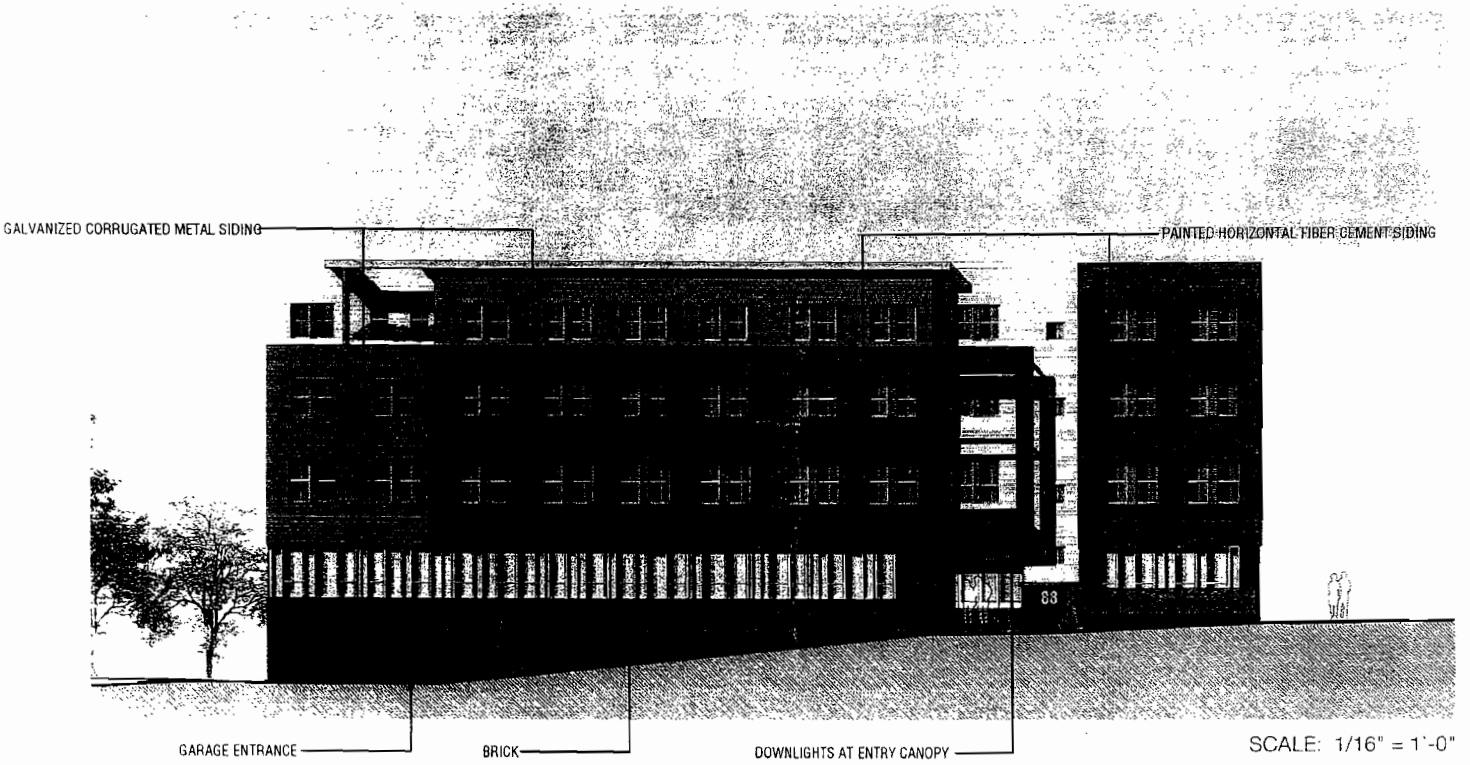
Staff recommends approval of the Housing Credit request for the project.

"As-is" Howard Bank Block



"As-Completed" Howard Bank Block

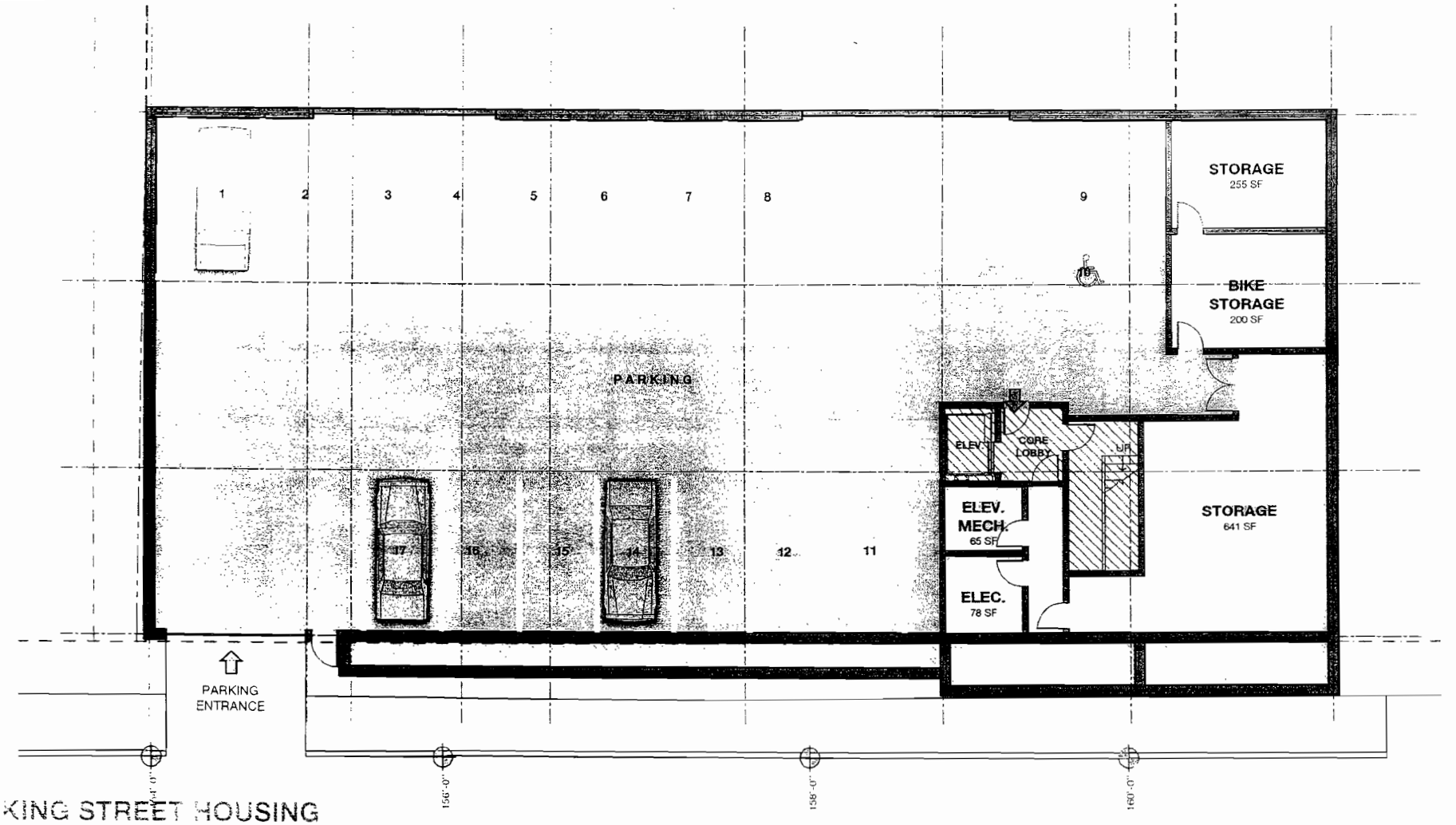




(South) Color Elevation

BCLT HOMES

HOUSING VERMONT

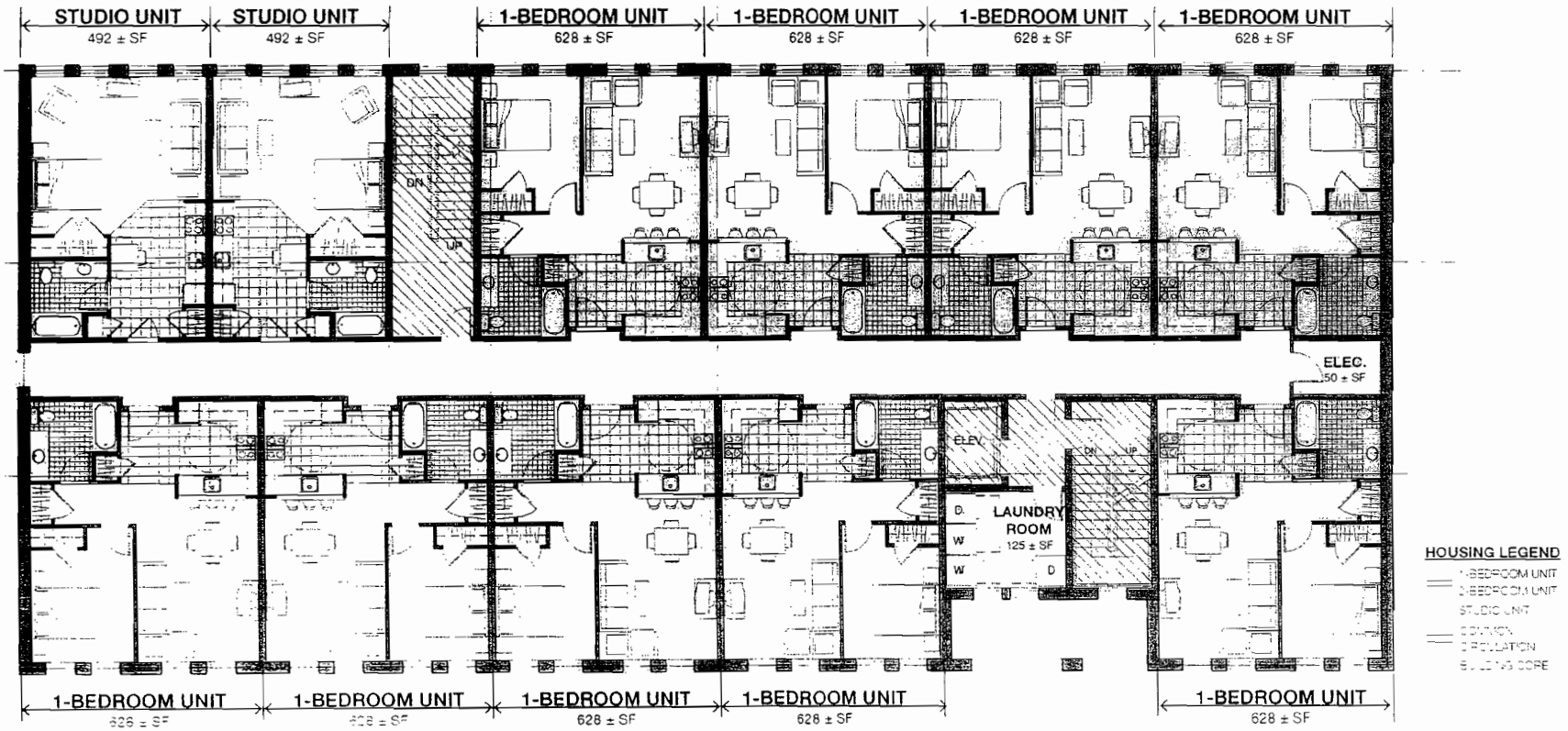


KING STREET HOUSING

Parking Level Plan 3/32" = 1'-0"

BCLT HOMES

HOUSING VERMONT


STUDIO UNIT
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STUDIO UNIT
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HOUSING LEGEND
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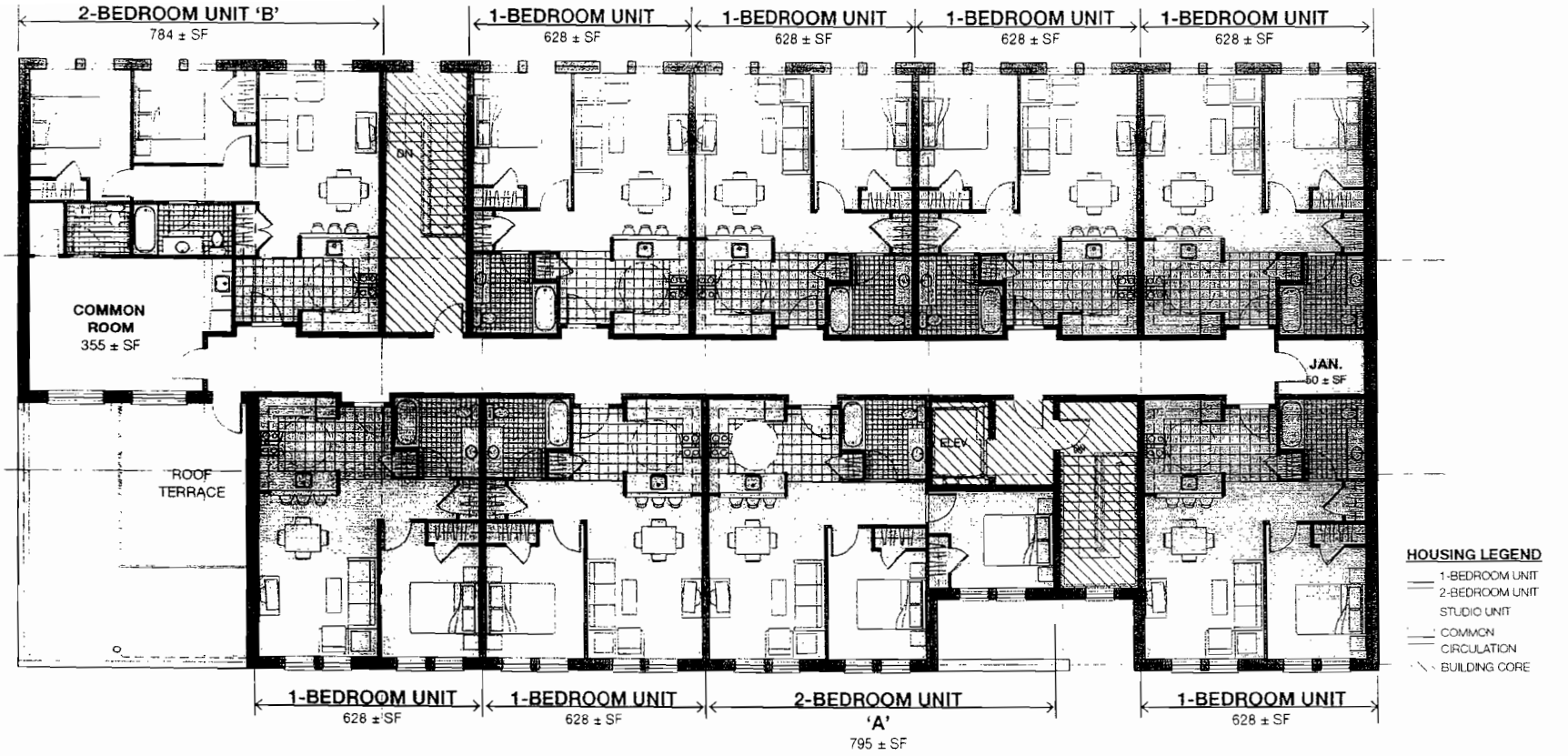
CORRIDOR
CIRCULATION
BUILDING CORE

BCLT HOMES



KING STREET HOUSING

Fourth Floor Plan (Housing) 3/32" = 1'-0"

BCLT HOMES

HOUSING VERMONT

25-May-07 **King Street - Howard Block**

Total Residential Units:	20	Increase in Income from Rental Units:	1.50%	
Housing Credit Restricted Units:	17	Increase in Income from Other Sources:	0.00%	
Percent Restricted:	85.00%	Increase in Income from Commercial:	0.00%	
Total Development Cost:	4,985,006	Expense increase:	3.00%	
Total Development Cost per Unit:	249,250	Vacancy Rate:	5%	
Total Development Cost Per SF:	310	Partner's Tax Rate:	35%	
		Long Depreciation Schedule:	27.5	years
Max Credit Potential:	412,078	Short Depreciation Schedule:	7	years
Credit Amount Allocated:	410,000	Sponsor's Estimated Yield:	87.81%	

LIHTC - 9%	8.11%	(May 2007)
LIHTC - 4%	3.47%	

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
HUD Special Purpose	434,000	8.71%	5.50%	30	30
HOME	372,000	7.46%	5.50%	30	30
VHCB	500,000	10.03%	0.00%	30	30
REEP	10,000	0.20%	0	30	30
City Housing Trust Fund	67,375	1.35%	0	30	30
Historic equity	0	0.00%	N/A	N/A	
State Credit Equity		0.00%	N/A	N/A	
Tax Credit Equity	3,600,001	72.22%	N/A	N/A	
TOTAL SOURCES	4,983,376	99.97%			

USES

Acquisition	121,457	2.44%
Construction Hard Costs	3,822,614	76.68%
Soft Costs	1,040,935	20.88%
TOTAL USES	4,985,006	100%
Gap	1,630	

General Partner's Capital Contribution	1	0.01%
Limited Partner's Capital Contribution	3,600,000	99.99%
Total Equity	3,600,001	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	17
Total Units	20
Unit Fraction	85.00%
Tax Credit Square Footage	10,727
Total Residential Square Footage	12,611
Square Footage Fraction	85.06%
Applicable Fraction	85.00%

25-May-07 **King Street - Howard Block**

		Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	102,171					
2	Purchase of Building(s)	0					
3	Demolition (without replacement)	16,361			16,361		
4	Property Appraisal	1,170	1,170		1,170		
5	Legal - Title and Recording	1,755	1,755		1,755		
	Subtotal - Acquisition	121,457					
	CONSTRUCTION HARD COSTS						
6	Rehabilitation	0					
7	New Building(s)	3,131,700		3,131,700	3,131,700		
8	share of garage construction	178,147			0		
9	additional parking spaces in garage	240,000		240,000			
10	Commercial Space Costs (if any)	0					
11	General Requirements	0		0			
12	Contractor Overhead	0		0			
13	Contractor Profit	0		0			
14	Construction Contingency	234,878		234,878	234,878		
15	Construction Management	0		0			
16	Construction Bond Fee	0		0			
17	Hazardous Materials Abatement	15,889		15,889	15,889		
18	Off-Site Improvements	0		0			
19	Furnishings, Fixtures, & Equipment	22,000		22,000	22,000		
20	Other (Parking garage loan)	0		0			
	Subtotal - Hard Costs	3,822,614					
	SOFT COSTS						
21	Architectural	162,705		162,705	162,705		
22	Engineering	0		0			
23	Legal/Accounting	13,653		13,653	13,653		
24	Relocation	0		0			
25	Environmental Assessment	6,500		6,500	6,500		
26	Energy Assessment	0		0			
27	Permits/Fees	39,035		39,035	39,035		
28	Independent Market Study	6,436		6,436	6,436		
29	Construction Period Insurance	0		0			
30	Construction Interest	146,327		146,327	146,327		
31	Construction Loan Origination Fee	0		0			
32	Taxes During Construction	17,611		17,611	17,611		
33	Clerk of the Works	9,752		9,752	9,752		
34	Marketing	1,560					
35	Tax Credit Fees	18,675					
36	Soft Cost Contingency	2,145		2,145	2,145		
37	Permanent Loan Origination Fee	0					
38	Lender's Counsel's Fee	29,656		29,656	29,656		
39	Other (_____)	0		0			
	SYNDICATION COSTS						
40	Organizational (Partnership)	0					
41	Bridge Loan Fees and Expenses	0					
42	Syndication Consultant	0					
43	Tax Opinion	0					
	DEVELOPER'S FEES						
44	Developer's Fees	520,000		520,000	520,000		
45	Other Partnership Fees	0		0			
46	Consultant Fees	0		0			
	RESERVES						
47	Working Capital	8,200					
48	Rent-up (Deficit Escrow) Reserve	0					
49	Other Operating Reserves	58,680					
50	Sinking Fund	0					
51	Replacement Reserves	0					
	Subtotal - Soft Costs	1,040,935					
	TOTALS	4,985,006	2,925	4,598,287	4,355,573	0	
LESS:	Amount of Non-qualified Financing		0	0	0	0	
LESS:	Adjustment for per unit cost limits	0		4,598,287			
LESS:	Historic tax Credit (Residential Portion)			0	0	20%	Historic Credit Rate
	Total Eligible Basis		0	0		0	Annual Historic Credit
TIMES:	Adjusted for QCT/DDA	130.0%		5,977,773			
TIMES:	Applicable Fraction	85.00%	0	5,081,107			
	Total Qualified Basis		0	5,081,107	4,355,573		Long Term Depreciable Basis
TIMES:	Applicable Percentage		3.47%	8.11%	27.5		Depreciation Schedule
	Total Annual Credit Qualified		0	412,078	158,384		Annual Depreciation
	Total Tax Credits Requested	410,000			22,000		Short Term Depreciable Basis
	Estimated Net Syndication Proceeds (excluding historic credit equity)	3,600,000			7		Depreciation Schedule
	Estimated Yield - Housing Credit Syndication	87.81%			3,143		Annual Depreciation
	Equity Gap	3,669,006					
	Credits Needed to fill Equity Gap	417,859					

25-May-07	King Street - Howard Block			245.58
		Budget	Per Unit	Per s.f.
	ACQUISITION			
1	Land	102,171	5,109	6.36
2	Purchase of Building(s)		0	0.00
3	Demolition (without replacement)	16,361	818	1.02
4	Property Appraisal	1,170	59	0.07
5	Legal - Title and Recording	1,755	88	0.11
	Subtotal - Acquisition	121,457	6,073	7.56
	CONSTRUCTION HARD COSTS			
6	Rehabilitation		0	0.00
7	New Building(s)	3,131,700	156,585	195.00
8	share of garage construction	178,147	8,907	11.09
9	additional parking spaces in garage	240,000	12,000	14.94
10	Commercial Space Costs (if any)		0	0.00
11	General Requirements		0	0.00
12	Contractor Overhead		0	0.00
13	Contractor Profit		0	0.00
14	Construction Contingency	234,878	11,744	14.63
15	Construction Management		0	0.00
16	Construction Bond Fee		0	0.00
17	Hazardous Materials Abatement	15,889	794	0.99
18	Off-Site Improvements		0	0.00
19	Furnishings, Fixtures, & Equipment	22,000	1,100	1.37
20	Other (Parking garage loan)		0	0.00
	Subtotal - Hard Costs	3,822,614	191,131	238.02
	SOFT COSTS			
21	Architectural	162,705	8,135	10.13
22	Engineering		0	0.00
23	Legal/Accounting	13,653	683	0.85
24	Relocation		0	0.00
25	Environmental Assessment	6,500	325	0.40
26	Energy Assessment		0	0.00
27	Permits/Fees	39,035	1,952	2.43
28	Independent Market Study	6,436	322	0.40
29	Construction Period Insurance		0	0.00
30	Construction Interest	146,327	7,316	9.11
31	Construction Loan Origination Fee		0	0.00
32	Taxes During Construction	17,611	881	1.10
33	Clerk of the Works	9,752	488	0.61
34	Marketing	1,560	78	0.10
35	Tax Credit Fees	18,675	934	1.16
36	Soft Cost Contingency	2,145	107	0.13
37	Permanent Loan Origination Fee		0	0.00
38	Lender's Counsel's Fee	29,656	1,483	1.85
39	Other (_____)		0	0.00
	SYNDICATION COSTS			
40	Organizational (Partnership)		0	0.00
41	Bridge Loan Fees and Expenses		0	0.00
42	Syndication Consultant		0	0.00
43	Tax Opinion		0	0.00
	DEVELOPER'S FEES			
44	Developer's Fees	520,000	26,000	32.38
45	Other Partnership Fees		0	0.00
46	Consultant Fees		0	0.00
	RESERVES			
47	Working Capital	8,200	410	0.51
48	Rent-up (Deficit Escrow) Reserve		0	0.00
49	Other Operating Reserves	58,680	2,934	3.65
50	Sinking Fund		0	0.00
51	Replacement Reserves		0	0.00
	Subtotal - Soft Costs	1,040,935	52,047	64.82
	TOTAL DEVELOPMENT COSTS	4,985,006	249,250	310.40

25-May-07 **King Street - Howard Block**

HC Restricted Units Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br		492	2	483	31	11,592
1 Br		628	13	577	40	90,060
2 Br		790	2	810	49	19,440
3 Br		0	0	0	0	0
4+ Br		0	0	0	0	0
	Totals	10,727	17			121,092

Non-HC Restricted Units Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br			0	0	31	0
1 Br		628	3	715	40	25,740
2 Br			0	0	49	0
3 Br		0	0	0	0	0
4+ Br		0	0	0	0	0
	Totals	1,884	3			25,740

Common Area Square Footage		3,449			
	Grand Totals	16,060	20		146,832

Common Area Square Footage

	Less Vacancy	5.00%	(7,342)
		NET RENT	139,490
	OTHER INCOME		
	Laundry		648
	Parking		0
	Commercial Space Income		
	Other		
		TOTAL INCOME	140,138

25-May-07

King Street - Howard Block

	Check all Applicable									A					B						C					
Building #	Unit #	HOME Unit	Lead Paint Unit	Project Based Assistance	Tax Credit Unit	VHCB Restricted	Accessible	Adaptable	Unrestricted	Number of Bedrooms	Proposed Square Footage	Proposed Rent	Utility Allowance for Tenant-Paid Utilities	Gross Rent (Rent + Tenant-Paid Utilities)	OCCUPIED BY: Income level of residents to be served:						AFFORDABLE TO: Units affordable to residents at:					
															<30%	<50%	<60%	<80%	<100%	>100%	30%	50%	60%	65%	80%	100%+
1	1	1			1	1	1			1	628	621	40	661			1					1				
1	2	1				1	1			1	628	715	40	755					1							1
1	3				1	1		1		1	628	550	40	590		1						1				
1	4	1			1	1		1		1	628	621	40	661			1					1				
1	5				1	1		1		1	628	550	40	590		1						1				
1	6				1	1		1		0	492	483	31	514		1						1				
1	7				1	1		1		0	492	483	31	514		1						1				
1	8				1	1		1		1	628	550	40	590		1						1				
1	9				1	1		1		1	628	550	40	590		1						1				
1	10					1		1		1	628	715	40	755					1							1
1	11					1		1		1	628	715	40	755					1							1
1	12				1	1		1		1	628	621	40	661			1					1				
1	13	1			1	1		1		2	784	810	49	859			1						1			
1	14				1	1		1		1	628	621	40	661			1					1				
1	15				1	1		1		1	628	550	40	590		1						1				
1	16				1	1		1		2	795	810	49	859			1						1			
1	17				1	1		1		1	628	550	40	590		1						1				
1	18				1	1		1		1	628	550	40	590		1						1				
1	19				1	1		1		1	628	550	40	590		1						1				
1	20				1	1		1		1	628	621	40	661			1					1				
Total # Units	20	4	0	0	17	20	2	18	0	Totals:	12,611	12,236		Total # Units:	0	10	7	0	3	0	0	15	2	0	0	3

form revision date: 2/27/07

25-May-07 **King Street - Howard Block**

	Annual	Monthly	Per Unit Per Month
Administration			
Management Fee	15,600	1,300	65
Supportive Services		0	0
Audit/Accounting	3,840	320	16
Legal	1,200	100	5
Compliance Monitoring	816	68	3
Marketing	480	40	2
Other	8,640	720	36
TOTAL ADMINISTRATIVE	30,576	2,548	127
Utilities			
Electricity	6,000	500	25
Fuel	10,800	900	45
Water and Sewer	7,200	600	30
Fire Alarm / Emergency	1,680	140	7
Other		0	0
TOTAL UTILITIES	25,680	2,140	107
Maintenance			
Maintenance / Janitor Payroll	8,400	700	35
Janitor Supplies	2,400	200	10
Exterminating	480	40	2
Trash Removal	3,600	300	15
Snow Removal		0	0
Grounds		0	0
Repairs Material		0	0
Repairs Contract		0	0
HVAC Repairs / Maintenance	2,640	220	11
Elevator Contract / Repairs	1,920	160	8
Painting and Decorating	1,680	140	7
Other		0	0
TOTAL MAINTENANCE	21,120	1,760	88
Real Estate Taxes	18,720	1,560	78
Property Insurance	6,720	560	28
Replacement Reserves	9,600	800	40
Primary Debt Service		0	0
Other "must pay" debt service		0	0
Other	4,800	400	20
Total	117,216	9,768	488

25-May-07		King Street - Howard Block														
	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income																
Gross Rent		146,832	149,034	151,270	153,539	155,842	158,180	160,552	162,961	165,405	167,886	170,405	172,961	175,555	178,188	180,861
Other Income		648	648	648	648	648	648	648	648	648	648	648	648	648	648	648
Vacancy and other losses		(7,342)	(7,452)	(7,563)	(7,677)	(7,792)	(7,909)	(8,028)	(8,148)	(8,270)	(8,394)	(8,520)	(8,648)	(8,778)	(8,909)	(9,043)
Total Operating Income		140,138	142,231	144,354	146,510	148,698	150,919	153,173	155,461	157,783	160,140	162,532	164,961	167,425	169,927	172,466
Operating Expenses																
Total Expenses (excl. Reserves)		107,616	110,844	114,170	117,595	121,123	124,756	128,499	132,354	136,325	140,414	144,627	148,966	153,435	158,038	162,779
Reserves		9,600	9,744	9,890	10,039	10,189	10,342	10,497	10,655	10,814	10,977	11,141	11,308	11,478	11,650	11,825
Total Operating Expense		117,216	120,588	124,060	127,633	131,312	135,098	138,996	143,009	147,139	151,391	155,768	160,274	164,913	169,688	174,604
Net Operating Income		22,922	21,642	20,295	18,877	17,386	15,820	14,177	12,452	10,644	8,749	6,764	4,687	2,513	239	(2,138)
Less Primary Debt Service		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Less Secondary Debt Service		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow		22,922	21,642	20,295	18,877	17,386	15,820	14,177	12,452	10,644	8,749	6,764	4,687	2,513	239	(2,138)
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	0	0	0	0	0	2,138
Net Cash		22,922	21,642	20,295	18,877	17,386	15,820	14,177	12,452	10,644	8,749	6,764	4,687	2,513	239	0
DCR		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Cumulative Cash Flow																
Beginning Balance		58,680	82,776	106,074	128,490	149,936	170,321	189,548	207,516	224,118	239,244	252,778	264,598	274,576	282,580	288,471
Deposits		22,922	21,642	20,295	18,877	17,386	15,820	14,177	12,452	10,644	8,749	6,764	4,687	2,513	239	0
Interest	2.0%	1,174	1,656	2,121	2,570	2,999	3,406	3,791	4,150	4,482	4,785	5,056	5,292	5,492	5,652	5,769
Withdrawals		0	0	0	0	0	0	0	0	0	0	0	0	0	0	(2,138)
Ending Balance		82,776	106,074	128,490	149,936	170,321	189,548	207,516	224,118	239,244	252,778	264,598	274,576	282,580	288,471	292,103
Cumulative Replacement Reserves																
Beginning Balance		0	9,696	19,731	30,115	40,856	11,964	22,649	33,704	45,139	56,964	19,190	30,826	42,864	55,314	68,187
Deposits		9,600	9,744	9,890	10,039	10,189	10,342	10,497	10,655	10,814	10,977	11,141	11,308	11,478	11,650	11,825
Interest	2.0%	96	291	494	703	919	343	558	781	1,011	1,249	495	730	972	1,223	1,482
Withdrawals		0	0	0	0	(40,000)	0	0	0	0	(50,000)	0	0	0	0	(50,000)
Ending Balance		9,696	19,731	30,115	40,856	11,964	22,649	33,704	45,139	56,964	19,190	30,826	42,864	55,314	68,187	31,494
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		22,922	21,642	20,295	18,877	17,386	15,820	14,177	12,452	10,644	8,749	6,764	4,687	2,513	239	(2,138)
Plus Reserves		9,600	9,744	9,890	10,039	10,189	10,342	10,497	10,655	10,814	10,977	11,141	11,308	11,478	11,650	11,825
Less Interest Expense		(44,330)	(46,768)	(48,153)	(49,614)	(51,156)	(52,782)	(54,498)	(56,308)	(58,218)	(60,233)	(62,359)	(64,601)	(66,967)	(69,463)	(72,096)
Less Long Depreciation		(158,384)	(158,384)	(158,384)	(158,384)	(158,384)	(158,384)	(158,384)	(158,384)	(158,384)	(158,384)	(158,384)	(158,384)	(158,384)	(158,384)	(158,384)
Less Short Depreciation		(3,143)	(3,143)	(3,143)	(3,143)	(3,143)	(3,143)	(3,143)	0	0	0	0	0	0	0	0
Taxable Income (Loss)		(173,335)	(176,909)	(179,496)	(182,227)	(185,108)	(188,147)	(191,352)	(191,586)	(195,145)	(198,892)	(202,838)	(206,991)	(211,361)	(215,958)	(220,794)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		60,667	61,918	62,824	63,779	64,788	65,852	66,973	67,055	68,301	69,612	70,993	72,447	73,976	75,585	77,278
Plus Tax Credits		410,000	410,000	410,000	410,000	410,000	410,000	410,000	410,000	410,000	410,000					
After Tax Cash Flow		470,667	471,918	472,824	473,779	474,788	475,852	476,973	477,055	478,301	479,612	70,993	72,447	73,976	75,585	77,278
Total Years	15															
Reinvestment Rate	7.00%															
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Current After Tax Cash Flows		470,667	471,918	472,824	473,779	474,788	475,852	476,973	477,055	478,301	479,612	70,993	72,447	73,976	75,585	77,278
Future Value of Cash Flows at Yr 15:		1,298,586	1,216,857	1,139,431	1,067,042	999,358	936,072	876,896	819,670	768,046	719,769	99,572	94,963	90,624	86,538	82,687

Discount Rate:	8.00%								
Capital Contribution Number:	1	2	3	4	5	6	7	8	
Date of Capital Contribution:	31-Dec-07	31-Dec-08	30-Jun-09						
Amount of Capital Contribution:	100	2,879,920	719,980	0	0	0	0	0	
Present Value of Contributions:	100	2,654,983	637,581	0					

Cash Flows	(3,292,664)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	##########

IRR: 7.90%

Equity Yield: 80.32%

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: PROPOSED ALLOCATION OF ALLOCATED HOUSING CREDITS FOR KING STREET HOUSING, CITY OF BURLINGTON

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow monies and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, an application has been submitted to the Agency by Champlain Housing Trust and Housing Vermont (the "Sponsors") on behalf of a to be formed limited partnership in which the Sponsors or their subsidiaries will be the general partners (the "Borrower") involving the construction of twenty (20) units of general occupancy rental housing in the City of Burlington (the "Development"); and

WHEREAS, the Agency administers the allocation and use of the federal Low Income Housing Tax Credits (both Allocated Housing Credits and Bond Housing Credits) and the State Housing Credits under the State's Qualified Allocation Plan; and

WHEREAS, the Governor of the State of Vermont has approved the 2005-2006 Qualified Allocation Plan; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi dated May 25, 2007, containing information and recommendations about the Development (the "Memorandum");

WHEREFORE, it is hereby RESOLVED:

1. The recommendations for the allocation of Allocated Housing Credits contained in the Memorandum which is attached and incorporated by this reference are hereby approved;

2. That the Executive Director and the appropriate staff are hereby authorized to take such actions as are described in the 2005-2006 Qualified Allocation Plan regarding the proposed allocation of federal Allocated Housing Credits in the amount of $410,000 for the King Street Housing project in the City of Burlington, Vermont.

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Director of Development JE

DATE: May 29, 2007

RE: Request for Allocated Credit and Taxable Construction Financing: Grange Hill, Woodstock

Name:	Grange Hill	**Location:**	Woodstock
Housing Type:	General Occupancy	**Unit Type:**	Flats and Townhouses
Unit Count:	26 Total 22 Housing Credit units	**Unit Sizes:**	10 one-bedroom, 845 sq. ft. 14 two-bedroom, 1,036 sq. ft. 2 three-bedrooms, 1,484 sq. ft.
Total Cost:	$5,770,969	**Per S.F. Acquisition & Construction Cost:**	$174.80
Housing Credits:	$365,500 (Ceiling "9%" Credits)	**Sponsors:**	Twin Pines Housing Trust, Woodstock Community Trust & Housing Vermont
Loans Requested:	$3,400,000 taxable construction loan	**State Housing Credits Requested:**	Will Request State Credits in August 2007
Other Funding:	AHP-Subsidized Debt, VHCB, VCDP, HOME, AHP deferred debt, TD Banknorth deferred debt, WCT Grant, REEP, State Affordable Housing Credits		

Recommendation: Staff recommends that the VHFA Board of Commissioners pass the attached resolutions and make the required findings as outlined in the second section of the resolutions ("It is hereby determined:"), and that the Board authorize the Executive Director to issue a Letter of Interest and/or a Commitment Letter to finance this property upon satisfactory completion of staff underwriting and due diligence; and authorize staff to issue the appropriate documentation according to the Qualified Allocation Plan.

Project Summary:
Woodstock Community Trust (WCT) is a local 501c nonprofit formed 15 years ago whose purposes include the creation of affordable housing. Together with a second local group, the Woodstock Interfaith Housing Coalition, they have been at work for years in their efforts to bring affordable housing to the region. (The market analysis indicates that there have been no multifamily building permits issued in Woodstock in the last ten years.) With technical assistance from Twin Pines Housing Trust and the Two Rivers Regional Planning Office, this group looked at many sites before selecting Grange Hill and then inviting Housing Vermont's involvement. A four-month design process with the involvement of neighbors resulted in the attached site plan, featuring a cluster of small detached two- and three-unit structures and eight different building types. The existing Grange Hall building was evaluated for numerous uses, and it will have three apartments. After a long local review process and much adversity, the project finally received, by a unanimous vote, final plat approval from the Development Review Board on 5/22. The sponsor anticipates appeal of this approval by some neighbors shortly, and expects to go to court this summer. The sponsor hopes for final permits including Act 250 by fall of 2007, and to begin construction as soon as possible thereafter. The HOME, VHCB, Banknorth, and WCT funds are committed and VCDP has been applied for, but the AHP round is not until October. The project's architect is Duncan Wisniewski, and the property manager will be Twin Pines Housing Trust.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

The 8.5 acres (on two contiguous sites) is located across the street from the Middle and High schools, in the hamlet of West Woodstock and approximately 1.5 miles from the Village of Woodstock. The sponsors plan to develop 36 total units, ten for homeownership and the 26 rentals which comprise this proposal. The ten homeownership units have not applied for any funding yet, and the sponsor intends to sell them for an average price of $238k/unit (VHFA's new construction price limit for the area is $264k). The sponsor may wish to sell homes at different price levels in order to reach some lower income households (i.e., use the higher priced homes to subsidize the lower priced ones), but no firm price structure has been established. In order to sell them at this average price, however, the proposal here shows about $350k of the common site costs (acquisition and improvements) that proportionately ought to be carried by the homeownership units, being carried by the rental development. This is not unlike the cross-subsidy that was done at the Middlebury South Village development. Based on the information in the market study, it appears that the sponsor **could** sell the homes at a higher price and have the homeownership side of this development bear that cost. The decision to distribute the costs of the development in this way is only in order to target the homeownership units to a lower income group.

Tax Credit Discussion:
This project meets three top tier priorities (infill new construction in low vacancy community; family housing; maintains historic settlement pattern of compact village or urban center) and no lower tier Consolidated Plan priorities (five homes would need to be affordable to households over 60% of area median to meet a lower-tier criterion, and only four are). In addition, another lower evaluation criterion, that the project be in an area geographically underserved, is met. (The market analysis indicates that there are no subsidized housing developments geared towards families in Woodstock, Bridgewater, Barnard, Pomfret, Hartland, or Reading.) Given the lack of affordable housing in the region, and the location in the hamlet of West Woodstock (a Grange Hall **is** a component of this development!), staff recommend the Board waive the Allocation Plan threshold requirement of "three top-tier and one lower-tier" Consolidated Plan priorities.

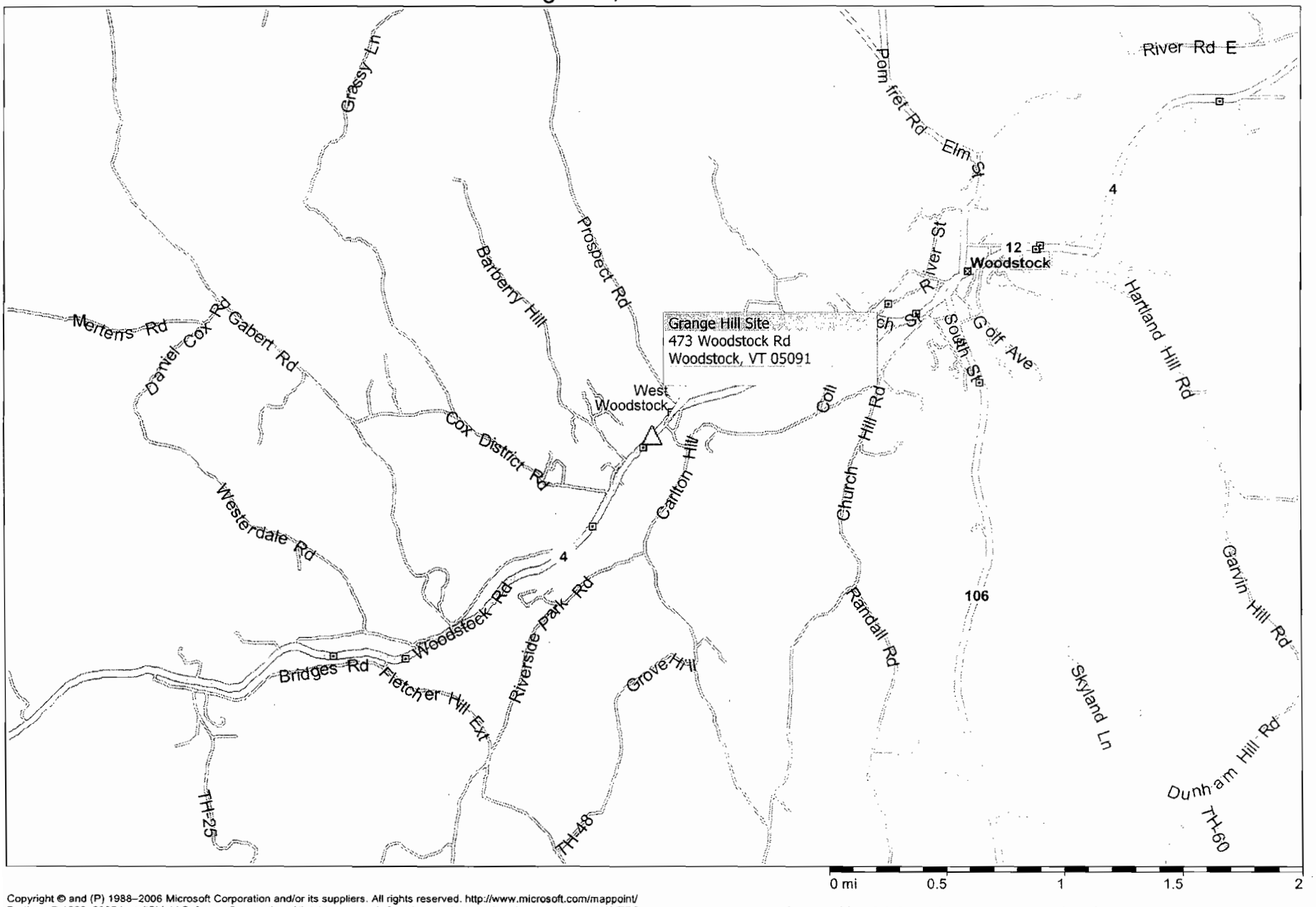
In the current rent structure **all** of the unit rents are affordable to households below 50% of area median income. The sponsor intends to commit to a covenant that would require eight of the 22 restricted units be always affordable to households below 50% of area median income, and the remaining 14 units below 60% of area median income.

The sponsor has submitted a market study done by Doug Kennedy of Landvest. Because it is a year old staff have requested and received an update. The market study looks at the larger housing development of 26 apartments and ten for-sale homes. The market analyst believes that the market can absorb the rental units within 8 months of their completion.

The development has applied for State affordable housing credits and staff will bring that request to the Board in August. The project does not appear to have any problems meeting the Housing Credit program's design standards but the standards require that projects of twenty units or more that are not designated for senior use provide a playground, not shown on the site plan. The sponsor has agreed to add a playground.

Staff recommends approval of the Housing Credit request for the project.

Grange Hill, West Woodstock



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29-May-07	**Grange Hill, Woodstock**						
Total Residential Units:	26	Increase in Income from Rental Units:		1.50%			
Housing Credit Restricted Units:	22	Increase in Income from Other Sources:		1.50%			
Percent Restricted:	84.62%	Increase in Income from Commercial:		1.50%			
Total Development Cost:	5,770,969	Expense increase:		3.00%			
Total Development Cost per Unit:	221,960	Vacancy Rate:		5%			
Total Development Cost Per SF:	219	Partner's Tax Rate:		35%			
Credit Election:	40/60	Long Depreciation Schedule:		27.5	years		
Max Credit Potential:	363,658	Short Depreciation Schedule:		7	years		
Credit Amount Allocated:	365,500	Sponsor's Estimated Yield:		88.74%			
LIHTC - 9%	8.11%	(May 07)					
LIHTC - 4%	3.47%						
SOURCES							
	Rental Project	% of Total Development Cost	Interest Rate	Amortization	Term	Homeownership Project	Total Project
Commercial Debt (AHP)	400,000	6.93%	3.50%	25	25		400,000
HOME	475,000	8.23%	5.34%	30	def loan		475,000
VCDP	750,000	13.00%	0.00%	30	def loan		750,000
VHCB	550,000	9.53%	0.00%	30	def loan		550,000
REEP	18,000	0.31%	0.00%	30	grant		18,000
WCT	80,000	1.39%	0.00%	30	grant		80,000
AHP Grant	265,000	4.59%	0.00%	30	grant		265,000
TD Banknorth Grant	15,000	0.26%	N/A	N/A	grant		15,000
Homeownership Unit Sales		0.00%	N/A	N/A		2,380,000	2,380,000
Other Equity	337,500	5.85%	N/A	N/A			337,500
Tax Credit Equity	3,211,049	55.64%	N/A	N/A			3,211,049
TOTAL SOURCES	6,101,549	105.73%				2,380,000	8,481,549
VHFA Construction Loan	3,400,000	taxable, 18 month					
USES							
Acquisition	393,792	6.82%				151,458	545,250
Construction Hard Costs	4,210,462	72.96%				2,212,938	6,423,400
Soft Costs	1,166,715	20.22%				346,152	1,512,867
TOTAL USES	5,770,969	100%				2,710,548	8,481,517
Gap / (Surplus) - used for HO	(330,580)	<----------			---------->	330,548	(32)
General Partner's Capital Contribution			1	1.00%			
Limited Partner's Capital Contribution			3,211,048	99.00%			
Total Equity			3,211,049				
APPLICABLE FRACTION CALCULATION							
		Tax Credit Restricted Units	22				
		Total Units	26				
	(330,580)	Unit Fraction	84.62%				
		Tax Credit Square Footage	22,167				
		Total Residential Square Footage	26,340				
		Square Footage Fraction	84.16%				
		Applicable Fraction	84.16%				

29-May-07	**Grange Hill, Woodstock**			174.80
		Rental Budget	Per Unit	Per s.f.
	ACQUISITION			
1	Land	263,611	10,139	10.01
2	Purchase of Building(s)	97,500	3,750	3.70
3	ACQUISITION INTEREST	28,889	1,111	1.10
4	Property Appraisal	542	21	0.02
5	Legal - Title and Recording	3,250	125	0.12
	Subtotal - Acquisition	393,792	15,146	14.95
	CONSTRUCTION HARD COSTS			
6	Rehabilitation		0	0.00
7	New Building(s)	3,212,000	123,538	121.94
8	Accessory Buildings		0	0.00
9	Sitework	679,130	26,120	25.78
10	Commercial Space Costs (if any)		0	0.00
11	General Requirements		0	0.00
12	Contractor Overhead		0	0.00
13	Contractor Profit		0	0.00
14	Construction Contingency	295,138	11,351	11.20
15	Construction Management		0	0.00
16	Construction Bond Fee		0	0.00
17	Hazardous Materials Abatement		0	0.00
18	Off-Site Improvements		0	0.00
19	Furnishings, Fixtures, & Equipment	24,194	931	0.92
20	Other (_____)		0	0.00
	Subtotal - Hard Costs	4,210,462	161,941	159.85
	SOFT COSTS			
21	Architectural	273,744	10,529	10.39
22	Engineering		0	0.00
23	Legal/Accounting	30,000	1,154	1.14
24	Relocation		0	0.00
25	Environmental Assessment		0	0.00
26	Energy Assessment	12,700	488	0.48
27	Permits/Fees	30,792	1,184	1.17
28	Independent Market Study	2,830	109	0.11
29	Construction Period Insurance	19,000	731	0.72
30	Construction Interest	90,278	3,472	3.43
31	Construction Loan Origination Fee		0	0.00
32	Taxes During Construction	5,000	192	0.19
33	Clerk of the Works		0	0.00
34	Marketing	4,500	173	0.17
35	Tax Credit Fees	17,550	675	0.67
36	Soft Cost Contingency	5,659	218	0.21
37	Permanent Loan Origination Fee		0	0.00
38	Lender's Counsel's Fee	32,542	1,252	1.24
39	Other (_____)		0	0.00
	SYNDICATION COSTS			
40	Organizational (Partnership)		0	0.00
41	Bridge Loan Fees and Expenses		0	0.00
42	Syndication Consultant		0	0.00
43	Tax Opinion		0	0.00
	DEVELOPER'S FEES			
44	Developer's Fees	590,000	22,692	22.40
45	Other Partnership Fees		0	0.00
46	Consultant Fees		0	0.00
	RESERVES			
47	Working Capital	42,120	1,620	1.60
48	Rent-up (Deficit Escrow) Reserve	10,000	385	0.38
49	Other Operating Reserves		0	0.00
50	Sinking Fund		0	0.00
51	Replacement Reserves		0	0.00
	Subtotal - Soft Costs	1,166,715	44,874	44.29
	TOTAL DEVELOPMENT COSTS	5,770,969	221,960	219

29-May-07 **Grange Hill, Woodstock**

		Rental Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	263,611					
2	Purchase of Building(s)	97,500	97,500				
3	ACQUISITION INTEREST	28,889					
4	Property Appraisal	542	542				
5	Legal - Title and Recording	3,250	3,250				
	Subtotal - Acquisition	393,792					
	CONSTRUCTION HARD COSTS						
6	Rehabilitation	0		0			
7	New Building(s)	3,212,000		3,212,000			
8	Accessory Buildings	0		0			
9	Sitework	679,130		679,130			
10	Commercial Space Costs (if any)	0					
11	General Requirements	0		0			
12	Contractor Overhead	0		0			
13	Contractor Profit	0		0			
14	Construction Contingency	295,138		295,138			
15	Construction Management	0		0			
16	Construction Bond Fee	0		0			
17	Hazardous Materials Abatement	0		0			
18	Off-Site Improvements	0		0			
19	Furnishings, Fixtures, & Equipment	24,194		24,194			
20	Other (_____)	0		0			
	Subtotal - Hard Costs	4,210,462					
	SOFT COSTS						
21	Architectural	273,744		273,744			
22	Engineering	0		0			
23	Legal/Accounting	30,000		21,223			
24	Relocation	0		0			
25	Environmental Assessment	0		0			
26	Energy Assessment	12,700		12,700			
27	Permits/Fees	30,792		30,792			
28	Independent Market Study	2,830		2,830			
29	Construction Period Insurance	19,000		22,991			
30	Construction Interest	90,278		88,428			
31	Construction Loan Origination Fee	0		0			
32	Taxes During Construction	5,000					
33	Clerk of the Works	0		0			
34	Marketing	4,500					
35	Tax Credit Fees	17,550					
36	Soft Cost Contingency	5,659		5,659			
37	Permanent Loan Origination Fee	0					
38	Lender's Counsel's Fee	32,542		26,033			
39	Other (_____)	0					
	SYNDICATION COSTS						
40	Organizational (Partnership)	0					
41	Bridge Loan Fees and Expenses	0					
42	Syndication Consultant	0					
43	Tax Opinion	0					
	DEVELOPER'S FEES						
44	Developer's Fees	590,000		590,000			
45	Other Partnership Fees	0					
46	Consultant Fees	0					
	RESERVES						
47	Working Capital	42,120					
48	Rent-up (Deficit Escrow) Reserve	10,000					
49	Other Operating Reserves	0					
50	Sinking Fund	0					
51	Replacement Reserves	0					
	Subtotal - Soft Costs	1,166,715					
	TOTALS	5,770,969	101,292	5,284,862	0	0	
LESS:	Amount of Non-qualified Financing						
LESS:	Adjustment for per unit cost limits						
LESS:	Historic tax Credit (Residential Portion)			0	0	20%	Historic Credit Rate
	Total Eligible Basis		101,292	5,284,862		0	Annual Historic Credit
TIMES:	Adjusted for QCT/DDA	100.0%		5,284,862			
TIMES:	Applicable Fraction	84.16%	85,244	4,447,591			
	Total Qualified Basis		85,244	4,447,591	5,285,966	Long Term Depreciable Basis	
TIMES:	Applicable Percentage		3.47%	8.11%	27.5	Depreciation Schedule	
	Total Annual Credit Qualified		2,958	360,700	192,217	Annual Depreciation	

Total Tax Credits Requested	365,500	363,658	24,194	Short Term Depreciable Basis
Estimated Net Syndication Proceeds				
(excluding historic credit equity)	3,211,048		7	Depreciation Schedule
Estimated Yield - Housing Credit Syndication	88.74%		3,456	Annual Depreciation
Equity Gap	2,880,469			
Credits Needed to fill Equity Gap	327,872			

29-May-07	**Grange Hill, Woodstock**					
HC Restricted Units		Average		Average		Total
Bedrooms	Type	Square Feet	Number	Rent	Utilities	Annual Rent
0 Br			0	0		0
1 Br		845	8	525		50,352
2 Br		1,036	12	650		93,648
3 Br		1,484	2	800		19,200
4+ Br			0	0		0
	Totals	22,167	22			163,200
Non-HC Restricted Units						Total
Bedrooms	Type	Square Feet	Number	Rent	Utilities	Annual Rent
0 Br			0	0		0
1 Br		919	2	614		14,736
2 Br		1,168	2	722		17,328
3 Br			0	0		0
4+ Br			0	0		0
	Totals	4,173	4			32,064
common area square footage						
All Units						
	Grand Totals	26,340	26			195,264
		Less Vacancy	5.00%			(9,763)
					NET RENT	185,501
		OTHER INCOME				
		Laundry				0
		Parking				0
		Commercial Space Income				0
		Other				0
					TOTAL INCOME	185,501

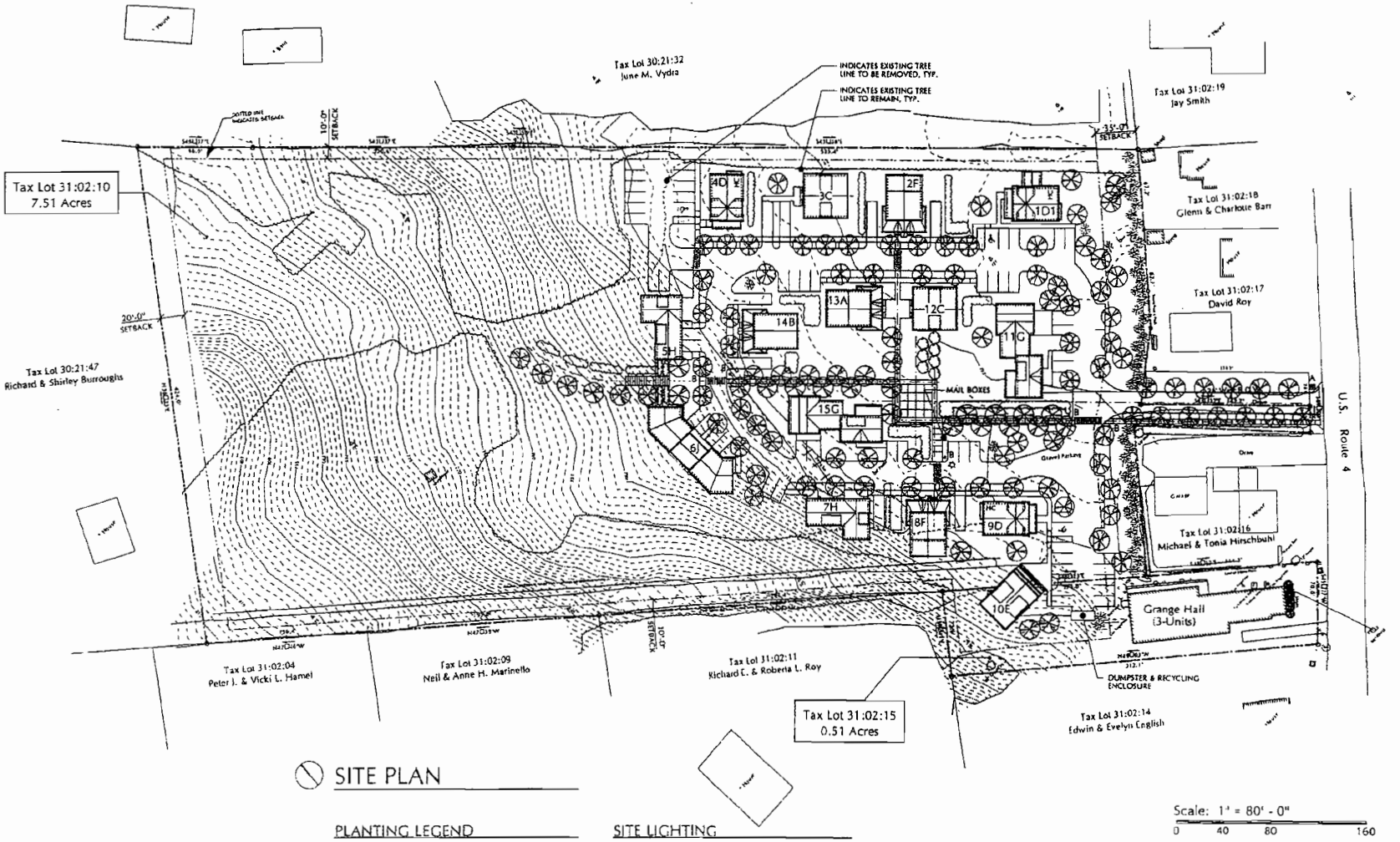
29-May-07

Grange Hill, Woodstock

	Check all Applicable									A					B						C					
Building #	Unit #	HOME Unit	Lead Paint Unit	Project Based Assistance	Tax Credit Unit	VHCB Restricted	Accessible	Adaptable	Unrestricted	Number of Bedrooms	Proposed Square Footage	Proposed Rent	Utility Allowance for Tenant-Paid Utilities	Gross Rent (Rent + Tenant-Paid Utilities)	OCCUPIED BY: Income level of residents to be served:						AFFORDABLE TO: Units affordable to residents at:					
															<30%	<50%	<60%	<80%	<100%	>100%	30%	50%	60%	65%	80%	100%+
1D1	1								1	2	1,168	722	49	771				1					1			
1D1	2				1	1	1			1	962	499	40	539		1						1				
1D1	3				1	1				1	713	550	40	590			1					1				
2F	1				1	1				2	1,048	599	49	648		1						1				
2F	2				1	1				2	1,048	676	49	725			1						1			
3C	1				1	1				2	1,013	676	49	725			1					1				
3C	2				1	1				2	1,013	599	49	648		1						1				
4D1	1								1	2	1,168	722	49	771				1					1			
4D1	2				1	1	1			1	962	550	40	590			1					1				
4D1	3				1	1				1	713	499	40	539		1						1				
8F	1				1	1				2	1,048	599	49	648		1						1				
8F	2				1	1				2	1,048	676	49	725			1					1				
9D	1						1		1	1	875	614	40	654				1					1			
9D	2								1	1	962	614	40	654				1					1			
9D	3				1	1				1	713	550	40	590			1					1				
10E	1				1	1				3	1,484	800	62	862			1						1			
10E	2				1	1				3	1,484	800	62	862			1						1			
12C	1				1	1				2	1,013	599	49	648		1						1				
12C	2				1	1				2	1,013	676	49	725			1					1				
13A	1				1	1				2	1,048	676	49	725			1					1				
13A	2				1	1				2	1,048	676	49	725			1					1				
14B	1				1	1				2	1,048	676	49	725			1					1				
14B	2				1	1				2	1,048	676	49	725			1					1				
Grange	1				1	1				1	900	499	40	539		1						1				
Grange	2				1	1				1	900	499	40	539		1						1				
Grange	3				1	1				1	900	550	40	590			1					1				
Total # Units	26	0	0	0	22	22	3	0	4	Totals:	26,340	16,272		Total # Units:	0	8	14	4	0	0	0	19	7	0	0	0

29-May-07	**Grange Hill, Woodstock**		
	Annual	Monthly	Per Unit Per Month
Administration			
Management Fee	20,280	1,690	65
Supportive Services		0	0
Audit/Accounting	3,744	312	12
Legal	1,872	156	6
Compliance Monitoring	1,248	104	4
Marketing	936	78	3
Other	1,248	104	4
TOTAL ADMINISTRATIVE	29,328	2,444	94
Utilities			
Electricity	3,120	260	10
Fuel	18,720	1,560	60
Water and Sewer	6,240	520	20
Fire Alarm / Emergency	1,560	130	5
Other	1,560	130	5
TOTAL UTILITIES	31,200	2,600	100
Maintenance			
Maintenance / Janitor Payroll	14,040	1,170	45
Janitor Supplies	3,120	260	10
Exterminating	624	52	2
Trash Removal	4,368	364	14
Snow Removal	6,240	520	20
Grounds	6,240	520	20
Repairs Material		0	0
Repairs Contract		0	0
HVAC Repairs / Maintenance		0	0
Elevator Contract / Repairs		0	0
Painting and Decorating	1,560	130	5
Other		0	0
TOTAL MAINTENANCE	36,192	3,016	116
Real Estate Taxes	23,400	1,950	75
Property Insurance	6,240	520	20
Replacement Reserves	12,480	1,040	40
Primary Debt Service		0	0
Other "must pay" debt service		0	0
Other		0	0
Total	138,840	11,570	445

29-May-07		Grange Hill, Woodstock														
	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income																
Gross Rent		195,264	198,193	201,166	204,183	207,246	210,355	213,510	216,713	219,963	223,263	226,612	230,011	233,461	236,963	240,518
Other Income		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Vacancy and other losses		(9,763)	(9,910)	(10,058)	(10,209)	(10,362)	(10,518)	(10,676)	(10,836)	(10,998)	(11,163)	(11,331)	(11,501)	(11,673)	(11,848)	(12,026)
Total Operating Income		185,501	188,283	191,108	193,974	196,884	199,837	202,835	205,877	208,965	212,100	215,281	218,510	221,788	225,115	228,492
Operating Expenses																
Total Expenses (excl. Reserves)		126,360	130,151	134,055	138,077	142,219	146,486	150,880	155,407	160,069	164,871	169,817	174,912	180,159	185,564	191,131
Reserves		12,480	12,667	12,857	13,050	13,246	13,445	13,646	13,851	14,059	14,270	14,484	14,701	14,921	15,145	15,372
Total Operating Expense		138,840	142,818	146,913	151,127	155,465	159,930	164,527	169,258	174,128	179,141	184,301	189,613	195,080	200,709	206,503
Net Operating Income		46,661	45,465	44,195	42,847	41,419	39,907	38,308	36,619	34,838	32,959	30,980	28,898	26,708	24,406	21,989
Less Primary Debt Service		24,030	24,030	24,030	24,030	24,030	24,030	24,030	24,030	24,030	24,030	24,030	24,030	24,030	24,030	24,030
Less Secondary Debt Service		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow		22,631	21,435	20,165	18,817	17,389	15,877	14,278	12,589	10,808	8,929	6,950	4,868	2,678	376	(2,041)
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	0	0	0	0	0	2,041
Net Cash		22,631	21,435	20,165	18,817	17,389	15,877	14,278	12,589	10,808	8,929	6,950	4,868	2,678	376	0
DCR		194.18%	189.20%	183.92%	178.31%	172.36%	166.07%	159.42%	152.39%	144.98%	137.16%	128.92%	120.26%	111.14%	101.56%	91.50%
Cumulative Cash Flow																
Beginning Balance		42,120	66,821	91,260	115,350	139,000	162,110	184,574	206,278	227,102	246,916	265,582	282,955	298,878	313,185	325,699
Deposits		22,631	21,435	20,165	18,817	17,389	15,877	14,278	12,589	10,808	8,929	6,950	4,868	2,678	376	0
Interest	3.8%	2,070	3,004	3,926	4,833	5,721	6,587	7,426	8,234	9,006	9,737	10,422	11,055	11,629	12,139	12,577
Withdrawals:																
Project Operating Needs		0	0	0	0	0	0	0	0	0	0	0	0	0	0	(2,041)
Special LP or GP Fee		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Repayment of Deferred Devel. Fee		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Partnership Audit or K-1 Fee		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Distribution of Cash to Owner		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance		66,821	91,260	115,350	139,000	162,110	184,574	206,278	227,102	246,916	265,582	282,955	298,878	313,185	325,699	336,235
Cumulative Replacement Reserves																
Beginning Balance		0	12,717	26,122	40,240	55,102	(12,463)	1,242	15,201	29,909	45,398	(21,524)	(6,760)	8,226	23,755	40,114
Deposits		12,480	12,667	12,857	13,050	13,246	13,445	13,646	13,851	14,059	14,270	14,484	14,701	14,921	15,145	15,372
Interest	3.8%	237	738	1,261	1,812	3,378	260	312	857	1,431	2,997	281	285	608	1,214	2,779
Withdrawals	3,238	0	0	0	0	(84,188)	0	0	0	0	(84,188)	0	0	0	0	(84,188)
Ending Balance		12,717	26,122	40,240	55,102	(12,463)	1,242	15,201	29,909	45,398	(21,524)	(6,760)	8,226	23,755	40,114	(25,923)
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		46,661	45,465	44,195	42,847	41,419	39,907	38,308	36,619	34,838	32,959	30,980	28,898	26,708	24,406	21,989
Plus Reserves		12,480	12,667	12,857	13,050	13,246	13,445	13,646	13,851	14,059	14,270	14,484	14,701	14,921	15,145	15,372
Less Interest Expense		(39,203)	(40,195)	(41,246)	(42,360)	(43,541)	(44,792)	(46,117)	(47,521)	(49,007)	(50,581)	(52,248)	(54,013)	(55,881)	(57,858)	(59,951)
Less Long Depreciation		(192,217)	(192,217)	(192,217)	(192,217)	(192,217)	(192,217)	(192,217)	(192,217)	(192,217)	(192,217)	(192,217)	(192,217)	(192,217)	(192,217)	(192,217)
Less Short Depreciation		(3,456)	(3,456)	(3,456)	(3,456)	(3,456)	(3,456)	(3,456)	0	0	0	0	0	0	0	0
Taxable Income (Loss)		(175,735)	(177,735)	(179,867)	(182,136)	(184,550)	(187,114)	(189,836)	(189,267)	(192,328)	(195,570)	(199,001)	(202,631)	(206,469)	(210,524)	(214,807)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		61,507	62,207	62,953	63,748	64,592	65,490	66,443	66,244	67,315	68,449	69,650	70,921	72,264	73,683	75,182
Plus State Credits																
Plus Housing Credits		365,500	365,500	365,500	365,500	365,500	365,500	365,500	365,500	365,500	365,500					
After Tax Cash Flow		427,007	427,707	428,453	429,248	430,092	430,990	431,943	431,744	432,815	433,949	69,650	70,921	72,264	73,683	75,182
Total Years	15															
Reinvestment Rate	6.00%															
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Current After Tax Cash Flows		427,007	427,707	428,453	429,248	430,092	430,990	431,943	431,744	432,815	433,949	69,650	70,921	72,264	73,683	75,182
Future Value of Cash Flows at Yr 15:		1,023,348	967,005	913,860	863,731	816,444	771,837	729,758	688,134	650,793	615,565	93,208	89,536	86,068	82,791	79,693
Discount Rate:	3.00%															
Capital Contribution Number:	1	2	3	4												
Date of Capital Contribution:	31-Mar-08	31-Aug-08	31-Mar-09	29-May-07												
Amount of Capital Contribution:	100	0	0	0												
Present Value of Contributions:	100	2,568,759	642,190	0												
Cash Flows	(3,211,049)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	8,471,771
IRR:	6.68%															
Equity Yield:	88.74%															



SITE PLAN

PLANTING LEGEND

- 3" Caliper Deciduous Tree - T.B.D.
- 6'-0" Tall Conifer @ 4'-0" O.C. - T.B.D.
- Shrub (Lilac, etc.) - T.B.D.

SITE LIGHTING

- A 12' Tall - Pole Mounted Site Light
- B 36" Tall - Bollard Light

GRANGE HILL

WOODSTOCK, VT

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PERMIT DRAWINGS

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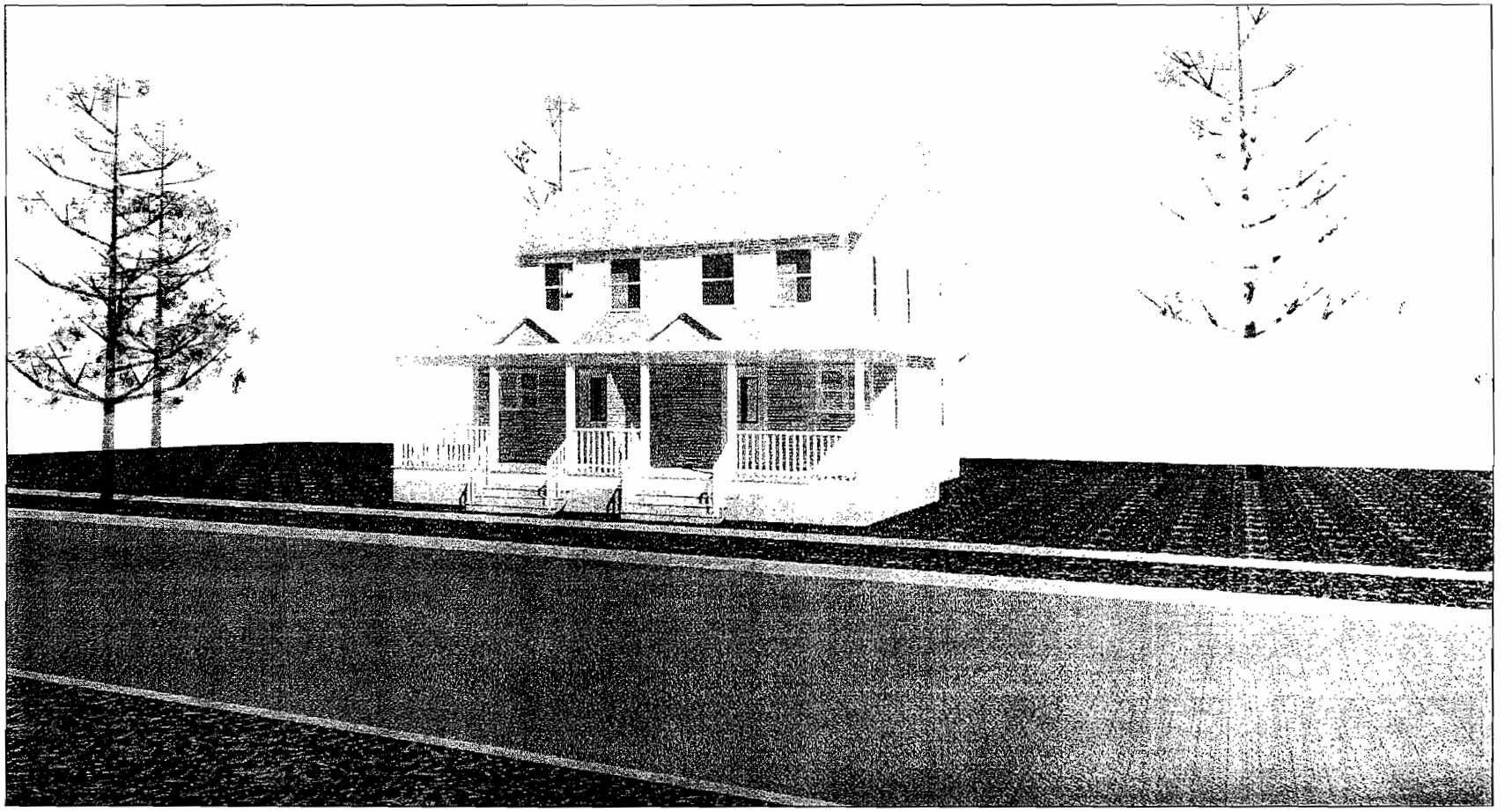


STREET PERSPECTIVE - 'A'
N.T.S.

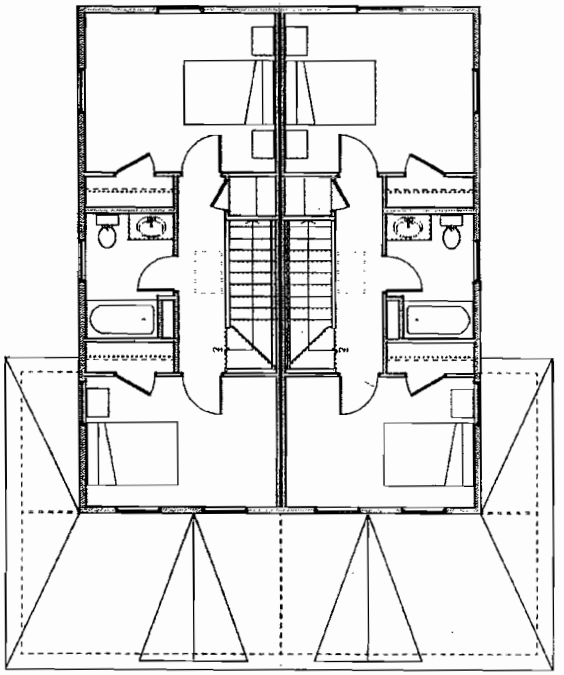
GRANGE HILL: BUILDING TYPE-A

WOODSTOCK, VT

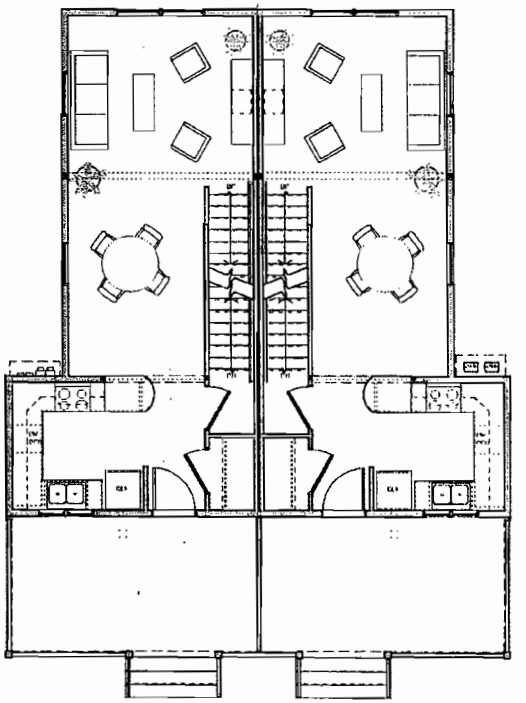
ZONING & ESTIMATING SET

Duncan Wisniewski ARCHITECTURE

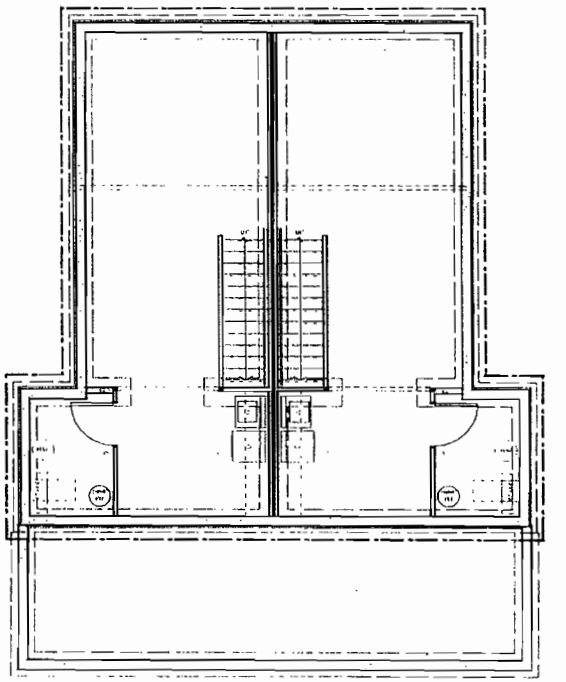
A1



SECOND FLOOR PLAN
SCALE: 1/8" = 1'-0" 1008 SF



FIRST FLOOR PLAN
SCALE: 1/8" = 1'-0" 1088 SF



BASEMENT FLOOR PLAN
SCALE: 1/8" = 1'-0" 1082 SF

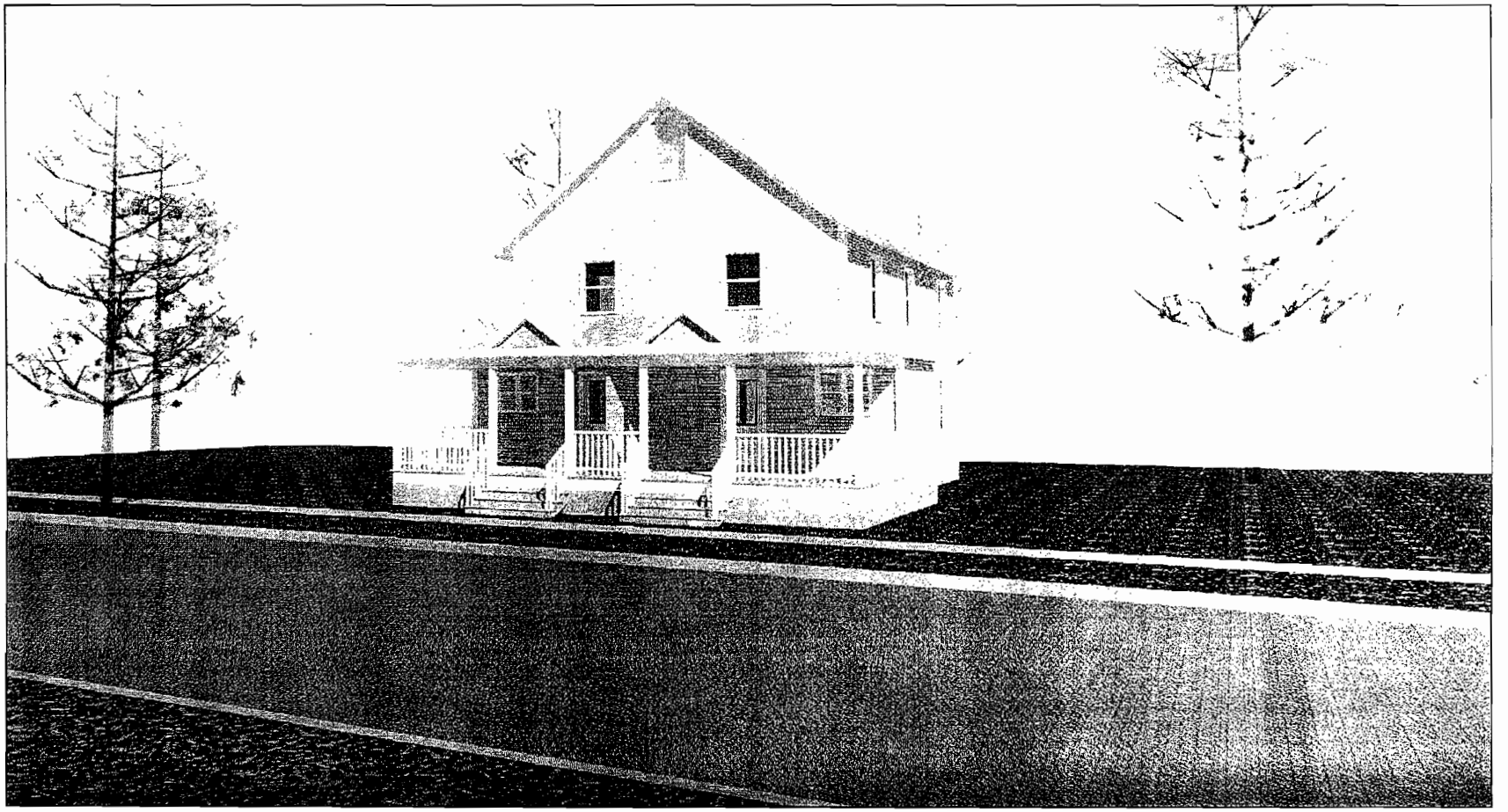
GRANGE HILL: BUILDING TYPE-A

WOODSTOCK, VT

Duncan Wisniewski ARCHITECTURE

ZONING & ESTIMATING SET

A2



STREET PERSPECTIVE - 'A'
N.T.S.

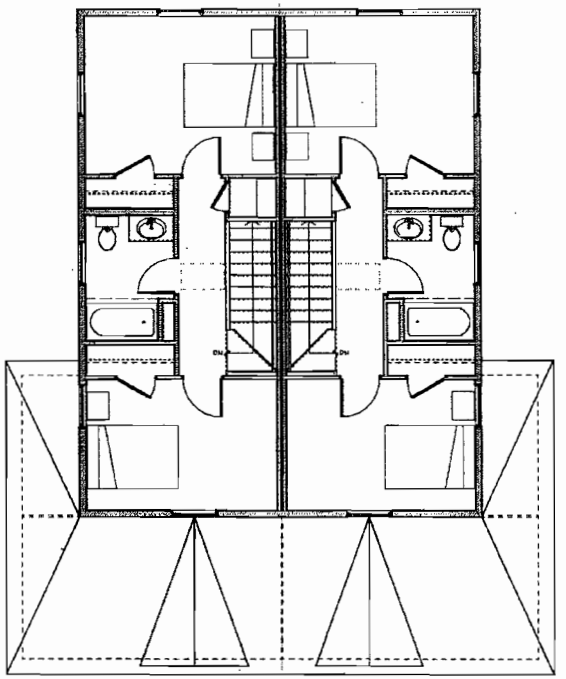
GRANGE HILL: BUILDING TYPE-B

WOODSTOCK, VT

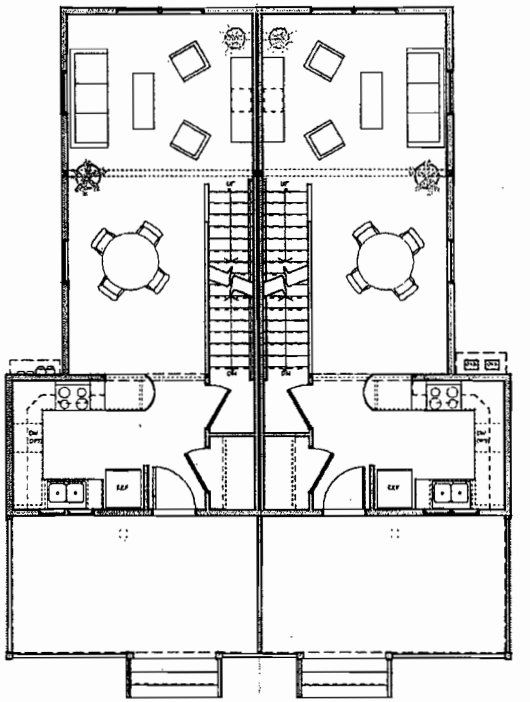
ZONING & ESTIMATING SET

Duncan Wisniewski ARCHITECTURE

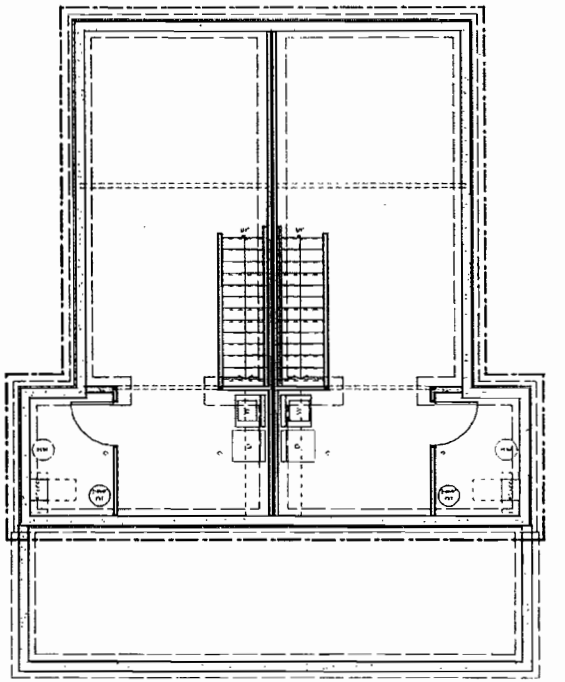
A1



SECOND FLOOR PLAN
SCALE: 1/8" = 1'-0" 1008 SF



FIRST FLOOR PLAN
SCALE: 1/8" = 1'-0" 1088 SF



BASEMENT FLOOR PLAN
SCALE: 1/8" = 1'-0" 1082 SF

GRANGE HILL: BUILDING TYPE-B

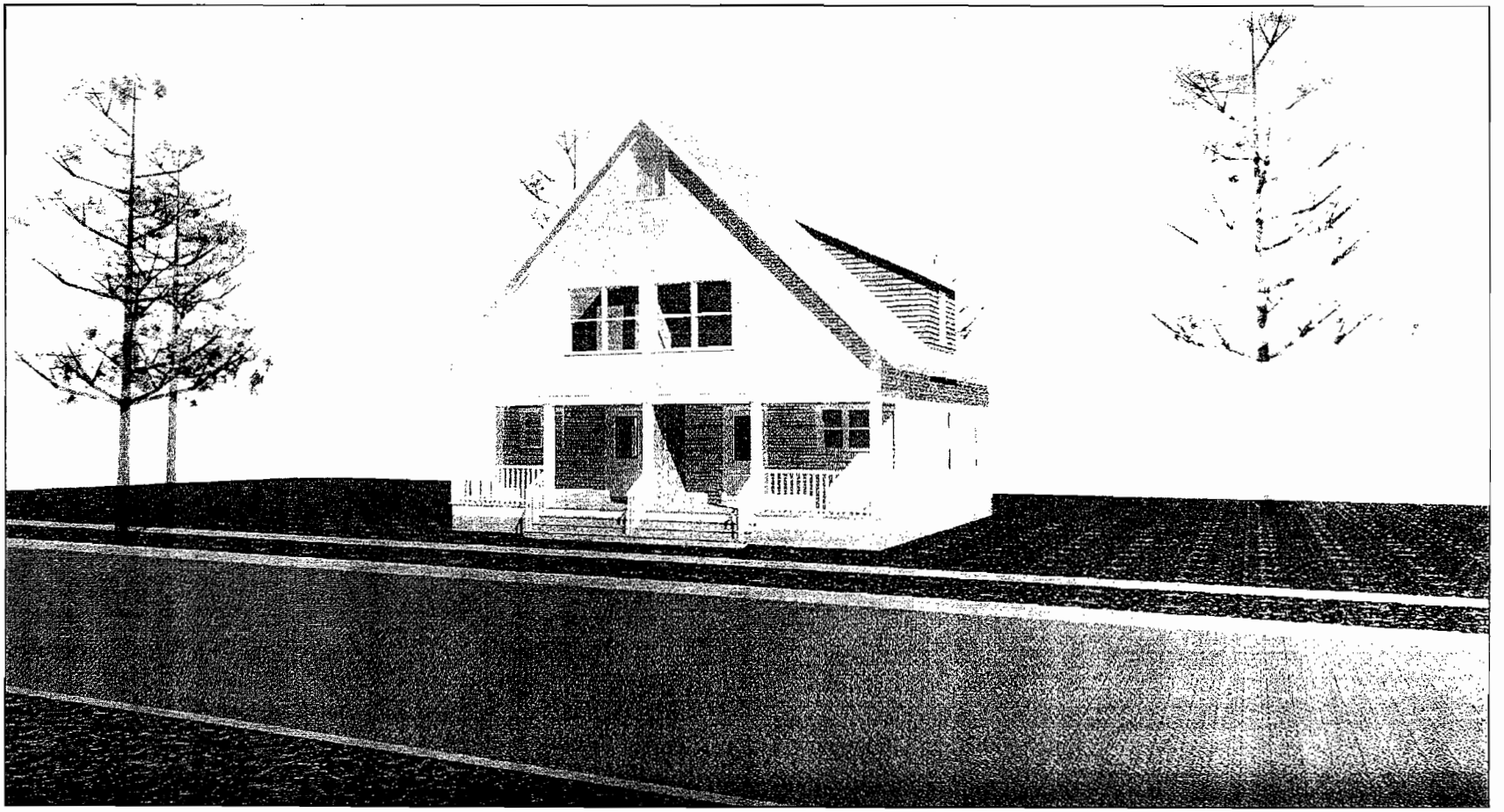
WOODSTOCK, VT

ZONING & ESTIMATING SET

Duncan Wisniewski ARCHITECTURE

DATE 12.21.2006

A2



STREET PERSPECTIVE - 'A'
N.T.S.

GRANGE HILL: BUILDING TYPE-C

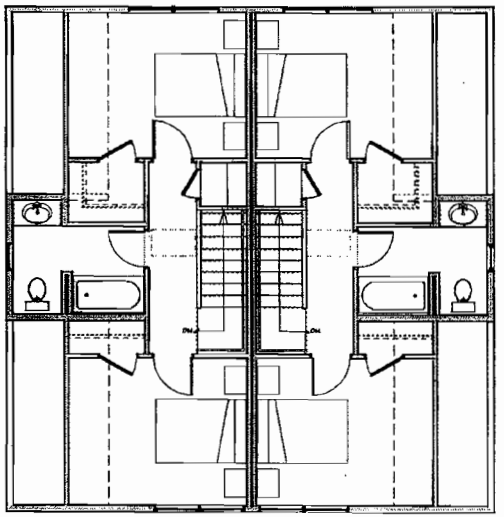
WOODSTOCK, VT

ZONING & ESTIMATING SET

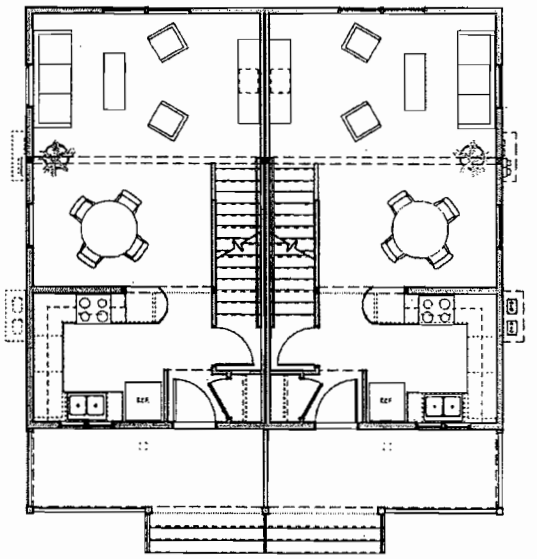
Duncan Wisniewski ARCHITECTURE

DATE: 10.21.2004

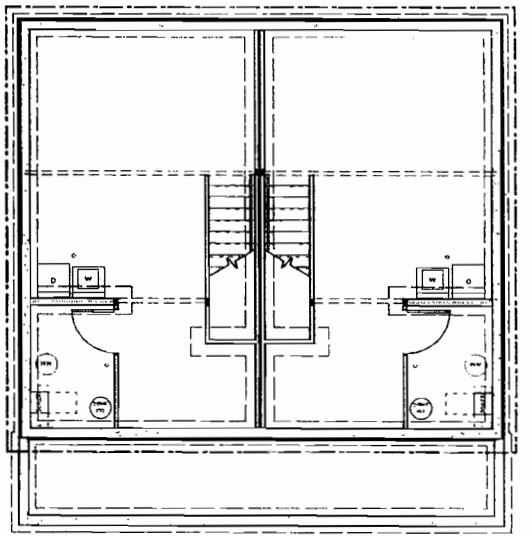
A1



SECOND FLOOR PLAN
SCALE: 1/8" = 1'-0" 1007 SF



FIRST FLOOR PLAN
SCALE: 1/8" = 1'-0" 1020 SF



BASEMENT FLOOR PLAN
SCALE: 1/8" = 1'-0" 1014 SF

GRANGE HILL: BUILDING TYPE-C

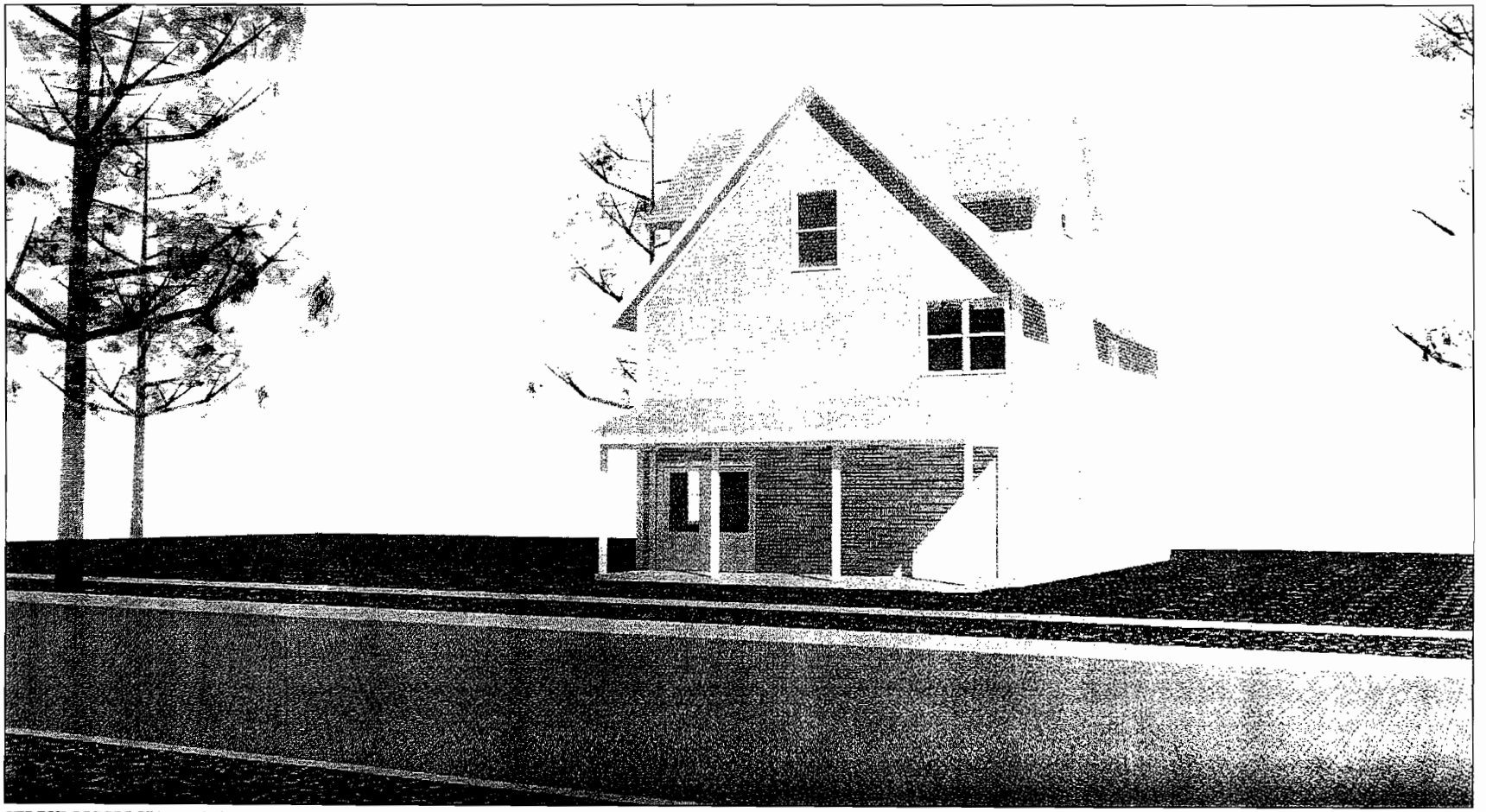
WOODSTOCK, VT

ZONING & ESTIMATING SET

Duncan Wisniewski ARCHITECTURE

DATE: 12.21.2006

A2



STREET PERSPECTIVE - 'A'
N.T.S.

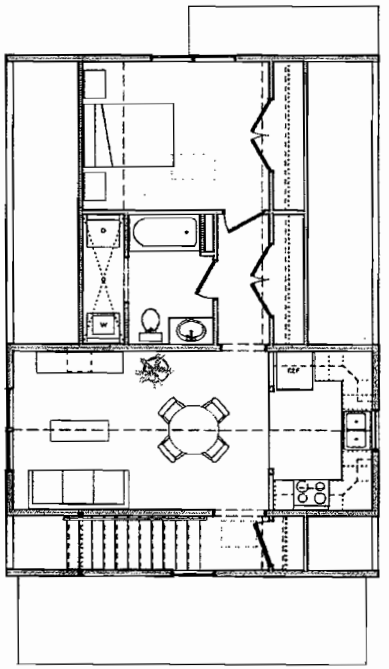
GRANGE HILL: BUILDING TYPE-D

WOODSTOCK, VT

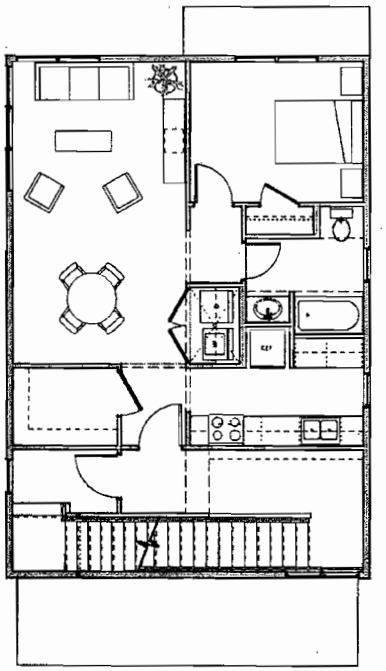
Duncan Wisniewski ARCHITECTURE

ZONING & ESTIMATING SET

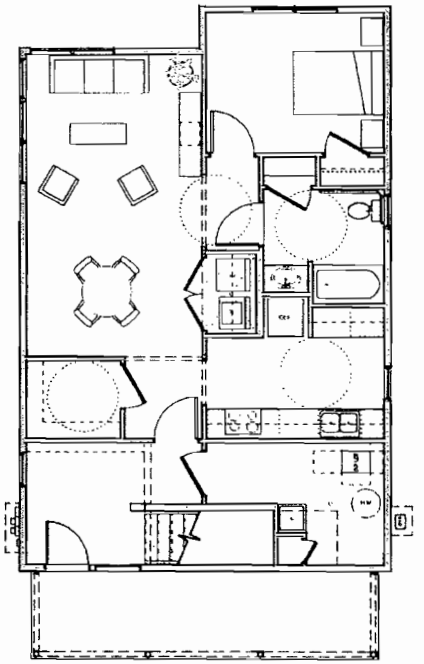
A1



THIRD FLOOR PLAN
SCALE: 1/8" = 1'-0" 713 SF



SECOND FLOOR PLAN
SCALE: 1/8" = 1'-0" 962 SF



FIRST FLOOR PLAN
SCALE: 1/8" = 1'-0" 1,002 SF

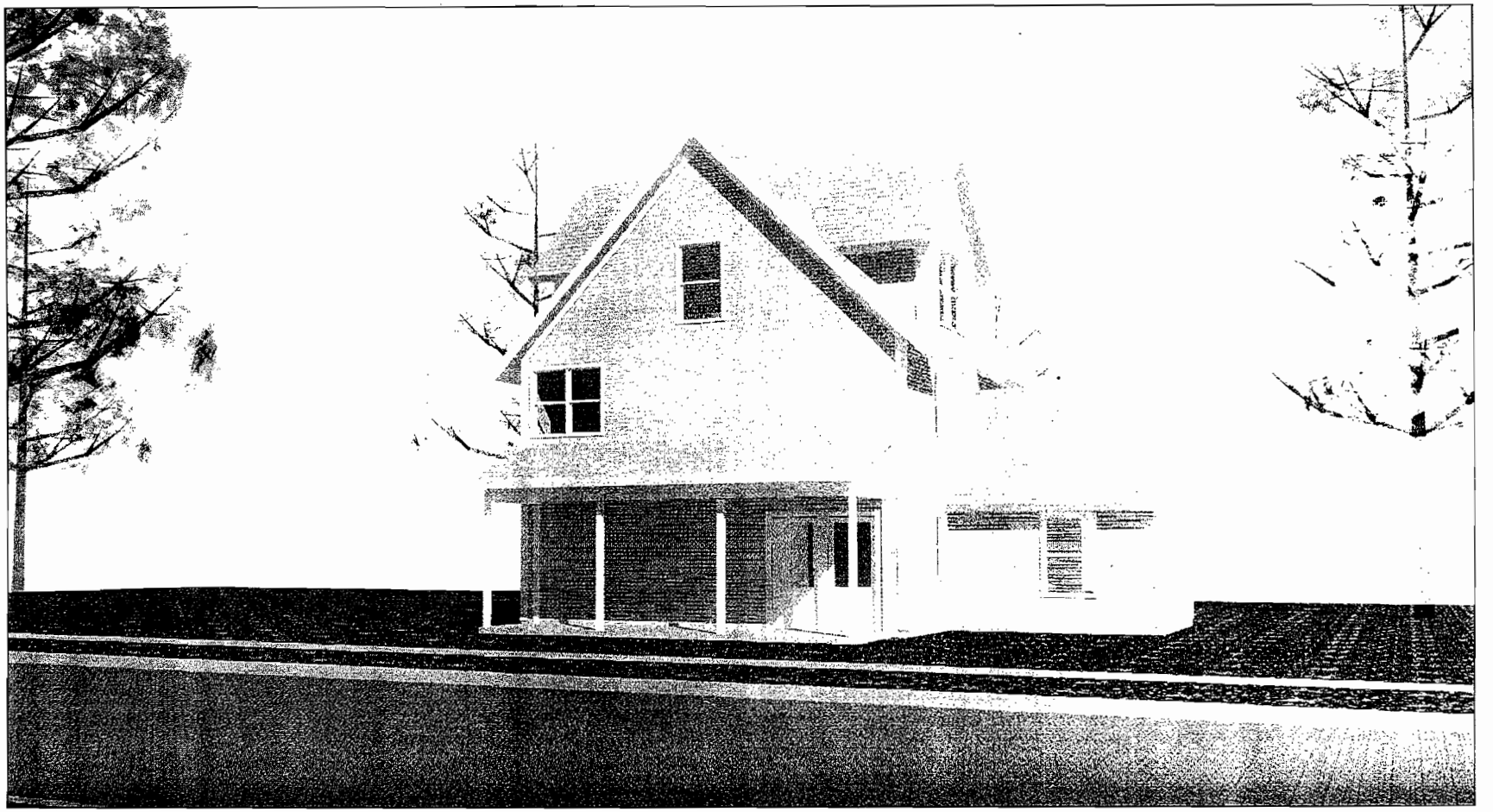
GRANGE HILL: BUILDING TYPE-D

WOODSTOCK, VT

ZONING & ESTIMATING SET

Duncan Wisniewski ARCHITECTURE

A2



STREET PERSPECTIVE - 'A'
N.T.S.

GRANGE HILL: BUILDING TYPE-D1

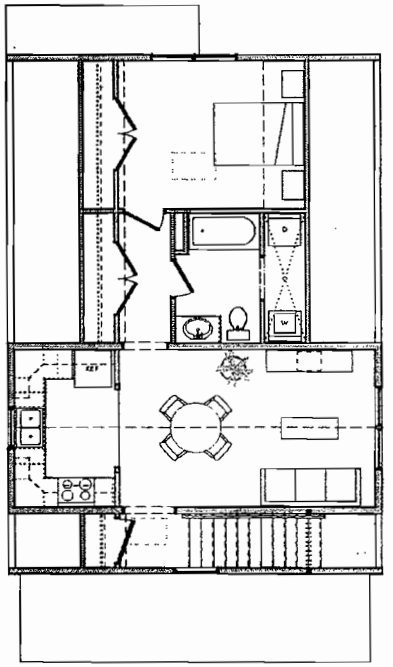
WOODSTOCK, VT

ZONING & ESTIMATING SET

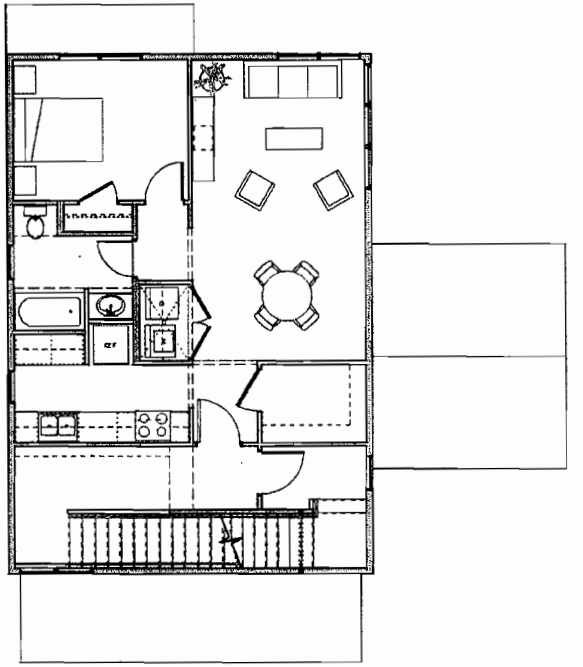
Duncan Wisniewski ARCHITECTURE

DATE 10.23.2006

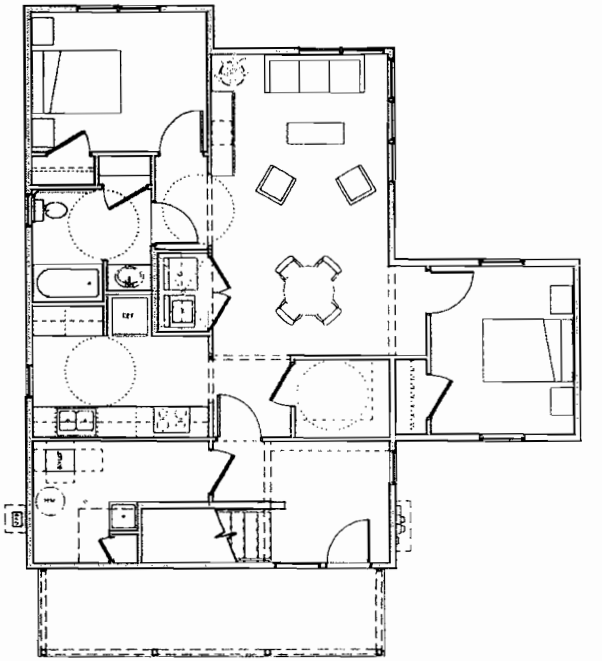
A1



THIRD FLOOR PLAN
SCALE: 1/8" = 1'-0" 713 SF



SECOND FLOOR PLAN
SCALE: 1/8" = 1'-0" 962 SF



FIRST FLOOR PLAN
SCALE: 1/8" = 1'-0" 1,168 SF

GRANGE HILL: BUILDING TYPE-D1

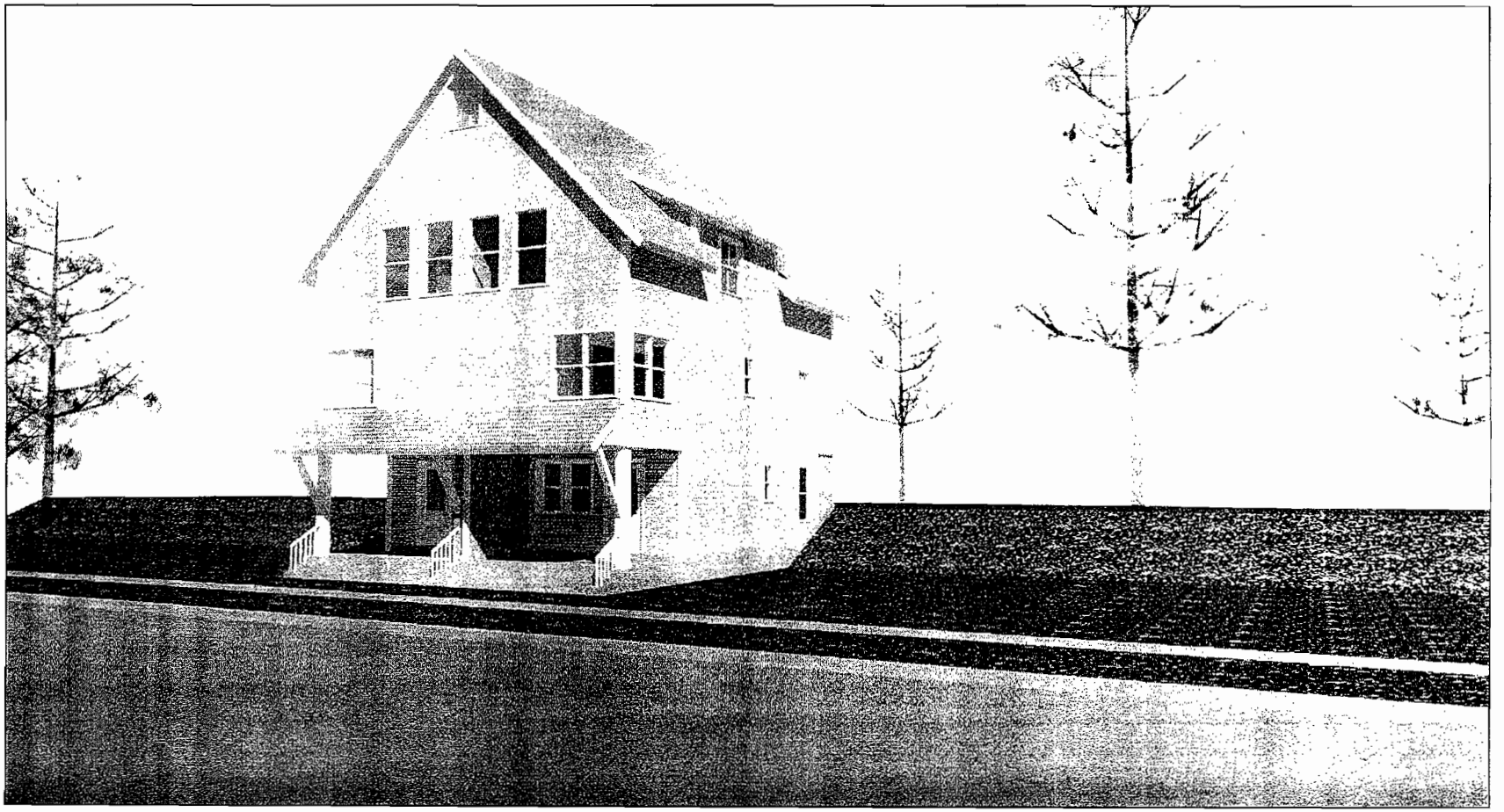
WOODSTOCK, VT

Duncan Wisniewski ARCHITECTURE

ZONING & ESTIMATING SET

DATE: 12.29.2004

A2



STREET PERSPECTIVE - 'A'
N.T.S.

GRANGE HILL: BUILDING TYPE-E

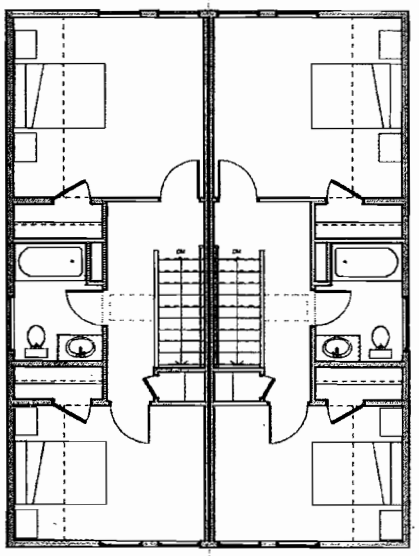
WOODSTOCK, VT

ZONING & ESTIMATING SET

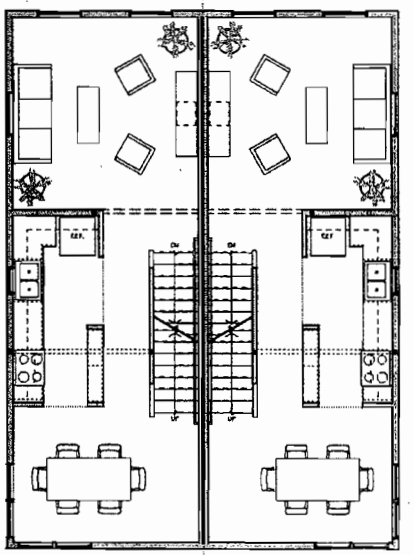
Duncan Wisniewski ARCHITECTURE

DATE 12.21.2006

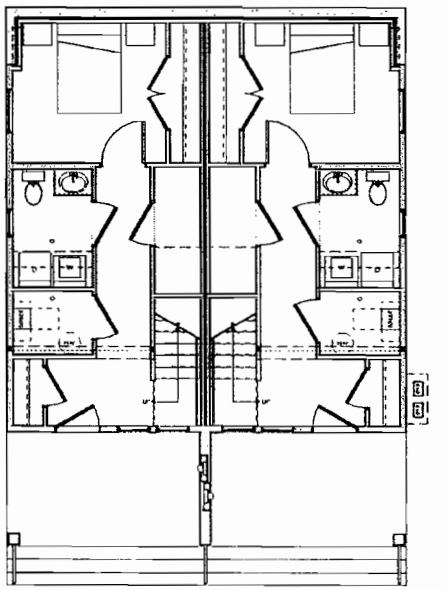
A1



THIRD FLOOR PLAN
SCALE: 1/8" = 1'-0" 1064 SF



SECOND FLOOR PLAN
SCALE: 1/8" = 1'-0" 1064 SF



FIRST FLOOR PLAN
SCALE: 1/8" = 1'-0" 840 SF

GRANGE HILL: BUILDING TYPE-E

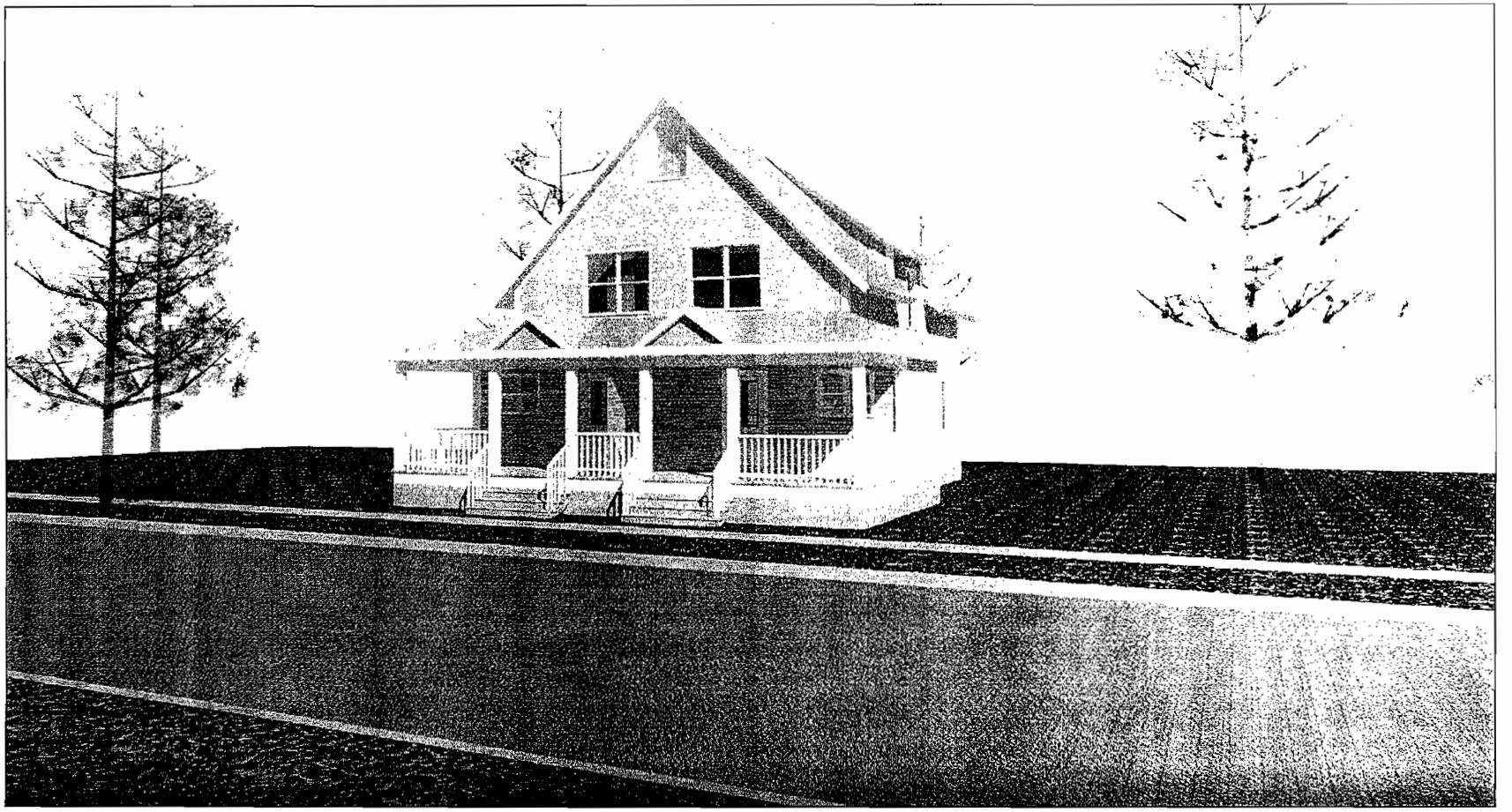
WOODSTOCK, VT

ZONING & ESTIMATING SET

Duncan Wisniewski ARCHITECTURE

DATE 12.29.2006

A2



STREET PERSPECTIVE - 'A'
N.T.S.

GRANGE HILL: BUILDING TYPE-F

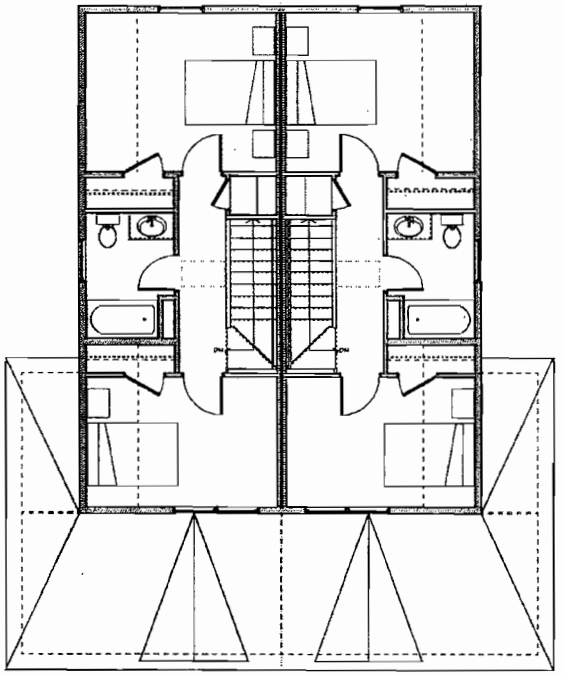
WOODSTOCK, VT

ZONING & ESTIMATING SET

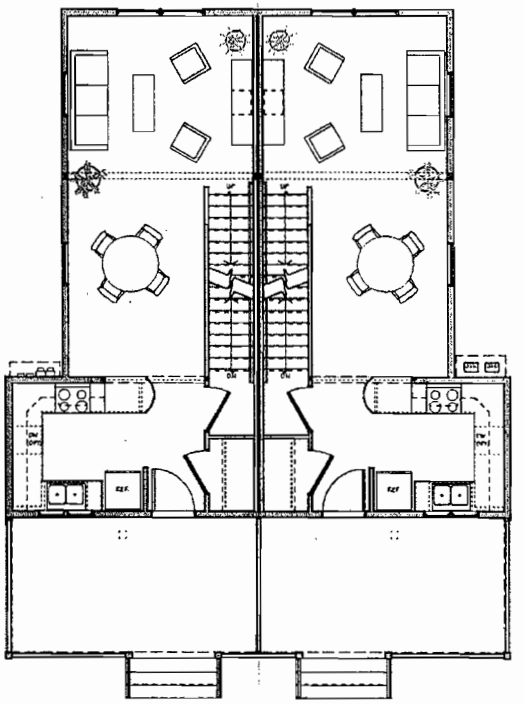
Duncan Wisniewski ARCHITECTURE

DATE

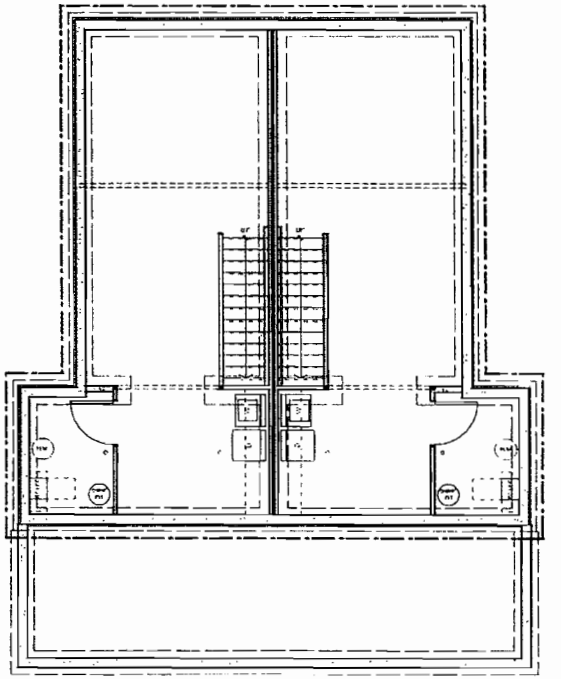
A1



SECOND FLOOR PLAN
SCALE: 1/8" = 1'-0" 1008 SF



FIRST FLOOR PLAN
SCALE: 1/8" = 1'-0" 1088 SF



BASEMENT FLOOR PLAN
SCALE: 1/8" = 1'-0" 1082 SF

GRANGE HILL: BUILDING TYPE-F

WOODSTOCK, VT

Duncan Wisniewski ARCHITECTURE

ZONING & ESTIMATING SET

A2

STREET PERSPECTIVE - 'A'
N.T.S.

GRANGE HILL: BUILDING TYPE-G

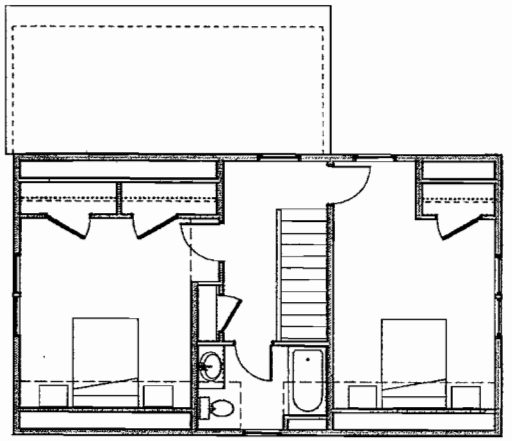
WOODSTOCK, VT

ZONING & ESTIMATING SET

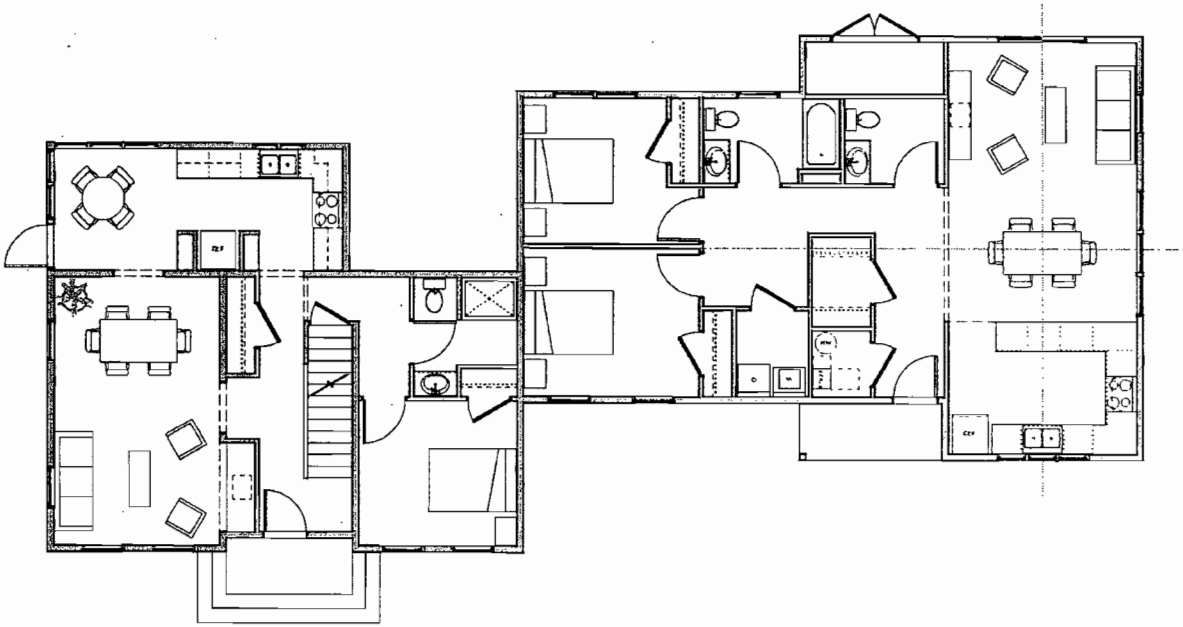
Duncan Wisniewski ARCHITECTURE

DATE: 11/12/2004

A1



SECOND FLOOR PLAN
SCALE: 1/8" = 1'-0" 680 SF



FIRST FLOOR PLAN
SCALE: 1/8" = 1'-0" 1,980 SF

GRANGE HILL: BUILDING TYPE-G

WOODSTOCK, VT

ZONING & ESTIMATING SET

Duncan Wisniewski ARCHITECTURE

DATE 12.21.20

A2

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: CONSTRUCTION FINANCING AND PROPOSED ALLOCATION OF ALLOCATED HOUSING CREDITS FOR GRANGE HILL HOUSING, WOODSTOCK

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow monies and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, an application has been submitted to the Agency by Housing Vermont (the "Sponsor") on behalf of a to be formed limited partnership in which the Sponsor or its subsidiary will be the only or at least one of the general partner(s) (the "Borrower") involving the acquisition, construction and rehabilitation of a total of twenty-six (26) units of general occupancy rental housing in multiple buildings, including the existing Grange Hall, in the Town of Woodstock (the "Development"); and

WHEREAS, the application contemplates a mortgage loan for construction financing for the Development with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds; and

WHEREAS, the Sponsor qualifies and the Borrower 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

WHEREAS, the Agency administers the allocation and use of the federal Low Income Housing Tax Credits (both Allocated Housing Credits and Bond Housing Credits) and the State Housing Credits under the State's Qualified Allocation Plan; and

WHEREAS, the Governor of the State of Vermont has approved the 2005-2006 Qualified Allocation Plan; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi dated May 29, 2007, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income, or qualifies for financing with proceeds of federally tax-exempt obligations, or at least 20 percent of the units are for occupancy by persons and families of low and moderate income.

2. The acquisition and construction 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 increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency 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 loan.

6. The Sponsor is financially responsible and is a qualified housing sponsor within the meaning of the Act. The Borrower will be required to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsor for the construction financing of the Development based on the recommendations in the attached Memorandum. 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 Sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the Borrower for the construction financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsor as the representatives of the Borrower. The Commitment Letter shall be 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.

3. The Executive Director and the Loan Review Committee will establish the final source and amount of the loan for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines, and the conditions described in the Memorandum.

4. The recommendations for the allocation of Allocated Housing Credits contained in the Memorandum which is attached and incorporated by this reference are hereby approved;

5. That the Executive Director and the appropriate staff are hereby authorized to take such actions as are described in the 2005-2006 Qualified Allocation Plan regarding the proposed allocation of federal Allocated Housing Credits in the amount of $365,500.00 for the Grange Hill housing project in the Town of Woodstock, Vermont.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Director of Development

DATE: May 29, 2007

RE: Tax Credit Status Report

Board Action: No Board action is required.

Attached is the tax credit status report for 9% Ceiling Credits. The report illustrates that $2,232,382 of the 2007-2008 pool was committed, leaving $2,342,618 available to allocate. The project requesting credits this month would, if approved, reduce the available credits to $742,518.

Also included is the "State Consolidated Plan Priorities/Other Priorities Table" that shows how projects from 2005 to current meet the Consolidated Plan Priorities. This is provided to show how Armory Square, Tontine Canal, King Street Housing and Grange Hill fare in comparison to other projects that recently received Housing Credit commitments.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

2006 Carry Forward to 2007		-	
Total 2007 Available		2,275,000	
Total 2008 Available		2,300,000	
2006 National Pool		-	
2007 Returns		-	
2008 Returns		-	
Total 2007-08 Available:		4,575,000	
Less: LOI, Res, CA issued in 2007/08		2,232,382	
Remaining Available in 2007-08:			2,342,618

1,600,100 742,518

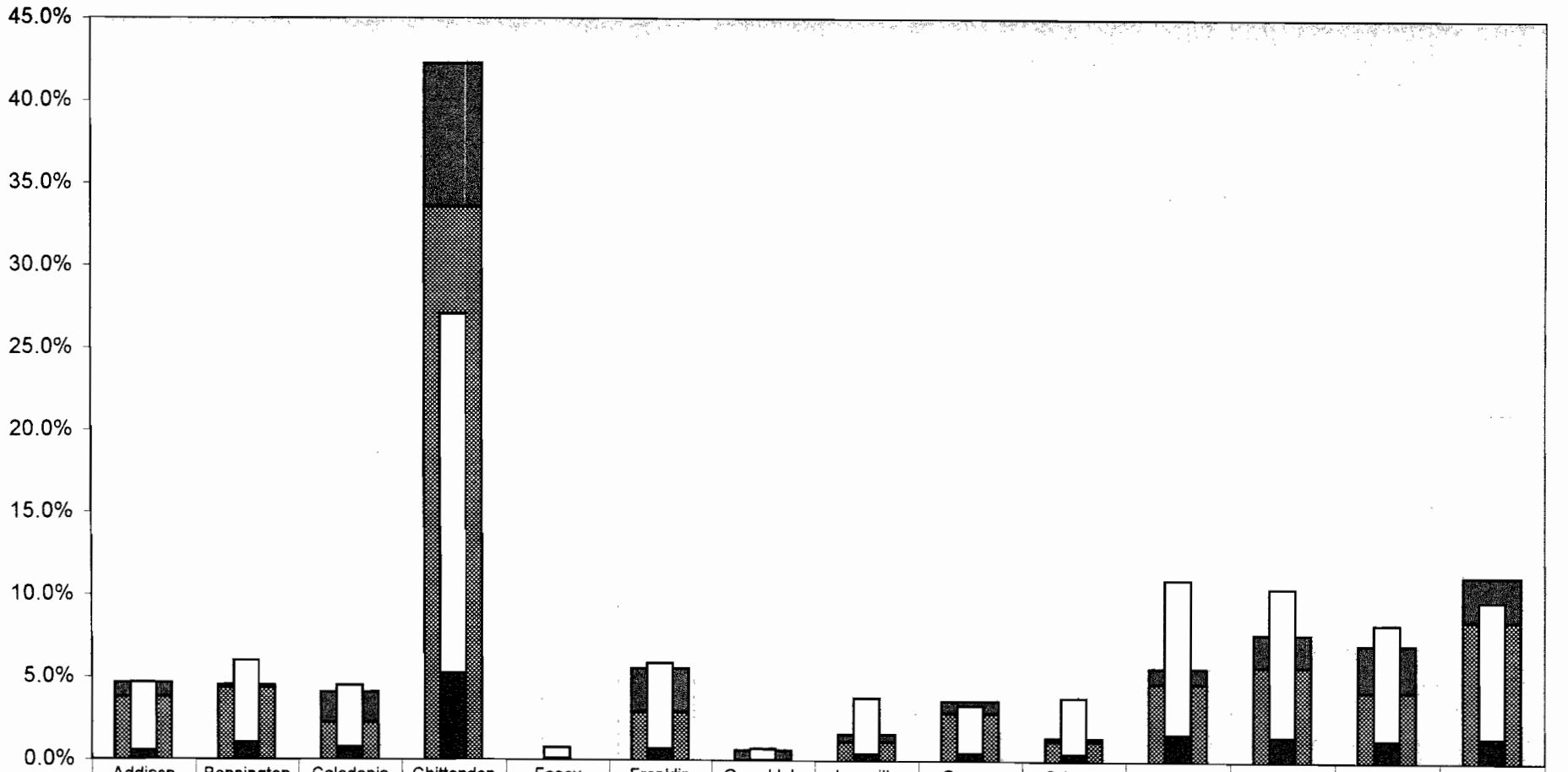
Project Name	City	County	MSA / Non MSA	Total # of Units	# of LIHTC Units	Project Type	Housing Credit Allocation	Status
Pipeline								
New Construction - Family	Vergennes	Addison	Non MSA	40		New Construction	284,615	
Jay Waterman	Stowe	Lamoille	Non MSA					
Silver Stone Partners	Rutland	Rutland	Non MSA					
New Construction	Shelburne	Chittenden	MSA			New Construction		
Norwich	Norwich	Windsor	Non MSA			New Construction	330,769	
Putney Village	Putney	Windham	Non MSA	35	29	New Construction	538,000	Ventures approved
Pre-Applicaton Meetings								
Grange Hill	Woodstock	Windsor	Non MSA	26		New Construction	365,500	to board June 2007
Armory Square Allocated	Windsor	Windsor	Non MSA	58		Acq/Rehab	599,600	to board June 2007
Tontine Canal	Guilford/Brattleboro	Windham	Non MSA	21	19	Acq/Rehab	225,000	to board June 2007
King Street Housing/Howard Bank Block	Burlington	Chittenden	MSA	20		New Construction	410,000	CHT, HVT, Redstone - to board June 2007
Sports Arena Neighborhood	St Albans	Franklin	MSA			New Construction		Bove/Marcellino
Johnson Community Housing	Johnson	Lamoille	Non MSA	29	27	Rehab/New Construction	241,663	applying for VHCB 1/07
Letter of Intent, Reservation, or Carryover Allocation Issued								
Wheeler Brook Housing	Warren	Washington	Non MSA	18	16	New Construction	238,500	Board Approved May 2007
Downtown Crossing, Bennington (RAHC)	Bennington	Bennington	Non MSA	12	10	Rehab/New Construction	143,000	to use 2007 credits
Stonewall / Bianchi	Montpelier	Washington	Non MSA	18	17	Acq/Rehab	125,000	to use 2007 credits
Hardwick - Bemis Block	Hardwick	Caledonia	Non MSA	14	14	Acq/Rehab	98,000	Has 2007 Carryover & 2007 Commitment
Willard Mill	St. Albans	Franklin	MSA	27	25	Acq/Rehab	432,662	Board Approved; 2007 Commitment
Birge & Worden	Brattleboro	Windham	Non MSA	17	15	Acq/Rehab	244,000	Board Approval; 2007 Reservation
Stowe	Stowe	Lamoille	Non MSA	28	22	New Construction	519,000	Board Approved; 2006 Carryover
Village Housing	Middlebury	Addison	Non MSA	30	25	New Construction	531,000	Board Approved; 2006 Carryover
Rutland AFS	Rutland	Rutland	Non MSA	13	12	New Construction/Rehab	227,000	Board Approved; 2006 Carryover
Callahan Housing	Burlington	Chittenden	MSA	28	28	Acq/Rehab	267,750	Board Approved Dec-05; 2007 Commitment
Bradford	Bradford	Orange	Non MSA	32	27	Rehabilitation	434,375	Board Approved Dec-05
Enosburg Falls Downtown Redevelopment	Enosburg Falls	Franklin	Non MSA	28	25	New Construction/Rehab	509,250	Board Approved Nov-05; 2006 Carryover
Eastern Townships (fka Main St Mill)	Richford	Franklin	Non MSA	12	12	Rehabilitation	162,500	Board Approved 9/22/05; 2007 Reservation
Wilder Building	Brattleboro	Windham	Non MSA	8	8	Rehabilitation	118,500	Construction Complete; 8609s Issued
West River Valley Senior Housing	Townshend	Windham	Non MSA	52	34	New Construction	473,000	Has 2007 Carryover & 2007 Reservation
Southview Apartments	Springfield	Windsor	Non MSA	69	54	Acq/Rehab	360,000	Board Approved 6/9/05
Sadawga Springs Apartments	Whitingham	Windham	Non MSA	9	7	Acq/Rehab	112,350	Construction Complete; 8609s Issued
Oak & Homestead	Brattleboro	Windham	Non MSA	16	15	Acq/Rehab	224,000	Construction Complete; 8609s Issued
Dorset Housing	Dorset	Bennington	Non MSA	20	16	New Construction	273,000	Construction Complete; 8609s Issued
Stone Hill	Middlebury	Addison	Non MSA	27	22	New Construction	378,000	Construction Complete; 8609s Issued
Waugh Opera Block	St Albans	Franklin	MSA	20	16	Rehab	233,600	Construction Complete; 8609s Issued
River Station	Montpelier	Washington	Non MSA	36	29	New Construction	465,000	Construction Complete; 8609s Issued
Barlow Square	Winooski	Chittenden	MSA	213	98	New Construction	2,214,260	Has 2005 Carryover

State Consolidated Plan Priorities / Other Priorities Table

2006-2007	*First Tier*						*Second Tier*						
	Rehab or Vacancy <3.5%	**Family Housing**	**Settlement Pattern**	**Downtown or Village Center**	**Removal of Blight**	**Special Needs**	**Mixed Income**	**Unique Design**	**<30% or targets homeless**	**Public Housing**	**Eventual Tenant Ownership**	**Total**	**Housing Credit Amount**
Stonewall / Bianchi	XX	XX	XX	XX	XX		X		X			71%	$ 125,000
Downtown Crossing	XX	XX	XX	XX			X					53%	$ 143,000
Bemis Block	XX		XX	XX	XX				X			53%	$ 98,000
Willard Mill, St. Albans	XX	XX	XX	XX			X					53%	$ 459,000
Middlebury South Village (MF)	XX	XX	XX	XX								47%	$ 531,000
Birge & Worden, Brattleboro	XX		XX	XX			X		X			47%	$ 238,500
Rutland AFS	XX	XX	XX	XX								47%	$ 227,000
Bradford Scattered Sites	XX	XX	XX	XX								47%	$ 397,500
Main Street Mill Revelopmt Richford	XX		XX	XX	XX							47%	$ 162,500
West River Valley Senior			XX	XX		XX	X		X			47%	$ 430,000
Callahan	XX	XX	XX	XX								47%	$ 255,000
Armory Square Allocated	XX		XX	XX					XX			47%	$ 599,600
Tontine Canal	XX	XX	XX	XX								47%	$ 225,000
King Street Housing	XX		XX	XX							X	41%	$ 410,000
Stowe Family Housing	XX	XX	XX				X					41%	$ 495,000
Enosburg Falls Housing			XX	XX	XX			X				41%	$ 509,250
Grange Hill	XX	XX	XX									35%	$ 365,500
Wheeler Brook Housing	XX	XX					X					29%	$ 260,000
2005	*First Tier*						*Second Tier*						
Sadawga Springs Apartments	XX	XX	XX	XX	XX		X					65%	$ 112,350
Southview, Springfield	XX	XX	XX	XX			X		X			59%	$ 360,000
Oak & Homestead	XX	XX	XX	XX			X		X			59%	$ 224,000
Waugh Opera House	XX		XX	XX	XX		X	X				59%	$ 233,600
Barlow Square	XX	XX	XX	XX			X					53%	$ 2,214,260
River Station	XX	XX	XX	XX			X					53%	$ 460,000
Stone Hill	XX	XX	XX	XX			X					53%	$ 36,000
Wilder Block	XX		XX	XX	XX							47%	$ 118,500
Dorset Housing	XX	XX					X					33%	$ 273,000

MSA / Non MSA

Geographic Distribution



	Addison	Bennington	Caledonia	Chittenden	Essex	Franklin	Grand Isle	Lamoille	Orange	Orleans	Rutland	Washington	Windham	Windsor
units in process	0.9%	0.2%	1.9%	8.7%	0.0%	2.7%	0.6%	0.4%	0.7%	0.2%	1.0%	2.0%	2.9%	2.7%
units in service	3.7%	4.3%	2.2%	33.5%	0.0%	2.9%	0.0%	1.1%	2.9%	1.2%	4.7%	5.8%	4.2%	8.6%
all assisted units	0.56%	1.06%	0.74%	5.24%	0.11%	0.74%	0.07%	0.46%	0.50%	0.47%	1.67%	1.55%	1.34%	1.52%
all rental housing	4.6%	6.0%	4.5%	27.0%	0.8%	5.9%	0.7%	3.8%	3.4%	3.8%	11.0%	10.5%	8.3%	9.7%

vhfa

Vermont Housing Finance Agency

TO: VHFA BOARD OF COMMISSIONERS

FROM: Tom Connors, Chief Financial Officer

DATE: May 25, 2007

RE: FY2008 PROPOSED BUDGET

Included with this memorandum are several companion documents: the actual three-page worksheet showing the proposed budget for FY2008 by department, along with the current year budget, the projected actual for the current year and percentage change in budgets, a capital budget, and finally, a summary of VHFA FY2008 Initiatives and Goals.

PHILOSOPHY:

We continue to use the basic budget philosophy of funding operations from the earnings in the bond programs because income generated within the general fund is not sufficient to pay for operations. Our financial advisors prepared a cash flow report which demonstrates that the transfers from the bond programs are consistent with the projections of transfers on a straight-line basis over the remaining expected life of the bond programs. We used the level of cash flow estimated in this year's projections. Generally, our goal is to show a small surplus for FY2008 from operations, without resorting to extraordinary transfers, thereby marginally increasing the General Fund balance.

INCOME:

Income for the general fund in FY2008 is budgeted at $1,619,956. Due to a number of favorable variances discussed below, the net income projected for 2007 is projected to be $373,000, which is $287,000 better than budget.

Interest Income for general fund loans is expected to be relatively flat in FY2008 versus the FY2007 budget. The interest income from investments was significantly higher than budget in FY2007 due to increased holdings of cash. FY2008 is expected to be somewhat lower, even though the assumed earnings rate has increased to a range of 4.5% to 5.0%. This is due to our goal of minimizing cash balances in order to minimize the outstanding balances on the lines of credit.

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EQUAL HOUSING OPPORTUNITY

Multifamily Fee Income for FY2008 is budgeted at $670,000. Projected actual for this past year is estimated at $619,000. Multifamily fee income includes: origination fees (points), tax credit origination fees, HAP Contract Administration Fee Income, and Tax Credit Monitoring Fee income. Fee income also includes amortization of fees paid to the Agency for work we did on the Winooski project and reimbursements of legal and construction fee expenses.

Multifamily fee income is highly dependent on the volume and type of loans closed during the year. Production estimates are somewhat difficult to predict and dependent on factors beyond our control. A review of loans we have approved in FY2007 but which are likely to close in FY2008, along with a review of projects we are aware of but which have not yet made formal application, are the basis for volume projections. Based on this review, staff believes we will close a total of $35 million on 18 different new projects and 8 to 12 financial restructurings for existing projects.

Miscellaneous Income includes rental income from one tenant in the Annex ($13,200) and the Northgate land rental ($43,000), as well as other miscellaneous items.

Fund Transfers. This category represents the surpluses transferred from the bond programs. We plan to fund our draws at a level slightly higher than FY2007 as supported by the cash flows supplied by our financial advisors.

EXPENSES:

Projected Actual Total Expenses and Other Cost for FY2007 are anticipated to come in 3.55% under budget for the year. The expenses for FY2008 are 9.54% higher than the FY2007 budget and 13.6 % higher than the FY2007 projected actual. The most significant factor in the expense increase relates to salary and benefits increases, as well as adjustments of new positions added in late FY2007. The other major increase is the result of the cost of the systems conversion and related maintenance costs. Operating expenses, including costs related to the system conversion, increased 11%. The increase without the system conversion costs only grew 5.53% over last year.

In the Other Cost category, there was an increase of $100,000 to the Organizational Subsidy budget at the request of the Audit/Risk Committee. This increase is to help offset the reduction in the support the HomeOwnership Centers receive from Neighborworks America. Explanations of the key expense areas follow:

Salaries and Wages. The following adjustments are discussed in more detail in the FY2008 Compensation memo, which is included in this packet.

- The budget for FY2007 was $2,081,490 and projected actual salaries paid as of June 30, 2007 are expected to be $2,103,542, which is $22,052 over budget. This is due to a listing error ($12,711) when preparing last year's budget, and a one-time adjustment for the Bank of New York trustee work.

  There is a 9% increase in the budget from FY2007 to budget FY2008. This is primarily due to the two new positions approved by the Board during FY2007 ($73,000), a listing error mentioned above and two part-time employees who moved to full-time late in FY2007.

- The $2,271,804 budget for FY2008 reflects a 4% annualized salary increase and a $25,000 recognition supplemental pool to cover special recognition and market adjustments. The HR Board Committee reviewed and agreed to the recommendations for the salary budget.

- The Agency's staffing level will increase in FY2008 by a net of 1.8 full-time equivalents. This includes the two new positions added during FY2007, one 20 hour per week vacancy that was not filled and two part-timers who moved to full-time for a total of 11.75 hours/week.

Employee Benefits. Employee benefits (minus pension, which is 10% of salaries) are expected to be under budget in FY2007 by 6.13% primarily due to lower than expected health insurance premium rate increase. The FY2008 budget of $471,332 reflects a 10.72% increase over the FY2007 budget. Health insurance is estimated to increase 15% at a minimum; dental will increase by 2.75%; and STD/LTD and life insurance rates remain relatively flat. This line item includes tuition, workers compensation, employee assistance, flex plan administration, health program, car allowance, and adoption benefits. The HR Board Committee reviewed and agreed to the recommendations for the employee benefits budget.

Pension Expense. FY2008 budget is up 10% due to the base salaries increasing as a result of the new positions and internal promotions.

Trustee Fees. FY2007 actual is approximately $40,000 lower than the original budget due to the settlement the Agency negotiated with TD Banknorth and Bank of New York. The FY2008 budget for trustee fees was increased to $200,000 to account for the annualized impact of the Series 27 Single Family resolution, as well as three single family issues and one multi-family bond issue anticipated in 2008 under the new multiple-purpose indenture.

Software Conversion. The Board approved a total budget not to exceed $390,000 for the implementation of the new software. $36,900 in one-time costs was spent in FY2007. We expect to spend $174,563 in FY2008. Depreciation for the software will be spread over five years.

Marketing & Outreach. Is comprised of all radio and print advertising, promotional items and various event sponsorships. This was budgeted at $291,200 this past year ($120,000 is shown "below the line" as part of our Cost of Issuance). We expect to finish the year slightly under budget. We are proposing an $18,200 decrease in the FY2008 budget to $273,000 reflecting a reduction in planned radio and other supplemental advertising.

Staff Travel and Training. Projected travel and training expense is likely to end the year at an estimated $112,353 which is in line with the FY2007 budget of $112,750. The Travel & Training budget for FY2008 is requested at $127,400 or $15,000 higher than budgeted last year. The conversion of the core operating system servicing our Multifamily/Development activities adds one more user group conference that staff will need to attend ($10,000). The remaining increase is needed for training two new staff members hired late in FY2007.

Contract Services includes among other things, MGIC contract underwriting, single family file storage facility fees, ADP payroll processing fees and reimbursable construction inspection fees. Projected actual expenses for FY2007 will come in roughly $16,000 over a budget of $91,125. All of this variance occurred in Development and was due to higher than expected volume of construction loans and the related inspection fees, which were offset on the income side of the agency. The budget for FY2008 anticipates 18 projects requiring construction inspection at $4,000 each. These fees are charged to the project and have a neutral affect on the Agency budget on both the income and expense side.

Maintenance Agreements. The FY2008 increase of $42,600 is due to the support needed for the new HDS MF software and for a slight increase in Mitas support due to customizations and the possible purchase of the Toolkit module. As was noted during the software proposal recommendation to the Board, this is an ongoing expense and as such was not included as part of the final recommendation of $390,000.

Occupancy. The Agency incurred a higher than expected amount of roofing, plumbing and HVAC issues during the year (~$4,000). The FY2008 budget includes allowance for increases to miscellaneous facilities expenses as well as additional HVAC vent work.

Legal Expense. Legal Fee Expense was budgeted in FY 07 at $82,500. We expect to be $30,000 under budget at year end. This savings occurred entirely in the Development Department where we will end the year with expenses of around $31,000 versus the department budget of $62,500. Most of our closings were handled by in-house legal counsel, therefore saving the expense of paying outside counsel. For those expenses we did incur, they were offset by legal fee income which we expect will end the year at $52,000 for FY2007.

The legal expense budget for FY2008 is $66,500 and will be approximately $16,000 over the projected actual from last year. The difference includes a $10,000 provision for legal expenses we may incur as part of our due diligence regarding a Mortgage Backed Securities option. The balance of the increase is spread among the various departments.

Legal fee income to the Agency for next year is estimated at $79,500 or $13,000 more than we expect to pay-out.

Consulting is budgeted for $31,500 for FY2008. This is down from $58,000 last year and in line with our projected actual for this past year. HR and General Agency consulting were not utilized as expected this year ($7,000). Finance also did not use the consulting money ($10,000) that was budgeted for training of the new CFO. The multifamily area will be approximately $4,000 under budget and the development area is expected to be $5,000 under budget for FY2007.

Consulting on the production side of the Agency includes expenses for professional services that are not reimbursed by or attributable to new multifamily or single family loans. This may include appraisals, review appraisals, market studies, rent comparability studies, multifamily capitalization rate opinions, and other professional services that are required from time to time.

Telephone. Phone expense will increase in FY2008 a small amount due to an upgrade to a T1 line this spring.

Postage. FY2007 projected actual is below budget by $6,668 due primarily due a new courier contract and a lower than expected expense relative to the Housing Conference. FY2008 budget reflects a 5% postage price increase starting May 2007.

Printing. FY2007 projected actual is lower than FY2007 budget due to lower negotiated rates for printing of the annual report and other special reports and the electronic availability of Lender and Servicer Guides.

Commissioners Expenses. FY2007 was under budget because no Commissioners attended NCSHA conferences ($2,000), and several meetings were held via conference call this year – lower mileage and food expense.

Temporary Services. Temporary services will be employed for four months for an adoption leave.

Miscellaneous & Other Costs:

Capital Budget. In FY2007 the Agency expended approximately $49,778 of the $74,400 budgeted amount. Though the bulk of the expenditure was related to server and desktop upgrades, the IS expenses were still under budget for IS related items ($13,000). Other anticipated expenditures that did not materialize were $7,000 for facilities and $3,000 furniture/fixtures. FY2008 capital budget of $66,600 is a decrease from FY2007 as it does not include the expenses related to the new software conversion.

Organizational Subsidy. Organizational Subsidies are budgeted at $393,000 for FY2008, $98,000 over the FY2007 budget of $295,000. The FY2008 budget was increased over the previous year by $100,000 at the request of the Audit/Risk Committee. We are increasing our support of the HomeOwnership Centers (HOC's) for several reasons, including helping to offset the reduction in funding from Neighborworks America. This is an increase over last year's budget which included: $27,000 for each of the seven HOC's, plus $20,000 to help support extending HOC coverage in Windsor, Addison, and Bennington Counties. We also budget $37,500 (125 loans at $300 each) for Homebuyer Education Fee payments to the HOCs. Of the $393,000 budgeted for Organizational Subsidy, total support to the HOCs is now $346,500. Beyond the HOCs, Homeownership includes an additional $25,000 provision for marketing, outreach and sponsorships with other agencies and non-profit groups.

The remaining $21,500 includes our $15,000 membership fees to Housing Vermont, support for the Vermont Housing Managers Association, and work with the Homeless Initiative.

Loan Losses. Loan losses in the single family area have been negligible this past year and are could even show a small profit. Staff recommends we leave the loan loss provision for single family at $250,000 as in years past, based on a somewhat weaker housing market and the potential impact of the new water/wastewater changes that go into effect on July 1, 2008. Any

properties we acquire through foreclosure with on-site septic may require significant investment in order to sell the property.

Loan losses on the multifamily side continue to be monitored by the Risk Management Committee. We continue to recommend a $300,000 loan loss provision. We anticipate the refunding bonds to be issued in June, and the project restructurings that are planned as part thereof will shore up many of our projects on the Watch List. However, staff feels it prudent to maintain a loan loss provision that is consistent with what we have been spending to support troubled projects. In the past, these were covered from the multifamily Excess Yield Pool which current accounting treatment no longer supports.

Origination Fees. The Agency estimates that we will purchase $135 million in loans in FY2008. Origination fees paid to lenders for this production will be 1.25% of the loan balances and are budgeted at $1,687,500. These fees are shown as a "below-the-line" expense and amortized over the anticipated life of the loans.

After paying our bond holders, our net interest income is 1.125%. For those loans we purchase where the lenders retain the servicing, we pay them .375% from our 1.125%. Our net spread on service retained loans is therefore .875% and represents approximately 53% of our production.

Service Release Premiums: We anticipate that of the $135 million single family production, 47% or $63.4 million will be sold to us on a Servicing Released Basis. For those lenders who do this, the Agency pays a premium (Service Release Premium, a.k.a. "SRP") equal to .75% of the loan balance. This is paid over and above the origination fee discussed above. The Agency then keeps the .375% service fee and hires Graystone Mortgage Corporation to service those loans on our behalf. Graystone currently charges the Agency $8.00/loan/month which equates to .075% of our current average loan balance. The Agency therefore nets .30% servicing income, in exchanged for paying an SRP of .75%. We recover the cost of acquiring the servicing in two and a half years and continue to receive this income for as long as the loans are outstanding. Specifically, we will pay $475,000 in FY2008 to generate service fee income of $190,000 per year.

Recommended Action:
Approval of the FY2008 operating and capital budgets as presented.

Vermont Housing Finance Agency

Fiscal Year 2008 Budget Compilation

INCOME AND FUND BALANCE TRANSFERS

	PRIOR YEAR - FY 2007		FY 2008	COMPARISONS		
	Budgeted FY 2007	Projected Actual FY 2007	Budgeted FY 2008	2007 Proj'd Act versus 2008 Budget	% Change 2007 Proj Act to 2008 Budget	% Change 2007 Budget to 2008 Budget
Income:						
Interest Inc - Loans	777,979	813,551	785,104	(28,447)	-3.50%	0.92%
Multi-Family Fees	549,229	619,000	670,000	51,000	8.24%	21.99%
Interest Inc - Investments	78,750	105,785	79,000	(26,785)	-25.32%	0.32%
Miscellaneous Income	61,152	60,859	60,852	(7)	-0.01%	-0.49%
Single Family Fees	30,500	27,000	25,000	(2,000)	-7.41%	-18.03%
Total Income	1,497,610	1,626,195	1,619,956	(6,239)	-0.38%	8.17%
Fund Transfers:						
SF Housing Bonds	2,250,000	2,250,000	2,250,000	0	0.00%	0.00%
SF Home Mtg Purchase Pgm	350,000	350,000	650,000	300,000	85.71%	85.71%
MF Mortgage Bonds	440,000	440,000	490,000	50,000	11.36%	11.36%
SF Insured Mtg Bonds	400,000	400,000	400,000	0	0.00%	0.00%
MF Housing Bonds	240,000	240,000	240,000	0	0.00%	0.00%
MF Direct Placement Bonds	130,000	130,000	175,000	45,000	34.62%	34.62%
Total Fund Transfers	3,810,000	3,810,000	4,205,000	395,000	10.37%	10.37%
Summary:						
Total Income & Fund Transfers	5,307,610	5,436,195	5,824,956	388,761	7.15%	9.75%
Less Expenses & Other Costs	(5,221,007)	(5,062,996)	(5,718,881)	(655,885)	12.95%	9.54%
Budgeted Surplus	86,603	373,199	106,075	(267,124)	-71.58%	22.48%

Vermont Housing Finance Agency
Fiscal Year 2008 Budget Compilation
FY 2008 EXPENSES BY DEPARTMENT

	(1-10-11) Administration	(1-10-12) Public Affairs	(1-10-13) Info Systems	(1-20-21) Finance	(1-30-31) Development	(1-30-32) Homeownership	(1-30-33) Multi-Family	Total Budgeted FY 2008	2007 BUDGET / 2008 BUDGET COMPARISON Budgeted FY 2007	% Change Budget/Budget	2007 PROJ'd ACTUAL / 2007 BUDGET COMPARISON Projected FY 2007	% Change Pro Act/Budget
Expenses:												
Salaries and Wages	309,924	131,975	193,376	415,864	301,596	475,532	443,537	2,271,804	2,081,490	9.14%	2,103,542	1.06%
Employee Benefits	70,867	26,172	38,349	82,471	63,543	101,037	88,893	471,332	425,684	10.72%	399,594	-6.13%
Pension Expense	31,369	13,488	19,764	42,503	30,824	48,601	45,331	231,880	210,831	9.98%	201,365	-4.49%
Trustee Fees				200,000				200,000	191,900	4.22%	152,835	-20.36%
Software Conversion			174,563					174,563	n/a	n/a	36,937	n/a
Payroll Taxes	23,245	9,995	14,646	31,496	22,842	36,015	33,593	171,832	158,071	8.71%	155,533	-1.61%
Marketing & Outreach	6,000	62,000			5,000	193,000	7,000	153,000	171,200	-10.63%	171,200	0.00%
Staff Travel & Training	27,350	15,950	10,500	13,900	20,000	17,700	22,000	127,400	112,750	12.99%	112,353	-0.35%
Contract Services	7,200				72,000	36,000	2,500	117,700	91,125	29.16%	106,945	17.36%
Maintenance Agreements	12,624		102,054					114,678	72,006	59.26%	72,323	0.44%
Depreciation				113,750				113,750	139,857	-18.67%	133,208	-4.75%
Occupancy	93,168							93,168	87,471	6.51%	91,693	4.83%
Legal Expense	5,000			11,000	32,500	14,500	3,500	66,500	82,500	-19.39%	50,038	-39.35%
Audit				58,000				58,000	55,000	5.45%	53,000	-3.64%
Dues & Subscriptions	22,176	3,700	1,305	2,000	3,850	8,125	2,550	43,706	40,787	7.16%	37,476	-8.12%
Interest Expense				39,300				39,300	44,392	-11.47%	39,835	-10.27%
Consulting	8,000	6,000	5,000	5,000	2,000	1,000	4,500	31,500	58,000	-45.69%	28,396	-51.04%
Office Supplies	24,451		6,596					31,047	30,796	0.82%	31,152	1.16%
Telephone	26,948							26,948	24,330	10.76%	22,858	-6.05%
Postage	22,082							22,082	25,095	-12.01%	18,427	-26.57%
Liability Insurance	19,856							19,856	20,672	-3.95%	22,540	9.04%
Printing		15,000			500	3,000	1,000	19,500	23,900	-18.41%	16,952	-29.07%
Commissioner Expenses	12,910							12,910	13,250	-2.57%	9,459	-28.61%
Temp Services	10,500							10,500	3,000	250.00%	10,500	250.00%
Miscellaneous & Other	8,925							8,925	8,900	0.28%	8,948	0.54%
Total Expenses	742,595	284,280	566,153	1,015,284	554,655	934,510	654,404	4,631,881	4,173,007	11.00%	4,087,109	-2.06%
Other Costs (general fund)::												
Loan Interest Cost								694,000	753,000	-7.84%	655,387	-12.96%
Organizational Subsidies								393,000	295,000	33.22%	293,000	-0.68%
Total Other Costs (general fund)								1,087,000	1,048,000	3.72%	948,387	-9.51%
Total Expenses & Other Costs								5,718,881	5,221,007	9.54%	5,035,496	-3.55%
Other Costs (bond):												
Single-Family Loan losses								250,000	250,000	0.00%	(30,000)	-112.00%
Multi-Family Loan losses								300,000	300,000	n/a	10,000	n/a
Outreach & Marketing - new bond coi								120,000	120,000	0.00%	106,848	-10.96%
Servicing Release Premiums								475,500	n/a	n/a	440,000	n/a
SF Loan Origination fees								1,687,500	1,116,000	51.21%	1,562,500	40.01%

Vermont Housing Finance Agency
Fiscal Year 2008 Budget Compilation
FY 2007 PROJECTED EXPENSES BY DEPARTMENT

	(1-10-11) Administration	(1-10-12) Public Affairs	(1-10-13) Info Systems	(1-20-21) Finance	(1-30-31) Development	(1-30-32) Homeownership	(1-30-33) Multi-Family	PROJECTED FY 2007
Expenses:								
Salaries and Wages	269,824	122,483	184,979	391,133	273,984	475,234	385,905	2,103,542
Employee Benefits	60,067	24,629	34,148	72,161	50,578	86,771	71,240	399,594
Pension Expense	25,979	11,793	17,809	37,636	26,379	44,613	37,156	201,365
Marketing & Outreach	9,648	57,334			5,000	92,518	6,700	171,200
Payroll Taxes	20,060	9,150	13,752	29,062	20,369	34,449	28,691	155,533
Trustee Fees				152,835				152,835
Depreciation				133,208				133,208
Staff Travel & Training	27,528	13,500	8,265	12,000	14,204	19,536	17,320	112,353
Contract Services	6,031				66,164	34,300	450	106,945
Occupancy	91,693							91,693
Maintenance Agreements	13,385		58,938					72,323
Audit				53,000				53,000
Legal Expense	1,655			10,183	31,000	6,200	1,000	50,038
Interest Expense				39,835				39,835
Dues & Subscriptions	21,000	2,337		1,543	3,496	7,500	1,600	37,476
			36,937					36,937
Office Supplies	23,287		7,865					31,152
Consulting	6,012	11,600	8,500		1,984		300	28,396
Telephone	22,858							22,858
Liability Insurance	22,540							22,540
Postage	18,427							18,427
Printing		13,000			331	2,500	1,121	16,952
Temp Services	10,500							10,500
Commissioner Expenses	9,459							9,459
Miscellaneous & Other	8,948							8,948
Total Expenses	668,901	265,826	371,193	932,596	493,489	803,621	551,483	4,087,109
Other Costs (general fund)::								
Loan Interest Cost								655,387
Organizational Subsidies								293,000
Total Other Costs (general fund)								948,387
Total Expenses & Other Costs								5,035,496
Other Costs (bond):								
Single-Family Loan losses								(30,000) (gain)
Multi-Family Loan losses								10,000
Outreach & Marketing - new bond coi								106,848
Servicing Release Premiums								440,000
SF Loan Origination fees								1,562,500

VHFA
FY2008 INITIATIVES
June 2007

SYSTEM SOFTWARE CONVERSION

- A major initiative in FY2008 is the conversion of our core operating system and business process reviews that will go with it. This includes the introduction of an entirely new system for the Multifamily program, which effectively will start from scratch since we had not been able to use a lot of the functionality in the Mitas system for that department. There will also be a major upgrade of the Mitas system for finance and homeownership. Because we have chosen to do most of this in house, which the staff has embraced, this may limit our capacity to implement many new programs this next year.

HOMEOWNERSHIP:

- **Production** – Production is projected at 950 loans totaling $135 million. This production level assumes VHFA will have a 50 basis point advantage to conventional rates. Approximately $63.4 million (47%) will be purchased servicing released and $71.6 million (53%) will be purchased servicing retained. Servicing Released Premiums are projected to be $475,500. Contract underwriting expenses are estimated at $35,125. Expenses related to "Quick Check" services from MGIC have been eliminated for FY2008. File storage supplies and expenses are estimated at $2,000. We estimate that 99% of the loans originated ($133.65 million) will be zero points - VHFA will pay loan origination fees to the lenders (1.25%) in the amount of $1,687,500.

- **Loan Losses/ Delinquencies** – We are continuing to recommend a loan loss provision for Homeownership of $250,000. Loan losses for FY2007 are expected to be negligible or may even show a small profit. Staff recommends we leave the loan loss provision for Single Family unchanged at $250,000 for FY2008, based on a somewhat weaker housing market and the potential impact of the new water/wastewater changes that go into effect on July 1, 2007. Any properties we acquire through foreclosure with on-site septic may require significant investment in order to sell the property.

- **Outreach & Marketing** – The overall budget for 2008 has been reduced by $18,200 from $291,200 in 2007 to $273,000. The reduction reflects a cutback in supplemental radio advertising and a small reduction in advertising specific to Homeownership. In addition to radio advertising, VHFA will continue its outreach and sponsorship of lender, real estate brokers, home builder, and HomeOwnership Center (HOC) events. We have also made significant changes to our Lender Website that promotes those lenders who are the top producers, and provide incentives to lenders who are not as active. We have more in-depth information in the Agency's Communication and Marketing Plan for FY2008.

- **Organizational Subsidy –** Organizational Subsidies are budgeted at $393,000 for FY2008, $98,000 over the FY2007 budget of $295,000. The FY2008 budget was increased over the previous year by $100,000 at the request of the Audit/Risk Committee. We are increasing our support of the HomeOwnership Centers (HOC's) for several reasons, including helping to offset the reduction in funding from Neighborworks America. This is an increase over last year's budget which included: $27,000 for each of the seven HOC's, plus $20,000 to help support extending HOC coverage in Windsor, Addison, and Bennington Counties. We also budget $37,000 (125 loans at $300 each) for Homebuyer Education Fee payments to the HOCs. Of the $393,000 budgeted for Organizational Subsidy, total support to the HOCs is now $346,500. Beyond the HOC's, Homeownership includes an additional $25,000 provision for marketing, outreach and sponsorships with other agencies and non-profit groups.

- The remaining $21,500 includes our $15,000 membership fees to Housing Vermont, support for the Vermont Housing Managers Association, and work with the Homeless Initiative.

DEVELOPMENT:

- **Multifamily Production** – We are estimating production volume of $35 million on 18 new and 10 to 12 existing multifamily and single family development projects for FY2008. This is about the same as we expect to finish FY2007 and is higher than last year's budget of $24.0 million. Short-term constructions loans continue to be our primary source of business, representing 80% to 85% of total dollar volume. Predevelopment loans continue to be very active and serve as a forward indicator of longer term volume which we expect to stay steady as long as other funding sources are available to support funding demand. Preservation and restructuring transactions are expected to be somewhat higher in the early part of the year due to the refunding activity of an older multifamily bond resolution in concert with our first issue under the new Multipurpose Bond Resolution.

- **Tax Credit Applications** - The Agency anticipates allocating upwards to $2,287,500 in ceiling credits, and approximately $926,500 in out-of-cap credits and $400,000 in State credits. The Agency receives $250.00 per tax credit application and fees equal to 4% of the credits awarded. Fees anticipated in FY2008 are estimated at $133,000.

MULTIFAMILY MANAGEMENT:

- **Risk Management/Preservation** – Risk Management activities will continue to include quarterly reviews by staff of the Watch List projects. We anticipate many projects on the current Watch List will be involved with the refunding bond issue early in the year with marked improvement for many in their operating cash flows. Management Officers have been very active in their discussion with owners/managers where HAP contracts are scheduled to expire between now and 2014, along with tax credit projects approaching their 15th year of the tax credit compliance period. There are concerted efforts to retain these projects in the affordable housing inventory, address both their financial and physical needs and keep them in the VHFA loan portfolio wherever possible. We will continue our work to

quantify the impact of the Capital Needs Assessments that have been completed for nearly all VHFA projects with a specific focus to determine timing and coordinate funding needs internally and with other funding agencies.

- Staff will be reviewing the status of our Single Family Development Construction loans in light of a somewhat weaker housing market. Many of our projects started construction in 2006 and are beginning to come to market beginning this spring. Some are reporting slower than expected sales rates and we have seen some issues with appraised values that warrant a closer look.

RESEARCH POLICY AND INITIATIVES:

- **Issue Papers** – The Public Affairs and Policy and Planning departments will produce three housing issue papers this fiscal year. The first will be a report on homeless children and families; and we plan to put out an issue paper on the aging of Vermont and the housing needs of elders in the future with a focus on universal design and services in housing for frail elders. Finally, the Agency will be partnering with others to draft a report estimating the potential savings of investing in permanently supported housing versus continued homelessness or institutions.

- **Partnerships with VT Agency of Human Services (AHS)** – AHS has invited VHFA to participate in several planning and policy discussions about how to better connect housing with available supportive services. In FY2008, staff will continue to devote considerable time working with AHS to research potential changes to the General Assistance program; help identify data and partnership opportunities with the Department of Aging and Independent Living; and VHFA plans to promote increased resources dedicated to supportive housing through a partnership with AHS and the housing community. These efforts will hopefully strengthen the resources dedicated to housing Vermont's most vulnerable populations, and VHFA's involvement is consistent with the Agency's mission as well as creates future opportunities for new housing development.

FINANCE:

- **Systems** – The Finance Team will play a major role in the upgrade to the latest version of the Mitas software. We will complete the upgrade to the new release, incorporating any process improvements identified in the process review consulting sessions.

- **Capital Sources** – The Finance Team will work with local financial institutions to provide alternative sources of capital for construction and permanent multi-family projects.

- **Reporting** – We will enhance the quality and timeliness of the periodic financial statements. The goal for timeliness was met in FY2007 so the focus for FY2008 will be to enhance the presentation to include graphs, metrics and summary tables to more effectively communicate the Agency's results and financial positions to Board members.

- **Bond Management** – Finance staff will coordinate with the bond working team to implement new the multi-purpose resolution. The primary purpose of the new resolution will be to improve the underlying ratings of the single family program to AA. Also the new resolution will eliminate the need to forgive the 0% loans generated with excess yield.

- **Trustee Services** – Staff will work with the trustee selected to handle the multi-purpose bond resolution (Wells Fargo) to ensure a seamless implementation of their services, including potential process improvements and the automation of systems interfaces. Also, we will continue to re-evaluate the performance of the existing trustee to determine longevity of the relationship and the possibility of converting the existing portfolio to a new trustee.

- **Support** – In conjunction with the systems upgrade and process review process, staff will identify and implement financial reporting that will aim to assist the operational areas in the most effective delivery of our products.

- **Services evaluation** – Financial staff and key members of management will conduct reviews and potentially initiate an RFP process for the key financial service providers (underwriters, financial analyst, auditors, trustees, etc.)

ADMINISTRATION:

- **Legislative/ Regulatory** – FY 2007 was a particularly frustrating year for housing legislation; not much happened. We will continue to promote a number of initiatives that started this year: funding of a state housing credit for homeownership and increasing the PTT exemption level for VHFA and VHCB borrowers, and initiatives to provide communities with incentives for developing residential housing such as the New Neighborhood Initiative proposed by the Governor. I think the work of trying to get legislation that can be agreed on will take substantial effort this fall and winter.

  We will continue to work with the Congressional Delegation on the passage of legislation that will best suit Vermont. This includes revisions and changes to the GSE oversight regulations and funding for affordable housing, changes to the Section 8 Voucher program, a homeownership development credit program, and exit tax relief. We will be actively involved on an NCSHA committee to promote miscellaneous bond and tax credit revisions presented to Congress in the 2006 session. We will continue to work with NCHSA, AAHSA and HUD on the implementation of combining housing tax credits and 202 funding, and programs to support assisted living.

- **Public Awareness Campaign** – The Agency will continue to play a leadership role in the Vermont Housing Awareness Campaign, including providing financial and staff support. The Campaign will continue its mission to raise the level of awareness about the need for more affordable housing development in Vermont, particularly among key target audiences—local and state officials, local supporters of housing, housing policy

professionals, and the media. We will again take the lead in producing the annual "Between A Rock and A Hard Place," report on housing cost v. wages, which will be released in March, 2008.

- **Professional Support** – The Agency will continue to provide public outreach, media support and other assistance to organizations and individuals around the state advocating for affordable housing, including local housing task forces, community leaders and elected officials.

- **Information Systems** – Development and implementation of the software upgrade projects (Mitas and HDS). Complete final stages of the Document Management project implementation through the summer.

- **Web Development** – Continue ongoing development and maintenance of the Agency Website and Extranet, and the Housing Awareness Website. The Housing Data Website will also be redesigned this year.

Capital Budget FY2008

Description	Cost	Comments
IS Department		
Software Purchases (capitalized)		
Backup Exec Upgrade	$1,900	Upgrade for 10 servers
Subtotal	**$1,900**	
Equipment and Fixtures Purchases (capitalized)		
Desktop Upgrades (12 @ $1600.00)	$19,200	Approx. 1/3 of Destops/year
2 Tablet PCs for MF MORS sys	$5,000	
New Cannn 5010C Scanner	$3,500	
Upgrade 2 servers	$16,000	
Subtotal	**$43,700**	
Information Systems Total	**$45,600**	
Furniture		
Furnishings	$4,000	
Stove 1st floor	$600	
Sub-Total	**$4,000**	
Facilities		
3 Replacement heat pumps	$12,000	
Misc	$5,000	
Sub-Total	**$17,000**	
Equipment - Non-IS		
TOTAL	**$66,600**	

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Tom Connors, Chief Financial Officer

RE: **Approval of General Authorizing Resolution of up to $35 million in multifamily housing bonds**

DATE: May 25, 2007

Board Action Requested: Approve authority for staff to issue multifamily bonds up to $35 million

In order to meet expected funding demands, the staff needs additional authority related to the bonds to be issued for those loans already approved and those in the pipeline. Please find attached a General Authorizing Resolution to issue up to $35 million in multifamily housing bonds (like prior resolutions for the same purpose.)

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

Resolution Authorizing the Issuance and Sale of a Maximum of $35,000,000 of Bonds In One or More Series to Finance Multi-Family Projects

Adopted June 4, 2007

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VERMONT HOUSING FINANCE AGENCY
SERIES RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF A MAXIMUM OF $35,000,000 OF BONDS IN ONE OR MORE SERIES TO FINANCE MULTI-FAMILY PROJECTS

June 4, 2007

WHEREAS, the Vermont Housing Finance Agency (hereinafter referred to as the "Agency") is authorized to finance Mortgage Loans for multifamily housing for persons and families of low and moderate income in the State of Vermont pursuant to the provisions of the Vermont Housing Finance Agency Act, being No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (hereinafter referred to as the "Act"), and to issue its bonds to obtain funds for such purpose and to refund the same; and

WHEREAS, in order to obtain funds with which to provide financing for mortgage loans to acquire, construct, rehabilitate or refinance various developments for persons and families of low and moderate income, such developments as or to be separately approved by the Commissioners of the Agency, it is deemed necessary and advisable to issue and sell one or more series of bonds of the Agency, not to exceed $35,000,000 in the aggregate, all as hereinafter provided;

NOW, THEREFORE, BE IT RESOLVED BY THE VERMONT HOUSING FINANCE AGENCY and the Commissioners thereof, as follows:

ARTICLE I

DEFINITIONS AND AUTHORITY

Section 1.01. Definitions. As used in this Resolution, unless the context shall otherwise require, the following terms shall have the following respective meanings:

"*Bonds*" means the Bonds of the Agency of the Series authorized by this Resolution and a Series Certificate.

"*Code*" means the Internal Revenue Code of 1986, as amended.

"*DTC Eligible*" means Bonds issued in book-entry form through the facilities of a securities depository, to provide for the registration of such depository's nominee as owner thereof.

"*General Resolution*" means the resolution entitled "Multi-Family Mortgage Bond Resolution" adopted on February 3, 1977, as amended and supplemented, the resolution entitled "Multi-Family Housing Bond Resolution" adopted on September 25, 1981, as amended and supplemented, or any other resolution adopted by the Agency, and where appropriate shall also include the Trust Indenture approved by the Agency on April 2, 2007, as amended and supplemented, the Trust Indenture dated as of January 1, 2007, as amended and supplemented, and any other trust indenture approved by the Agency, which resolution or trust indenture permits the issuance of one or more series of bonds thereunder to finance Mortgage Loans or

Projects upon the adoption or execution of a series supplemental resolution or trust indenture satisfying the terms and provisions thereof.

"*Mortgage Loan*" means any mortgage loan with respect to a Project authorized by the Act to be made or financed by the Agency.

"*Program*" means the general program of the Agency under which it finances Mortgage Loans for Projects.

"*Project*" means any Residential Housing the Agency is authorized to finance by the Act and which has been approved by separate resolution of the Agency.

"*Offering Statement*" means the Official Statement, Private Placement Memorandum or similar offering document of the Agency describing the Bonds and used in conjunction with the sale thereof.

"*Resolution*" means this Resolution Authorizing the Issuance and Sale of a Maximum of $35,000,000 of Bonds In One or More Series to Finance Multi-Family Projects.

"*Series Certificate*" means the Series Certificate or Certificates of the Agency dated on or before the date of issuance of the related Series of Bonds which Series Certificate shall establish certain terms and provisions of such Bonds as provided herein; a Series Certificate may also be and include a Supplemental Indenture which contains the provisions required hereby of a Series Certificate.

The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this Resolution, refer to this Resolution.

Section 1.02. Authority for Resolution. This Resolution is adopted pursuant to and in accordance with the provisions of the Act and any General Resolution that may be applicable as hereinafter set forth.

ARTICLE II

AUTHORIZATION, TERMS AND ISSUANCE OF BONDS

Section 2.01. Authorization of Bonds, Principal Amount and Series. In order to provide sufficient funds necessary for the Program, in accordance with and subject to the terms, conditions and limitations established in this Resolution and in any General Resolution applicable thereto, one or more series of Bonds are hereby authorized to be issued, from time to time, each by the execution and delivery of a Series Certificate, in an aggregate principal amount not to exceed $35,000,000. Such Series Certificate shall be signed by at least two of the following—Chairman, Vice-Chairman, Executive Director, Chief Financial Officer or Chief of Program Operations; provided that if the amount of Bonds authorized by such Series Certificate exceeds $5,000,000 one of the signatories thereto must be the Chairman or Vice-Chairman. The Agency is of the opinion and hereby determines (a) that the issuance of Bonds in said amount is necessary to provide sufficient funds to be used and expended from time to time for the Program; (b) that the Mortgage Loans to be made or financed on behalf of the Agency with the proceeds of

the Bonds can be issued bearing a rate or rates of interest which will be less than the prevailing rate of interest on comparable mortgage loans available in the State of Vermont without the assistance of the Agency; and (c) that the Agency will derive receipts, revenues and other income from the Mortgage Loans purchased or made with the proceeds of the Bonds sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the Bonds and the payment of all costs and expenses incurred by the Agency with respect to the Program or purpose for which the Bonds are issued.

Section 2.02. Purposes. The purposes for which the Bonds are being issued are to provide funds to make or finance Mortgage Loans, including making deposits in any funds or accounts of a General Resolution, and include refunding bonds of the Agency issued for such purpose, all as shall be specified in detail in one or more Series Certificates as hereinafter described. Only Mortgage Loans and Projects approved by separate resolution of the Agency may be financed by the proceeds of Bonds authorized hereby.

Section 2.03. Bond Provisions; Series Certificate. A Series of Bonds shall be issued hereunder only upon the delivery of a Series Certificate which shall specify the terms and conditions of such Bonds and the sale and delivery thereof, including without limitation the following:

(a) the principal amount of Bonds to be issued pursuant thereto;

(b) the Series or sub-Series designation and title;

(c) the maturity or maturities of the Bonds, which in no event shall exceed 40 years, provided that if the Agency otherwise approves a Mortgage Loan with a maturity in excess of 40 years from the date of issuance of the Bonds intended to fund such Mortgage, such Bonds may have a maturity not to exceed six months following the maturity of such Mortgage Loan, subject in any case to limitations imposed by the Act;

(d) the interest rate or rates on the Bonds or the method of determining the same, provided that the interest rate or rates on the Bonds (or the initial rate or rates if the rates are not fixed rates) shall not exceed 7% if the interest on the Bonds is to be exempt from federal income taxation or 9% otherwise, and provided further that if the initial rate or rates are not fixed rates the maximum permitted rate in any case may not exceed 12%;

(e) the date or dates on which interest on the Bonds is payable;

(f) the dated date or dates of the Bonds, or the method of determining the same;

(g) the redemption provisions for the Bonds, which may include optional, mandatory and/or sinking fund redemptions, provided that the Bonds shall be optionally redeemable no later than 15 years after their date of issuance and at a redemption premium not exceeding 3% and reducing by at least 1% annually thereafter;

(h) the minimum and authorized denominations of the Bonds;

(i) whether or not the interest on the Bonds is to be exempt from federal income taxation;

(j) whether or not the Bonds are to be DTC Eligible;

(k) the form or forms of the Bonds, the manner of numbering and lettering such Bonds, and the Agency commissioners or officers authorized to execute and deliver the same;

(l) whether or not the Bonds are to be general obligations of the Agency and in any event the source of revenues to be pledged and used to pay the same, which pledge shall be immediately effective as provided by the Act;

(m) that the Agency will derive receipts, revenues and other income from the Mortgage Loan(s) made or purchased with the proceeds of such Series of Bonds sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of such Series of Bonds and the payment of all costs and expenses incurred by the Agency with respect to the Program or for the purpose for which such Series of Bonds are issued;

(n) the reserve fund or funds, any requirements with respect to the Bonds, and the method of funding the same;

(o) whether the Bonds shall be insured or guaranteed by a third party, and the premium or fee therefor, provided that such premium or fee shall be less than the present value of the interest rate savings on the Bonds occasioned by such insurance or guaranty;

(p) the specific use of the proceeds of the sale of the Bonds, the Mortgage Loans to be financed or refinanced thereby, and any bonds of the Agency to be refunded thereby;

(q) the manner in which the Bonds are to be sold, the purchaser or purchasers of the Bonds, the form of the agreement used to sell the Bonds (which form shall be comparable to the forms previously used by the Agency in similar sales of bonds) and the sale price of the Bonds, which may include a sale discount or fee paid to the purchaser not to exceed 1.5% of the principal amount of the Bonds;

(r) if the Bonds are to be remarketed, the remarketing agent therefor and the remarketing agent fee (which shall not exceed 0.50% per annum);

(s) if the Bonds are subject to tender by the owners thereof, the tender agent therefor and any liquidity facility therefor, provided that any liquidity facility fee shall not exceed 0.50% per annum;

(t) the form of the documents pursuant to which the Bonds are to be issued, and any and all documents in connection therewith;

(u) the form of the Offering Statement, if any used to sell or market the Bonds (which form shall be comparable to the forms previously used by the Agency in similar sales of bonds);

(v) the form of continuing disclosure agreement, if any, required to satisfy the federal securities laws (which form shall be comparable to the forms previously used by the Agency in similar sales of Bonds);

(w) the trustee and/or paying agent, if any for the Bonds, provided that if the Bonds are issued under a General Resolution the trustee and/or paying agent thereunder shall be the trustee or paying agent, as the case may be, for the Bonds;

(x) whether or not any investment agreements, repurchase agreements or similar instruments are to be used for the investment of all or any Bond proceeds, and any conditions thereto or limitations thereon;

(y) if the Bonds do not pay interest at a fixed rate, whether or not any third party agreements will be used to reduce the risks of possible interest rate fluctuations and, if so, any conditions thereto or limitations thereon; and

(z) any other matters not inconsistent herewith deemed appropriate and necessary and authorized by the Act.

A Series Certificate may specify that this Resolution and the Bonds authorized hereby and thereby shall be considered a "Series Resolution" under a General Resolution, and thereupon this Resolution (as applicable to such Series or Series of Bonds) and such Series Certificate shall be so treated for all purposes with respect to the Bonds authorized and issued thereby, provided that to the extent such General Resolution permits modification by a "Series Resolution" thereunder, the Series Certificate may specify such modifications even though the same are not set forth herein.

ARTICLE III

SPECIAL COVENANTS FOR TAX-EXEMPT BONDS

Section 3.01. Covenants as to Code. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation, the Agency shall not permit at any time or times any moneys made available to purchase Mortgage Loans in accordance herewith or any proceeds of the Bonds to be used, directly or indirectly, in a manner which would result in such bonds being qualified for the exclusion of any such Bond from the treatment afforded by subsection (a) of Section 103 of the Code by reason of such bond being classified as an "arbitrage bond" within the meaning of Section 148 of the Code, and, without limiting the generality of the foregoing, the Agency shall:

(a) Include restrictions in all agreements relating to the purchase or making of Mortgage Loans with the moneys made available to purchase or make Mortgage Loans so as to permit the financing of Mortgage Loans only in compliance with the Code, and establish and maintain reasonable procedures to ensure compliance with the requirements

of the Code, if applicable. Any failure to meet such requirements shall be corrected by the Agency within a reasonable period after failure is discovered;

(b) Continuously monitor the nonmortgage investments made directly or indirectly with the proceeds of such Bonds and shall take immediate and appropriate action to reduce the amount invested in nonmortgage investments with a yield materially higher than the yield on such Bonds as may be required by the Code; and

(c) Take such other action as may be necessary or desirable to maintain the exclusion of interest on such Bonds in accordance with Section 103(a) of the Code.

Section 3.02. Rebate. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation:

(a) The Agency hereby covenants to establish such separate accounts or subaccounts as may be necessary or desirable to adequately trace and account for the direct and indirect proceeds of such Bonds in order to comply with the rebate or yield reduction payment requirements of Section 148 of the Code. Such accounts or subaccounts may be established at any time upon the written direction of an authorized officer of the Agency.

(b) At least annually, the Agency shall compute and certify in reasonable detail the amount required to be rebated to the United States pursuant to Section 148 of the Code.

(c) As required by Section 148 of the Code, the Agency or any Bond trustee as directed by the Agency shall pay to the United States on behalf of the Agency the amount then required to be paid under Section 148 of the Code. If for any reason funds are not otherwise available for such payment, the Agency covenants to transfer moneys from its own funds for such payment.

(d) The Agency or any Bond trustee as directed by the Agency shall keep such records as will enable them to fulfill their responsibilities under this Section and shall retain such records for at least six years following final payment of the related Bonds.

Section 3.03. Governmental Program Requirement. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation, the Agency shall not make any arrangement, formal or informal, pursuant to which any mortgagor, mortgage lender or other person (or any related person as defined in Section 147 of the Code) who may receive a Mortgage Loan under the Program shall purchase Bonds of the Series or issue which financed such Mortgage Loan in an amount related to the amount of such Mortgage Loan.

Section 3.04. Compliance With Article III. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation, the provisions of this Article III shall be complied with by the Agency in order to meet the requirements of the Code such that interest on such Bonds shall be and remain exempt from

federal income taxes; provided, however, that the Agency shall not be required to comply with any such provision with respect to such Bonds in the event the Agency receives a Counsel's Opinion from a nationally recognized bond counsel firm that compliance with such provision is no longer required to satisfy the requirements of the Code or that compliance with some other provision in lieu of a provision specified in this Article III will satisfy said requirements, in which case compliance with such other provision specified in the Counsel's Opinion shall constitute compliance with the provisions specified in this Article III.

ARTICLE IV

MISCELLANEOUS

Section 4.01. Amendments. This Resolution may be amended from time to time prior to the issuance of any Series of Bonds, which right shall be in addition to any other rights to amend. To the extent a Series of Bonds is issued under and pursuant to a General Resolution, this Resolution and any Series Certificate with respect to such Bonds may be amended under the conditions and to the extent permitted by such General Resolution. To the extent a Series of Bonds is issued only pursuant to this Resolution and a Series Certificate, this Resolution and the Series Certificate may be amended except as restricted hereby, by such Series Certificate or by the Bonds or any other agreement or document executed in conjunction therewith.

Section 4.02. General. The Agency may adopt, and specify in an Officer's Certificate, any additional covenants as to Mortgage Loans, Mortgagors or lenders.

Section 4.03. Authorization of Officers. The Chairman, Vice Chairman or any other Commissioner of the Agency, Executive Director, Treasurer, Chief Financial Officer, Chief of Program Operations and Secretary of the Agency are hereby authorized and directed to do all acts and things (including the conduct of any public hearings required by federal tax laws) and to execute and deliver any and all documents, filings, certificates and other instruments necessary or desirable to effectuate the transactions contemplated by this Resolution or any Series Certificate.

Section 4.04. Effective Date. This resolution shall take effect immediately.

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Tom Connors, Chief Financial Officer

RE: **Approval of General Authorizing Resolution of up to $120 million in single family housing bonds**

DATE: May 29, 2007

Board Action Requested: Approve attached resolution to authorize the issuance of single family bonds up to $120 million

In order to meet expected funding demands, we are asking the Board to approve general authority for the issuance of single family bonds up to $120 million. This will meet the expected need for financing single family mortgages through December. This recommendation is a change to how we have managed the single family bonding authority in the past. This proposal is more consistent with how we have managed approval of multi-family bonding authority. Rather than ask the Board for approval for each single family bond issue, we are asking for overall authority up front and will provide progress reports to the Board as bond issues are developed.

I will give you a current update on the first issuance under the multi-purpose indenture at Monday's meeting.

Please find attached a General Authorizing Resolution to issue up to $120 million in single family housing bonds. A chart showing the estimated schedule for both single family and multifamily bond issues is also attached.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

Resolution Authorizing the Issuance and Sale of a Maximum of $120,000,000 of Bonds and Notes In One or More Series to Finance Single Family Mortgages

Adopted June 4, 2007

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VERMONT HOUSING FINANCE AGENCY
SERIES RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF A MAXIMUM OF 120,000,000 OF BONDS AND NOTES IN ONE OR MORE SERIES TO FINANCE SINGLE FAMILY MORTGAGES

June 4, 2007

WHEREAS, the Vermont Housing Finance Agency (hereinafter referred to as the "Agency") is authorized to finance Mortgage Loans for single-family residential housing for persons and families of low and moderate income in the State of Vermont pursuant to the provisions of the Vermont Housing Finance Agency Act, being No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (hereinafter referred to as the "Act"), and to issue its bonds to obtain funds for such purpose and to refund the same; and

WHEREAS, in order to obtain funds with which to provide financing for mortgage loans to acquire, construct, rehabilitate or improve residential housing for persons and families of low and moderate income, it is deemed necessary and advisable to issue and sell one or more series of bonds and notes of the Agency, not to exceed $120,000,000 in the aggregate, all as hereinafter provided;

NOW, THEREFORE, BE IT RESOLVED BY THE VERMONT HOUSING FINANCE AGENCY and the Commissioners thereof, as follows:

ARTICLE I

DEFINITIONS AND AUTHORITY

Section 1.01. Definitions. As used in this Resolution, unless the context shall otherwise require, the following terms shall have the following respective meanings:

"*Bonds*" means the Bonds of the Agency of the Series authorized by this Resolution and a Series Certificate.

"*Code*" means the Internal Revenue Code of 1986, as amended.

"*DTC Eligible*" means Bonds and Notes issued in book-entry form through the facilities of a securities depository, to provide for the registration of such depository's nominee as owner thereof.

"*General Resolution*" means the resolution entitled "Single Family Housing Bond Resolution" adopted on September 20, 1990, as amended and supplemented, the general indenture entitled "Trust Indenture (Multiple Purpose Bonds)" approved on April 2, 2007, as amended and supplemented, or any other resolution or trust indenture adopted by the Agency which permits the issuance of one or more series of bonds and notes thereunder to finance mortgage loans for single-family residential housing for low- and moderate-income persons.

"*Mortgage Loan*" means any mortgage loan with respect to single-family residential housing for low- and moderate-income persons as authorized by the Act and may include not

only first mortgage loans but also down payment/closing costs assistance loans and home improvement loans to the extent authorized by resolution of the Agency and a General Resolution.

"Notes" means the Notes of the Agency of the Series authorized by this Resolution and a Series Certificate; provided, however, that as provided in Section 2.01 hereof and as may be provided in a Series Certificate, a portion of any Notes may be issued as a separate issue from any Bonds for federal tax purposes.

"*Program*" means the general program of the Agency under which it finances Mortgage Loans.

"*Offering Statement*" means the Official Statement, Private Placement Memorandum or similar offering document of the Agency describing the Bonds and Notes, and used in conjunction with the sale thereof.

"*Resolution*" means this Resolution Authorizing the Issuance and Sale of a Maximum of $120,000,000 of Bonds and Notes In One or More Series to Finance Single Family Mortgages.

"*Series Certificate*" means the Series Certificate or Certificates of the Agency dated on or before the date of issuance of the related Series of Bonds or Series of Notes, which Series Certificate shall establish certain terms and provisions of such Bonds and Notes as provided herein; a Series Certificate may also be and include a Supplemental Indenture which contains the provisions required hereby of a Series Certificate.

The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this Resolution, refer to this Resolution.

Section 1.02. Authority for Resolution. This Resolution is adopted pursuant to and in accordance with the provisions of the Act and any General Resolution that may be applicable as hereinafter set forth.

ARTICLE II

AUTHORIZATION, TERMS AND ISSUANCE OF BONDS

Section 2.01. Authorization of Bonds, Notes, Principal Amount and Series. In order to provide sufficient funds necessary for the Program, in accordance with and subject to the terms, conditions and limitations established in this Resolution and in any General Resolution applicable thereto, one or more series of Bonds and Notes are hereby authorized to be issued, from time to time, each by the execution and delivery of a Series Certificate, in an aggregate principal amount not to exceed $120,000,000; provided, however, that notes may be issued as short term obligations with a maturity of less than 3 years from the date of issuance thereof, the proceeds of which shall not be made available for the funding of mortgage loans until such obligations have been refunded with a series of long term Bonds, and may be issued as their own tax plan. Such Series Certificate shall be signed by at least two of the following—Chairman, Vice-Chairman, Executive Director, Chief Financial Officer or Chief of Program Operations; provided that one of the signatories thereto must be the Chairman or Vice-Chairman. The

Agency is of the opinion and hereby determines (a) that the issuance of Bonds and Notes in said amount is necessary to provide sufficient funds to be used and expended from time to time for the Program; (b) that the Mortgage Loans to be made or financed on behalf of the Agency with the proceeds of the Bonds can be issued bearing a rate or rates of interest which will be less than the prevailing rate of interest on comparable mortgage loans available in the State of Vermont without the assistance of the Agency; and (c) that the Agency will derive receipts, revenues and other income from the Mortgage Loans purchased or made with the proceeds of the Bonds sufficient to provide, together with any investment income derived from proceeds of such Bonds and Notes, and all other available receipts, revenues and income of the Agency, for the payment of the Bonds and Notes and the payment of all costs and expenses incurred by the Agency with respect to the Program or purpose for which the Bonds and Notes are issued.

Section 2.02. Purposes. The purposes for which the Bonds and Notes are being issued are to provide funds to make or finance Mortgage Loans, including making deposits in any funds or accounts of a General Resolution, and include refunding bonds of the Agency issued for such purpose, all as shall be specified in detail in one or more Series Certificates as hereinafter described; provided, however, the proceeds of any Notes shall not be made available for the funding of Mortgage Loans until such obligations have been refunded with a series of long term Bonds. Only Mortgage Loans meeting the requirements of the Program, as approved by the Agency, may be financed by the proceeds of Bonds authorized hereby.

Section 2.03. Bond and Note Provisions; Series Certificate. A Series of Bonds or Notes shall be issued hereunder only upon the delivery of a Series Certificate which shall specify the terms and conditions of such Bonds or Notes, and the sale and delivery thereof, including without limitation the following:

(a) the principal amount of Bonds and Notes to be issued pursuant thereto;

(b) the Series or sub-Series designation and title;

(c) the maturity or maturities of the Bonds and Notes, which in no event shall exceed 40 years, subject in any case to limitations imposed by the Act;

(d) the interest rate or rates on the Bonds and Notes or the method of determining the same, provided that the interest rate or rates on the Bonds (or the initial rate or rates if the rates are not fixed rates) shall not exceed 7½% if the interest on the Bonds and Notes is to be exempt from federal income taxation or 9% otherwise, and provided further that if the initial rate or rates are not fixed rates the maximum permitted rate in any case may not exceed 12%;

(e) the date or dates on which interest on the Bonds and Notes are payable;

(f) the dated date or dates of the Bonds and Notes, or the method of determining the same;

(g) the redemption provisions for the Bonds and Notes, which may include optional, mandatory and/or sinking fund redemptions, provided that the Bonds shall be

optionally redeemable no later than 15 years after their date of issuance and at a redemption premium not exceeding 3% and reducing by at least 1% annually thereafter;

(h) the minimum and authorized denominations of the Bonds and Notes;

(i) whether or not the interest on the Bonds and Notes is to be exempt from federal income taxation;

(j) whether or not the Bonds and Notes are to be DTC Eligible;

(k) the form or forms of the Bonds and Notes, the manner of numbering and lettering such Bonds and Notes, and the Agency commissioners or officers authorized to execute and deliver the same;

(l) whether or not the Bonds and Notes are to be general obligations of the Agency and in any event the source of revenues to be pledged and used to pay the same, which pledge shall be immediately effective as provided by the Act;

(m) that the Agency will derive receipts, revenues and other income from the Mortgage Loan(s) made or purchased with the proceeds of such Series of Bonds sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of such Series of Bonds and the payment of all costs and expenses incurred by the Agency with respect to the Program or for the purpose for which such Series of Bonds are issued;

(n) the reserve fund or funds, any requirements with respect to the Bonds or Notes, and the method of funding the same;

(o) whether the Bonds shall be insured or guaranteed by a third party, and the premium or fee therefor, provided that such premium or fee shall be less than the present value of the interest rate savings on the Bonds occasioned by such insurance or guaranty;

(p) the specific use of the proceeds of the sale of the Bonds and Notes, the type of Mortgage Loans to be financed or refinanced by the Bonds, and any bonds of the Agency to be refunded the Bonds or Notes;

(q) the manner in which the Bonds and Notes are to be sold, the purchaser or purchasers of the Bonds and Notes, the form of the agreement used to sell the Bonds and Notes (which form shall be comparable to the forms previously used by the Agency in similar sales of bonds and notes) and the sale price of the Bonds and Notes, which may include a sale discount or fee paid to the purchaser not to exceed 1.5% of the principal amount of the Bonds and Notes;

(r) if the Bonds are to be remarketed, the remarketing agent therefor and the remarketing agent fee (which shall not exceed 0.50% per annum);

(s) if the Bonds are to be auctioned, the auction agent therefor and the auction agent fee (which shall not exceed 0.30% per annum);

(t) if the Bonds are subject to tender by the owners thereof, the tender agent therefor and any liquidity facility therefor, provided that any liquidity facility fee shall not exceed 0.50% per annum;

(u) the form of the documents pursuant to which the Bonds and Notes are to be issued, and any and all documents in connection therewith;

(v) the form of the Offering Statement, if any used to sell or market the Bonds and Notes (which form shall be comparable to the forms previously used by the Agency in similar sales of bonds and notes);

(w) the form of continuing disclosure agreement, if any, required to satisfy the federal securities laws (which form shall be comparable to the forms previously used by the Agency in similar sales of bonds and notes);

(x) the trustee and/or paying agent, if any for the Bonds and Notes, provided that if the Bonds and Notes are issued under a General Resolution the trustee and/or paying agent thereunder shall be the trustee or paying agent, as the case may be, for such Bonds and Notes;

(y) whether or not any investment agreements, repurchase agreements or similar instruments are to be used for the investment of all or any Bond or Note proceeds, and any conditions thereto or limitations thereon;

(z) if the Bonds do not pay interest at a fixed rate, whether or not any third party agreements will be used to reduce the risks to the Agency of possible interest rate fluctuations and, if so, any conditions thereto or limitations thereon, provided that any interest rate swap, cap or similar hedging agreement shall be consistent with any swap management plan adopted by the Agency; and

(aa) any other matters not inconsistent herewith deemed appropriate and necessary and authorized by the Act.

A Series Certificate may specify that this Resolution and the Bonds and Notes authorized hereby and thereby shall be considered a "Series Resolution" under a General Resolution or a "Supplemental Indenture" under a general Trust Indenture or Indenture of Trust, and thereupon this Resolution (as applicable to such Series, Series of Bonds or Series of Notes) and such Series Certificate shall be so treated for all purposes with respect to the Bonds and Notes authorized and issued thereby, provided that to the extent such General Resolution permits modification by a "Series Resolution" thereunder or such general Trust Indenture or Indenture of Trust permits modification by a "Supplemental Indenture" thereunder, the Series Certificate may specify such modifications even though the same are not set forth herein.

ARTICLE III

SPECIAL COVENANTS FOR TAX-EXEMPT BONDS

Section 3.01. Covenants as to Code. If and to the extent a Series or sub-Series of Bonds or Notes is designated as Bonds or Notes the interest on which is not to be subject to federal income taxation, the Agency shall not permit at any time or times any moneys made available to purchase Mortgage Loans in accordance herewith or any proceeds of the Bonds to be used, directly or indirectly, in a manner which would result in such bonds being qualified for the exclusion of any such Bond from the treatment afforded by subsection (a) of Section 103 of the Code by reason of such bond being classified as an "arbitrage bond" within the meaning of Section 148 of the Code, and, without limiting the generality of the foregoing, the Agency shall:

(a) Include restrictions in all agreements relating to the purchase or making of Mortgage Loans with the moneys made available to purchase or make Mortgage Loans so as to permit the financing of Mortgage Loans only in compliance with the Code, and establish and maintain reasonable procedures to ensure compliance with the requirements of the Code, if applicable. Any failure to meet such requirements shall be corrected by the Agency within a reasonable period after failure is discovered;

(b) Continuously monitor the nonmortgage investments made directly or indirectly with the proceeds of such Bonds and Notes, and shall take immediate and appropriate action to reduce the amount invested in nonmortgage investments with a yield materially higher than the yield on such Bonds and Notes, as may be required by the Code; and

(c) Take such other action as may be necessary or desirable to maintain the exclusion of interest on such Bonds and Notes in accordance with Section 103(a) of the Code.

Section 3.02. Rebate. If and to the extent a Series or sub-Series of Bonds and Notes is designated as Bonds and Notes the interest on which is not to be subject to federal income taxation:

(a) The Agency hereby covenants to establish such separate accounts or subaccounts as may be necessary or desirable to adequately trace and account for the direct and indirect proceeds of such Bonds and Notes in order to comply with the rebate or yield reduction payment requirements of Section 148 of the Code. Such accounts or subaccounts may be established at any time upon the written direction of an authorized officer of the Agency.

(b) At least annually, the Agency shall compute and certify in reasonable detail the amount required to be rebated to the United States pursuant to Section 148 of the Code.

(c) As required by Section 148 of the Code, the Agency or any Bond or Note trustee as directed by the Agency shall pay to the United States on behalf of the Agency the amount then required to be paid under Section 148 of the Code. If for any reason

funds are not otherwise available for such payment, the Agency covenants to transfer moneys from its own funds for such payment.

(d) The Agency or any Bond or Note trustee as directed by the Agency shall keep such records as will enable them to fulfill their responsibilities under this Section and shall retain such records for at least six years following final payment of the related Bonds and Notes.

Section 3.03. Governmental Program Requirement. If and to the extent a Series or sub-Series of Bonds or Notes is designated as Bonds and Notes the interest on which is not to be subject to federal income taxation, the Agency shall not make any arrangement, formal or informal, pursuant to which any mortgagor, mortgage lender or other person (or any related person as defined in Section 147 of the Code) who may receive a Mortgage Loan under the Program shall purchase Bonds of the Series or issue which financed such Mortgage Loan in an amount related to the amount of such Mortgage Loan.

Section 3.04. Compliance With Article III. If and to the extent a Series or sub-Series of Bonds or Notes is designated as Bonds and Notes the interest on which is not to be subject to federal income taxation, the provisions of this Article III shall be complied with by the Agency in order to meet the requirements of the Code such that interest on such Bonds and Notes shall be and remain exempt from federal income taxes; provided, however, that the Agency shall not be required to comply with any such provision with respect to such Bonds and Notes in the event the Agency receives a Counsel's Opinion from a nationally recognized bond counsel firm that compliance with such provision is no longer required to satisfy the requirements of the Code or that compliance with some other provision in lieu of a provision specified in this Article III will satisfy said requirements, in which case compliance with such other provision specified in the Counsel's Opinion shall constitute compliance with the provisions specified in this Article III.

ARTICLE IV

MISCELLANEOUS

Section 4.01. Amendments. This Resolution may be amended from time to time prior to the issuance of any Series of Bonds or Series of Notes, which right shall be in addition to any other rights to amend. To the extent a Series of Bonds or a Series of Notes is issued under and pursuant to a General Resolution, this Resolution and any Series Certificate with respect to such Bonds and Notes may be amended under the conditions and to the extent permitted by such General Resolution.

Section 4.02. General. The Agency may adopt, and specify in an Officer's Certificate, any additional covenants as to Mortgage Loans, mortgagors or lenders.

Section 4.03. Authorization of Officers. The Chairman, Vice Chairman or any other Commissioner of the Agency, Executive Director, Treasurer, Chief Financial Officer, Chief of Program Operations and Secretary of the Agency are hereby authorized and directed to do all acts and things (including the conduct of any public hearings required by federal tax laws) and to execute and deliver any and all documents, filings, certificates and other instruments necessary

or desirable to effectuate the transactions contemplated by this Resolution or any Series Certificate.

Section 4.04. Effective Date. This resolution shall take effect immediately.

Vermont Housing Finance Agency

AMT Bonding Authority Projection

(As of May 15, 2007)

Sources of Bonding Authorities	2007			2008		
	March	July	November	March	July	November
New Authority	113,000,000			110,000,000		
Carry-Forward Authority (Assigned to MF)	7,160,890			21,015,890		
Notes Due	15,000,000		30,000,000 [1]	20,000,000 [2]		20,000,000 [3]
Current Refundings	16,415,852		16,000,000	16,000,000		16,000,000
Total Sources of Bonding Authorities	151,576,742	0	46,000,000	167,015,890	0	36,000,000

Uses of Bonding Authorities	2007			2008		
	March	July	November	March	July	November
Single Family Bond Issues	42,915,852	45,000,000	45,000,000	45,000,000	45,000,000	45,000,000
Single Family Note Issues			20,000,000	20,000,000		20,000,000
Multi-Family Bond Issues	645,000	10,000,000	10,000,000	10,000,000		10,000,000
Multi-Family Bond Issues	3,000,000	0	0	0	0	0
Total Uses of Bonding Authorities	46,560,852	55,000,000	75,000,000	75,000,000	45,000,000	75,000,000
Cumulative Excess/(Shortfall) of Bonding Authorities	105,015,890	50,015,890	21,015,890	92,015,890	47,015,890	8,015,890
Outstanding Notes	50,000,000	50,000,000	40,000,000	40,000,000	40,000,000	40,000,000

[1] Series 24B due 11/1/07.

[2] Series 25B due 5/1/08.

[3] Assumes issuance of one year note in November 2007.

Status Summary of Multi-Purpose Indenture
June 2007 Board Meeting
June 4, 2007

Background

The Agency has been issuing single-family bonds under its Single Family Housing Bond Resolution adopted on September 20, 1990. Multi-family mortgages have previously been funded through a combination of private placement and public sale bonds. Recently, we haven't had enough permanent activity to justify the cost of a public sale, so we have used some creative options such as the KeyBank Series-1 bonds facility.

The main reason for moving to a multi-purpose bond indenture is to refund the 1995 multi-family bond issue at a lower borrowing rate and to gain the benefit of absorbing remaining excess yield by combining single family and multi-family bond issues under one indenture. The new indenture has been deliberately worded to allow significant flexibility in issuing supplemental resolutions for funding single-family and multi-family loans in the future.

The Agency plans to price a new $56.5 million bond issue on June 19th -20th under the Multi-purpose Bond Indenture. This will be the first issuance under this indenture. The purpose of this issue is to refund the entire Multi-Family Housing Bonds (the 1995 and 1997 multi-family issues), as well as to provide funds for two new multi-family projects and a new pool of money to purchase single family mortgages. Of the total bond issue amount, $15.3 million will be issued to provide multi-family financing, and $41.2 million will be issued to provide single family financing.

Status

- At the April Board meeting, the Board of Commissioners approved the general multi-purpose resolution
- At the May Board Meeting, the Board approved the assignment of Wells Fargo as the trustee for the new indenture.
- At the June Board meeting, the Board is being asked to approve two general authorizing resolutions: one for $35 million in multifamily bonds and one for $120 million in single family bonds
- Fitch Ratings has been hired as the second rating agency on this resolution, joining Moody's Financial Services and replacing Standard & Poors. The main reason is that Fitch's rates are more competitive and their requirements are less restrictive. The working group has been meeting with Fitch to bring them up to speed on the indenture.

Opportunities

- The multi-family financing will accomplish several things. The loan portfolio of the 1995 multi-family issue includes approximately $10 million of 0% interest loans. These are the loans which were made with the excess yield generated with the first refunding of this debt in 1995. Since these bonds were due to mature in 2014, the Agency would have to forgive (or collect on) these loans at this time, resulting in income for these projects (or more excess yield, if collected). The issuance of new debt will extend this time period until the maturity of the new bonds (30 years from now), thereby giving the projects additional time to weigh their options.

- By transferring these 0% loans into the new issue, it brings us into yield compliance, essentially solving the excess yield issue. Since the new debt will be at a lower borrowing cost than the issues being refunded, we also have the ability to restructure the loans on several of the existing projects. These projects will be receiving a lower interest rate, in exchange for a longer loan term.

- This issue will also provide permanent financing for two new multi-family projects – Linden Terrace ($810,000), and Prospect Forest Homes ($321,155).

- The single family financing will provide $41 million of new money available to purchase loans. The multi-purpose issue has several tax advantages built in, which allows the multi-family side of the financing to subsidize the interest rate offered to the mortgagors on the single family side. This should result in a very competitive interest rate.

Interesting Housing Fact

June Board Meeting

Excerpt from a National Low Income Housing Coalition Memo to Members (April 27, 2007)

Resident Services Improve Financial Performance of Affordable Family Properties

A study released this month from Enterprise Community Partners, Inc. and Mercy Housing, Inc. shows that low income family housing developments yield higher financial returns to property owners when they provide resident services.

An analysis of 36 Mercy Housing properties found that those offering resident services saved $225 per unit in FY05 and $356 per unit in FY06 by reducing property vacancy losses, legal fees and bad debts. On vacancy loss per unit, properties with resident services out-performed those without resident services by 24% in 2005 and 42% in 2006. On legal fees per unit, properties with resident services outperformed those without resident services by 40% in 2005 and 76% in 2006. On bad debt per unit, properties with resident services out-performed those without resident services by 44% in 2005 and 17% in 2006.

The report states that these results are similar to an unpublished 2005 study by the Pennsylvania Housing Finance Agency, which found that properties with resident services had lower legal expenses, bad debt and unit turnover.

Resident services encompass a diverse range of programs, including education and job training, health services, financial development and community engagement. Eighty of Mercy Housing's 129 properties currently provide such programs through paid, professional staff. The median income of families in these properties is higher by 4% to 24% than in those without resident services.

The study contains cautions that these findings are not definitive and are limited in several respects. Recommendations for future research include longer-term analysis comparing properties with and without resident services within the same market, and standardized data collection on specific operational costs such as security and maintenance.

The study is available from www.practitionerresources.org/cache/documents/645/64551.pdf.

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Director of Homeownership Programs PC

DATE: May 24, 2007

RE: Summary of Homeownership Activities

PRODUCTION

Production reports as of March 31, 2007 by fiscal year and calendar year are attached. We purchased approximately $10.16 million in loans in May 2007 (reports not available at the time of mailing) and have a current pipeline of approximately $40.0 million in loans.

COLLECTIONS

Delinquency reports as of April 30, 2007 are attached. VHFA currently owns 3 properties; two are under contract and expected to close in early June.

If you have any questions please do not hesitate to call me at 652-3442 or email me at pcrady@vhfa.org.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

FY07 Production Summary

July 1, 2006 - June 30, 2007

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total
MOVE	12,358,137	16,354,977	14,702,565	9,391,304	11,050,470	12,027,936	6,478,688	5,154,110	9,199,141	7,493,657			**104,210,985**
HOUSE	170,654	640,120	267,939	264,000	387,900	722,916	201,680	225,325	692,110	419,285			**3,991,929**
RURAL DEV.			26,500	28,500									**55,000**
LIMITED REFI				113,953									**113,953**
FIXED35				422,000	220,000	189,050			247,500				**1,078,550**
Dollar Total	**12,528,791**	**16,995,097**	**14,997,004**	**10,219,757**	**11,658,370**	**12,939,902**	**6,680,368**	**5,379,435**	**10,138,751**	**7,912,942**	**0**	**0**	**109,450,417**
Total # of Loans	**87**	**122**	**104**	**75**	**82**	**90**	**49**	**36**	**69**	**58**			**772**

MOBILE HOME	1,505,907	1,043,436	392,800	1,336,196	1,151,800	1,279,875	**865,250**	220,750	565,164	1,009,882			**9,371,060**
Total # of MH*	**15**	**13**	**5**	**14**	**13**	**13**	**9**	**2**	**6**	**9**			**99**

*The Mobile Home # is included in the above line item titled "Total # of Loans"

FY06 Production Summary

July 1, 2005 - June 30, 2006

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total
MOVE	9,369,277	6,572,803	9,805,306	6,903,022	5,274,920	9,356,725	5,747,307	5,115,359	6,723,853	7,002,262	8,709,255	14,414,830	**94,994,919**
HOUSE	424,415	265,900	180,610	923,600	115,000	158,900	257,220		565,314	440,420	379,400	608,070	**4,318,849**
RURAL DEV.	30,020	78,300	43,350		29,600		32,000				27,000	25,460	**265,730**
LIMITED REFI	47,200				34,200				31,950	55,000	164,820		**333,170**
Dollar Total	**9,870,912**	**6,917,003**	**10,029,266**	**7,826,622**	**5,453,720**	**9,515,625**	**6,036,527**	**5,115,359**	**7,321,117**	**7,497,682**	**9,280,475**	**15,048,360**	**99,912,668**
Total # of Loans	**81**	**59**	**82**	**61**	**51**	**71**	**46**	**41**	**54**	**53**	**70**	**109**	**778**

MOBILE HOME	992,692	707,650	1,124,450	1,040,471	1,064,087	1,294,715	905,200	577,811	396,190	707,480	972,825	1,809,676	**11,593,247**
Total # of MH*	**14**	**9**	**12**	**11**	**14**	**13**	**9**	**6**	**5**	**6**	**10**	**19**	**128**

*The Mobile Home # is included in the above line item titled "Total # of Loans"

FY07 Loan Volume by Lender

July 1, 2006 - June 30, 2007

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD TOTAL
NEW ENGLAND FCU	16	18	15	11	16	18	8	9	16	10			137
CHITTENDEN MTG SVCS	14	18	21	5	12	14	9	8	11	3			115
UNIVERSAL	7	15	14	7	3	6	5	5	5	7			74
COMMUNITY	4	8	3	4	13	5	3	1	4	3			48
MTG FINANCIAL SRV	2	10	5	6	6	5	1	1	1	1			38
NORTHFIELD	2	8	4	4	3	7	3		3	1			35
SUMMIT	9	3	3	4	5	3	1	1					29
HERITAGE FCU	1	2	4	2	5		2	3	1	7			27
N.E. HOME LOAN	6	4	2	3		3	3		4	2			27
TDBANKNORTH	2	2	4	2			2	2	6	3			23
VT STATE ECU	3	1	1	3	4	2	2	3	1	2			22
UNION	2	3	4	4		2	2		3				20
GMAC	3	8	3	2	1	1		1					19
LIBERTYQUEST	2	3	3	1	2	2	1		1	2			17
PEOPLES TRUST		2	4	3	1	2		1		3			16
NORTH COUNTRY FCU	1		2	1	2	1	4		3	1			15
FIRST COMMUNITY		3	1			3			3	3			13
MASCOMA	1	2	2	1		3	1		1	2			13
COUNTRYWIDE			2	1	3	1	2		1	2			12
VT FEDERAL CU	3	2	1	2	1				2	1			12
BRATTLEBORO	2		1		2	4				2			11
FACTORY PT	3	4			2	2							11
CTX	2	2	1	1	1					1			8
NAT'L BNK MIDDLE			1			4				1			6
BANK OF BENN	1		1			2				1			5
CT RIVER		2	1	1				1					5
OPPORTUNITIES CU				4					1				5
RIVER VALLEY CU	1	1		1									3
CCO MORTGAGE				1					1				2
VHFA (RD)			1	1									2
FIRST BRANDON									1				1
LYNDONVILLE		1											1
KEYBANK													0
NATIONAL CITY													0
WELLS FARGO													0
TOTAL	87	122	104	75	82	90	49	36	69	58	0	0	772

No longer participating:
Kittredge Mortgage

Re-Activated:
CCO Mortgage (Charter One)
First Brandon
Wells Fargo
National City
KeyBank

FY07 Dollar Volume by Lender

July 1, 2006- June 30, 2007

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD TOTAL
NEW ENGLAND FCU	2,873,839	2,839,824	2,717,501	1,695,597	2,747,670	3,058,643	1,346,555	1,541,630	2,594,454	1,717,618			$23,133,331
CHITTENDEN MTG SVCS	1,835,886	2,460,407	3,107,879	557,681	1,671,306	2,056,070	1,273,940	1,152,919	1,731,800	361,585			$16,209,473
UNIVERSAL	1,008,812	2,268,098	2,430,432	1,244,269	466,400	845,490	770,522	902,682	829,070	824,216			$11,589,991
SUMMIT	1,544,444	471,000	364,900	687,564	857,219	541,241	213,928	164,560	1,127,002				$5,971,858
MTG FINANCIAL	337,756	1,633,156	630,897	935,621	951,004	932,534	178,208	75,000	119,900	171,111			$5,965,187
COMMUNITY	478,815	871,590	364,080	351,677	1,670,045	694,138	314,700	140,904	534,669	300,300			$5,720,918
NORTHFIELD	269,000	987,970	553,885	663,750	384,200	732,253	317,900		439,504	133,000			$4,481,462
HERITAGE FCU	169,702	242,417	575,600	262,900	520,000		198,203	389,100	56,000	1,003,800			$3,417,722
N.E. HOME LOAN	605,060	477,100	172,850	401,800		344,190	330,950		483,760	163,430			$2,979,140
VT STATE ECU	377,500	137,819	130,000	481,000	480,345		211,700	383,050	222,000	274,316			$2,697,730
LIBERTYQUEST	213,000	542,775	296,817	160,000	282,314	289,648	214,442		145,000	348,225			$2,492,221
UNION	259,000	360,500	458,113	449,450		241,075	242,570		393,000				$2,403,708
PEOPLES TRUST		174,750	596,700	354,900	150,000	305,700		175,000		493,400			$2,250,450
GMAC	343,900	975,350	336,300	201,000	87,000	115,000		75,000					$2,133,550
TDBANKNORTH	212,150	330,310	539,800	130,000			224,050	266,100		337,973			$2,040,383
VT FEDERAL CU	563,632	301,922	182,320	184,073	144,000	231,700			277,000	98,500			$1,983,147
NORTH COUNTRY CU	138,500		$260,000	120,000	285,000	122,320	492,800		268,200	105,875			$1,792,695
MASCOMA	160,000	214,900	296,280	200,000		405,110	97,000		113,317	227,420			$1,714,027
COUNTRYWIDE			279,000	171,000	447,221	144,000	252,900		149,900	269,865			$1,713,886
FIRST COMMUNITY		372,025	140,000			467,000			210,175	441,401			$1,630,601
FACTORY PT	374,500	599,750			172,200	276,000							$1,422,450
CTX	357,795	281,934	120,000	190,272	215,491					242,125			$1,407,617
BRATTLEBORO	252,800		34,300		126,955	519,850				200,500			$1,134,405
NAT'L BNK MIDDLE			148,000	0		410,000				129,782			$687,782
OPPORTUNITIES CU				434,653					135,800				$570,453
BANK OF BENN	110,000		164,050			207,940				68,500			$550,490
CT RIVER		258,700	70,800	96,000				113,490					$538,990
CCO MORTGAGE				155,000					205,200				$360,200
LYNDONVILLE		159,500											$159,500
RIVER VALLE CU	42,700	33,300		63,050									$139,050
FIRST BRANDON									103,000				$103,000
VHFA (RD)			26,500	28,500									$55,000
NATIONAL CITY													$0
WELLS FARGO	0	0	0	0	0	0	0	0	0				$0
TOTAL	$12,528,791	$16,995,097	$14,997,004	$10,219,757	$11,658,370	$12,939,902	$6,680,368	$5,379,435	$10,138,751	$7,912,942			$109,450,417

No longer participating:
Kittredge Mortgage

Re-Activated:
CCO Mortgage (Charter One)
First Brandon
Wells Fargo
National City
KeyBank

CY07 Production Summary

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	Total
MOVE	6,478,688	5,154,110	9,199,141	7,493,657									**28,325,596**
HOUSE	201,680	225,325	692,110	419,285									**1,538,400**
RURAL DEV.													**0**
LIMITED REFI													**0**
FIXED35			247,500										**247,500**
Total	**6,680,368**	**5,379,435**	**10,138,751**	**7,912,942**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**30,111,496**
MOBILE HOME	865,250	220,750	565,164	1,009,882									**2,661,046**

CY06 Production Summary

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	Total
MOVE	5,747,307	5,115,359	6,723,853	7,002,262	8,709,255	14,414,830	12,358,137	16,354,977	14,702,565	9,391,304	11,050,470	12,027,936	**123,598,255**
HOUSE	257,220		565,314	440,420	379,400	608,070	170,654	640,120	267,939	264,000	387,900	722,916	**4,703,953**
RURAL DEV.	32,000					25,460			26,500	28,500			**112,460**
LIMITED REFI			31,950	55,000	164,820					113,953			**365,723**
FIXED35										422,000	220,000	189,050	**831,050**
Total	**6,036,527**	**5,115,359**	**7,321,117**	**7,497,682**	**9,253,475**	**15,048,360**	**12,528,791**	**16,995,097**	**14,997,004**	**10,219,757**	**11,658,370**	**12,939,902**	**129,611,441**
MOBILE HOME	905,200	577,811	396,190	707,480	972,825	1,809,676	1,505,907	1,043,436	392,800	1,336,196	1,151,800	1,279,875	**12,079,196**

CY07 Dollar Volume by Lender

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	YTD TOTAL
NEW ENGLAND FCU	1,346,555	1,541,630	2,594,454	1,717,618									7,200,257
CHITTENDEN MTG SVCS	1,273,940	1,152,919	1,731,800	361,585									4,520,244
UNIVERSAL	770,522	902,682	829,070	824,216									3,326,490
HERITAGE FCU	198,203	389,100	56,000	1,003,800									1,647,103
SUMMIT	213,928	164,560	1,127,002										1,505,490
COMMUNITY	314,700	140,904	534,669	300,300									1,290,573
VT STATE ECU	211,700	383,050	222,000	274,316									1,091,066
N.E. HOME LOAN	330,950		483,760	163,430									978,140
NORTHFIELD	317,900		439,504	133,000									890,404
NORTH COUNTRY CU	492,800		268,200	105,875									866,875
TDBANKNORTH	224,050	266,100		337,973									828,123
LIBERTYQUEST	214,442		145,000	348,225									707,667
COUNTRYWIDE	252,900		149,900	269,865									672,665
PEOPLES TRUST		175,000		493,400									668,400
FIRST COMMUNITY			210,175	441,401									651,576
UNION	242,570		393,000										635,570
MTG FINANCIAL	178,208	75,000	119,900	171,111									544,219
MASCOMA	97,000		113,317	227,420									437,737
VT FEDERAL CU			277,000	98,500									375,500
CTX				242,125									242,125
CCO MORTGAGE			205,200										205,200
BRATTLEBORO				200,500									200,500
OPPORTUNITIES CU			135,800										135,800
NAT'L BNK MIDDLE				129,782									129,782
CT RIVER		113,490											113,490
FIRST BRANDON			103,000										103,000
GMAC		75,000											75,000
BANK OF BENN				68,500									68,500
FACTORY PT													0
KEY BANK													0
LYNDONVILLE													0
NATIONAL CITY													0
RIVER VALLEY CU													0
VHFA (RD)													0
WELLS FARGO													0
TOTAL	$6,680,368	$5,379,435	$10,138,751	$7,912,942	$0	$0	$0	$0	$0	$0	$0	$0	$30,111,496

No longer participating:
Kittredge Mortgage

Re-Activated:
CCO Mortgage (Charter One)
Wells Fargo
First Brandon
National City
KeyBank

CY07 Number of loans

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	YTD TOTAL
NEW ENGLAND FCU	8	9	16	10									43
CHITTENDEN MTG SVCS	9	8	11	3									31
UNIVERSAL	5	5	5	7									22
HERITAGE FCU	2	3	1	7									13
COMMUNITY	3	1	4	3									11
N.E. HOME LOAN	3		4	2									9
NORTH COUNTRY CU	4		3	1									8
SUMMIT	1	1	6										8
VT STATE ECU	2	3	1	2									8
NORTHFIELD	3		3	1									7
TDBANKNORTH	2	2		3									7
FIRST COMMUNITY			3	3									6
COUNTRYWIDE	2		1	2									5
UNION	2		3										5
LIBERTYQUEST	1		1	2									4
MASCOMA	1		1	2									4
MTG FINANCIAL	1	1	1	1									4
PEOPLES TRUST		1		3									4
VT FEDERAL CU			2	1									3
BRATTLEBORO				2									2
BANK OF BENN				1									1
CCO MORTGAGE			1										1
CT RIVER		1											1
CTX				1									1
GMAC		1											1
NAT'L BNK MIDDLE				1									1
OPPORTUNITIES CU			1										1
FACTORY PT													0
FIRST BRANDON			1										0
LYNDONVILLE													0
NATIONAL CITY													0
RIVER VALLEY CU													0
VHFA (RD)													0
WELLS FARGO													0
KEY BANK													
TOTAL	49	36	69	58	0	0	0	0	0	0	0	0	211

No longer participating:
Kittredge Mortgage

Re-Activated:
CCO Mortgage (Charter One)
Wells Fargo
First Brandon
National City
KeyBank

VERMONT HOUSING FINANCE AGENCY
HOMEOWNERSHIP PROGRAM MONTHLY DELINQUENCY REPORT
April 30, 2007

Lenders	Total Loans	30 Days		60 Days		90+ Days		In Foreclosure		Total Delinquent		REO	
Chittenden Mortgage Services	1211	44	3.63%	24	1.98%	6	0.50%	14	1.16%	88	7.27%	2	0.17%
Graystone Mortgage Company	2125	86	4.05%	19	0.89%	7	0.33%	23	1.08%	135	6.35%	1	0.05%
Community National Bank	324	16	4.94%	1	0.31%	0	0.00%	0	0.00%	17	5.25%	0	0.00%
Opportunities CU	135	3	2.22%	2	1.48%	1	0.74%	1	0.74%	7	5.19%	0	0.00%
Union Bank	319	8	2.51%	3	0.94%	2	0.63%	1	0.31%	14	4.39%	0	0.00%
Peoples Trust Co.	110	4	3.64%	0	0.00%	0	0.00%	0	0.00%	4	3.64%	0	0.00%
Mascoma Savings Bank	47	1	2.13%	0	0.00%	0	0.00%	0	0.00%	1	2.13%	0	0.00%
Factory Point Nat. Bank	61	1	1.64%	0	0.00%	0	0.00%	0	0.00%	1	1.64%	0	0.00%
Bank of Bennington	64	1	1.56%	0	0.00%	0	0.00%	0	0.00%	1	1.56%	0	0.00%
Brattleboro Savings & Loan	90	0	0.00%	0	0.00%	1	1.11%	0	0.00%	1	1.11%	0	0.00%
New England Federal CU	441	3	0.68%	0	0.00%	0	0.00%	0	0.00%	3	0.68%	0	0.00%
CitiMortgage	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Connecticut River Bank	55	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Heritage Family Credit Union	137	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Randolph National Bank	4	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Totals	**5124**	**167**	**3.26%**	**49**	**0.96%**	**17**	**0.33%**	**39**	**0.76%**	**272**	**5.31%**	**3**	**0.06%**
Totals Previous Month	**5102**	**176**	**3.45%**	**39**	**0.76%**	**14**	**0.27%**	**42**	**0.82%**	**271**	**5.31%**	**3**	**0.06%**
Totals Same Mo. Last Yr.	**4670**	**210**	**4.50%**	**46**	**0.99%**	**25**	**0.54%**	**29**	**0.62%**	**310**	**6.64%**	**5**	**0.11%**

Note: Of the loans in foreclosure, a total of 18 are under a Chapter l3 Bankruptcy Plan

Monthly Delinquency by Servicer

Lenders	April 2006	May 2006	June 2006	July 2006	Aug 2006	Sept 2006	Oct 2006	Nov 2006	Dec 2006	Jan 2007	Feb 2007	March 2007	April 2007
Bank of Bennington	3.13%	3.08%	1.54%	1.52%	4.55%	1.52%	0.00%	4.55%	2.94%	6.06%	3.03%	3.13%	1.56%
Brattleboro Savings & Loan	0.00%	1.20%	3.57%	2.35%	3.53%	3.53%	3.57%	5.81%	7.87%	5.62%	5.62%	2.25%	1.11%
Chittenden Mortgage Services	10.36%	9.09%	9.08%	9.38%	8.39%	9.04%	8.08%	9.97%	1.08%	9.59%	9.34%	8.04%	7.27%
CitiMortgage	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Community National Bank	2.83%	4.51%	3.06%	5.72%	4.29%	6.27%	5.92%	5.70%	7.23%	6.29%	4.72%	3.73%	5.25%
Connecticut River Bank	2.00%	4.00%	1.92%	3.85%	3.70%	0.00%	0.00%	0.00%	3.64%	0.00%	0.00%	0.00%	0.00%
Factory Point Nat. Bank	0.00%	3.51%	3.45%	5.00%	1.56%	3.17%	1.67%	0.00%	0.00%	1.61%	1.61%	1.64%	1.64%
Graystone	7.45%	6.58%	6.21%	6.84%	6.38%	7.34%	6.75%	7.54%	7.65%	6.92%	6.88%	6.16%	6.35%
Heritage Family CU	0.88%	0.86%	1.71%	1.72%	2.56%	3.36%	3.31%	2.38%	2.38%	2.36%	2.31%	2.29%	0.00%
Mascoma Savings Bank	2.94%	0.00%	0.00%	2.70%	0.00%	2.50%	2.44%	2.44%	6.82%	2.22%	4.44%	2.22%	2.13%
New England Federal CU	0.34%	0.33%	0.62%	0.59%	0.56%	0.27%	0.26%	0.00%	0.74%	0.49%	0.95%	0.23%	0.68%
Opportunites CU	7.75%	6.29%	6.80%	8.28%	7.64%	6.34%	5.59%	6.38%	4.29%	6.62%	5.88%	4.44%	5.19%
Peoples Trust Co.	2.02%	2.04%	4.12%	3.09%	3.06%	3.92%	4.81%	4.76%	3.77%	4.72%	2.80%	0.93%	3.64%
Randolph National Bank	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Union Bank	4.63%	5.21%	4.89%	3.07%	4.32%	4.01%	3.06%	5.25%	6.13%	5.56%	4.67%	4.33%	4.39%

HOMEOWNERSHIP DELINQUENCY REPORT
FISCAL YEAR 2007

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
Total Portfolio #	4799	4876	4932	4946	4988	5041	5059	5070	5102	5124			4994
Total Portfolio $	388.6	401.9	412.7	417.9	426.3	436.9	439.7	442.5	449.4	453.9			427.0

NUMBER OF DELINQUENT LOANS

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	199	187	223	194	224	232	209	192	176	167			200
60 Days	50	41	42	44	55	78	59	63	39	49			52
90 Days	13	16	15	14	19	23	25	17	14	17			17
Foreclosure	41	41	37	35	39	34	37	44	42	39			39
Total Delq FY 07	303	285	317	287	337	367	330	316	271	272	0	0	309
Total Delq FY 06	331	315	323	288	347	353	338	319	271	310	286	280	313

PERCENT BY NUMBER OF DELINQUENT LOANS

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	4.15%	3.84%	4.52%	3.92%	4.49%	4.60%	4.13%	3.79%	3.45%	3.26%			4.02%
60 Days	1.04%	0.84%	0.85%	0.89%	1.00%	1.55%	1.17%	1.24%	0.76%	0.96%			1.03%
90 Days	0.27%	0.33%	0.30%	0.28%	0.38%	0.46%	0.49%	0.34%	0.27%	0.33%			0.35%
Foreclosure	0.85%	0.84%	0.75%	0.71%	0.78%	0.67%	0.73%	0.87%	0.82%	0.76%			0.78%
Total Delq FY 07	6.31%	5.85%	6.42%	5.80%	6.65%	7.28%	6.52%	6.24%	5.30%	5.31%	0.00%	0.00%	6.17%
Total Delq FY 06	7.21%	6.89%	7.05%	6.30%	7.60%	7.68%	7.31%	6.88%	5.81%	6.65%	6.09%	5.87%	6.78%

DOLLAR AMOUNT OF DELINQUENT LOANS

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	$11.2	$11.2	$13.2	$12.9	$13.7	$14.6	$13.1	$13.0	$10.7	$10.1			$12.4
60 Days	$2.9	$2.3	$2.5	$2.7	$3.2	$4.6	$3.5	$4.0	$2.7	$2.8			$3.1
90+ Days	$3.1	$3.2	$3.1	$2.9	$3.7	$3.8	$3.9	$3.7	$3.4	$3.5			$3.4
Total Delq FY 07	$17.2	$16.7	$18.8	$18.5	$20.6	$23.0	$20.5	$20.7	$16.8	$16.4	$0.0	$0.0	$18.9
Total Delq FY 06	$19.4	$17.6	$18.9	$16.8	$20.2	$20.3	$20.2	$18.9	$15.8	$17.6	$16.5	$16.2	$18.2

REO INVENTORY REPORT
As of April 30, 2007

Mortgagor	REO Date	City/Town	Princ. Bal.	Interest	Expenses	Receipts (1)	Total Cost Basis	Valuation Allowance	List Amount (2)	Current Appraisal	Date Last Appraised	Original Appraisal	Loan Date	Type	Comments
Goble	**10/12/2006**	**Roxbury**	**$ 50,542**	**$ 4,340**	**$ 12,230**	**$ -**	**$ 67,112**	**$ -**	**$ 95,000**	**$ 106,000**	**3/23/06**	**$ 60,000**	**10/06/97**	**MH**	**UC $92,500; Closing delayed to 6/1/07**
Peryea	2/26/2007	Rutland	$ 24,516	$ 5,970	$ 14,453	$ -	$ 44,939	$ -	$ 92,000	$ 92,000	3/28/07	$ 80,000	12/17/01	SF	RD/VHFA participation; bal. after VHFA Pd goes to RD
Mullins	**3/27/2007**	**Northfield**	**$ 53,436**	**$ 4,121**	**$ 11,700**	**$ -**	**$ 69,257**		**$ 75,000**	**$ 65,000**	**9/21/06**	**$ 61,000**	**10/17/97**	**SF**	**UC $75,000; Closing 5/25/07**
3			**$ 128,494**	**$ 14,431**	**$ 38,383**	**$ -**	**$ 181,308**	**$ -**	**$ 262,000**	**$ 263,000**		**$ 201,000**			

REOS that are under deposit

(1) Receipts column represents actual and projected/estimated mortgage insurance claim payments

(2) If Property is under deposit the List Price is the actual sale price.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director

DATE: May 29, 2007

RE: **EXECUTIVE DIRECTOR'S REPORT**

Administration

Kathy Cawley of the Homeownership Dept. spearheaded an incredibly fun and profitable United Way event. On May 5th the Agency hosted a Mother's Day activity day for children to create wonderful gifts for mom. Pat Crady and Polly Thibault also donated materials and their expertise in beading and painting of flower pots. Thirteen children attended and the event raised $195 for the United Way. The Agency also sponsored Blue-Jean Week and raised another $200.

The Mitas Group will be onsite May 30th through June 1st for the first business analysis session for Single Family Orientation and Servicing. The Finance visit is scheduled for the week of June 18th.

Chris MacAskill worked with SymQuest to upgrade our current exchange server (email and network files) to a new server the week of May 14th. The transition was incredibly smooth, with minimal down time. As part of this upgrade, the Agency also will be upgrading our backup device to allow for remote backup (vs. tied to just one server).

Tom Connors, Pat Loller, Erin Navin, Erin Philbrick and I attended the NCSHA Spring Training conference that was held in Ft. Lauderdale May 19th – 22nd.

Development

On May 10th I attended the open house at Green Woods Village in Shoreham. The first phase will be seven single family homes right across from the school and village green. The home seemed very well designed and well built. That evening I attended a dinner and forum at the Southwestern Health Care Center in Bennington. They are interested in exploring the "Greenhouse" home concept of nursing home care, and may be interested in looking at other options of retirement housing. Being in southern Vermont also gave me a chance to visit a number of other current and future housing sites.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

The Development department has said farewell to Liza Plantilla, who has returned to school to study historic preservation on a full fellowship. We wish her the best. The search has begun for her replacement and we expect to start interviews the first week of June.

We are also very happy for Nina McDonnell who received her adoption referral and will be traveling to China. She will begin family leave in June.

The department is inundated with applications for allocated credits, state credits, and financing. Much of the previous month was spent on reviewing those, as well as getting up to speed on the re-distributed projects Liza was responsible for. Given the cycles of the state credit funding and the VHFA fiscal year, we intend to present all of the requests for state credits to the August Board meeting.

Josh Slade attended a week-long multifamily financing course sponsored by the National Development Council, and Joe Erdelyi (together with Andy Broderick) conducted a half-day training session on tax credit basics for the CD staff at DHCA in Montpelier.

Multifamily

Staff continues to work on the details of the Multi-Purpose bond issue providing information to the rating agencies, underwriters and our financial consultants.

With good weather finally here, this is also a prime time of year for site visits, management/tax credit reviews and inspections.

Our conversion to the HDS TRACS (Tenant Rental Assistance Certification System) system has been nearly flawless and staff is very happy with this new software. Beginning next month we will cease running parallel systems and be solely on the HDS TRACS software.

Work has begun on preparing Risk Management Committee's next Watch List report based on 2006 audit statements. Following a direct appeal for timeliness, we were successful in obtaining this year's audited financial statements from owners and accountants in a much improved response to the March 1st required submission date.

Staff has been working diligently to implement the Document Imaging software for the Multifamily and Development departments. Holly Brown, our temp working at VHFA for the next three months, has played a key role in this implementation.

Homeownership

June is National Homeownership Month, and the Public Affairs department and Homeownership are working on several projects related to spreading the word about affordable homeownership.

John Fairbanks and Craig Bailey have been assisting Neighborworks of Western Vermont on a June 2nd event at NWWVT's Cottage Lane project in Middlebury. John has also prepared a new Agency radio spot based on National Homeownership Month.

Public Affairs

I will provide a wrap of the Legislative session at the June meeting, but frankly I do not have much to report.

On the Federal level there is some good news. The House passed H.R. 1427 creating a new GSE-financed, state-administered affordable housing fund. Estimates I have seen show this bill providing in the range of $1.2 million in new funds for Vermont, after the first year commitment to the Gulf states. This bill establishes a new regulator for Fannie Mae, Freddie Mac, and the Federal Home Loan Banks (FHLB) with expanded powers more like those wielded by existing federal financial institution regulators. These include the ability to set minimum and risk-based capital standards, limit portfolio investments, approve new programs and products, and place unsound institutions into receivership. The bill also deepens the income targeting of Fannie Mae and Freddie Mac's affordable housing goals, transfers the GSEs' mission oversight from HUD to the new regulator, and increases the GSE conforming loan limit in high-cost areas to the lesser of the area median home price or 150 percent of the current conforming loan limit.

John Fairbanks attended a meeting in Newport in May discussing affordable housing and local development in the Northeast Kingdom and another meeting of the Central Vermont Housing Collaborative, where a work plan for encouraging housing development at the local level was outlined.

John, Tom Connors and I had a fruitful meeting at the Vermont Community Foundation last month. They talked with Foundation CEO, Brian Byrnes and Faith Brown, its CFO. The discussion mainly revolved around ways the Agency and the Foundation could work together to promote affordable housing and possibilities for more investment from the Foundation.

Finance

Under Tom's leadership, the Finance team did a great job working on the March accounting close. They were able to close the third quarter in 30 days and produce financial statements (including analysis) in time for the Board Meeting on May 7th. In order to accomplish this, the team analyzed the current closing process and identified steps that could be accelerated. They also re-allocated workload and backed each other up. Scott Baker and Tim Gutchell identified

the tasks that could be accelerated, developed the plan and led the team throughout the process. Lisa Clark, Martha Fleming, Tina Franzen and Sue Joachim worked well as a team to accelerate their workload, back each other up and execute the plan. The team was awarded employee recognition awards for their efforts.

Once the quarter was closed, Tom Connors worked with Tim and Scott to analyze the financial statements and put together a reporting and analysis package to present to the Board and help them better understand the results for the quarter. When Tom presented the package to the meeting on the 7th, the Board expressed their appreciation for the team's efforts in providing a thorough and timely report. The department has set this schedule as the benchmark for future interim quarters and will look for ways to add more helpful information to the Board financial package. We have been soliciting input from other HFAs and will have some new ideas for future reports.

On May 1st, after months of developing and issuing an RFP, reviewing proposals and meeting with vendors, the trustee selection committee unanimously agreed to recommend Wells Fargo as the trustee for the new multi-purpose bond indenture. There was a conference call on the 2nd with the Audit/Risk Committee, who agreed to support the staff's recommendation. The recommendation was presented to and approved by the Board on May 7th. Wells Fargo was notified of their selection on May 8th and they immediately started participating in the weekly conference calls on the new indenture. Again, this RFP is only for a trustee for the new multi-purpose resolution. The plan is to retain Bank of New York for the existing bond portfolio. The domicile requirement that exists in older resolutions has been removed in the new indenture to give us more options for working with trustees outside the state of Vermont.

The working group continued their due diligence on the new multi-purpose indenture. This is very different from previous indentures in that it combines both Multi-Family and Single-Family bonds. Scott and Tom have been heavily involved in this project, which not only involves working with a new trustee, but also involves working with a new rating agency. Fitch Ratings has replaced Standard & Poors and will join Moody's Investor Service as the other rating agency on this indenture. We expect the first bond issue to be priced in mid-June and closed in mid-July.

Tim and Tom continued working with Executive Management on the 2008 Budget. Tim put a lot of time and effort into managing the accounting side of the process and tracking various spreadsheet scenarios. The budget was presented to the Audit/Risk Committee on May 16th and they agreed to support the proposal with a couple of minor adjustments. The final budget will be presented to the Board for approval at the June 4th meeting.

The Finance team also continued its hard work on the Mitas systems upgrade. A detailed test plan was developed and testing is now in progress. Process documentation has also been updated in preparation for the Mitas process reviews scheduled with the consultants the last week of May. Lisa Clark has done a great job as the IT coordinator for Finance and the entire staff has been very supportive in walking through their processes and completing their testing assignments.

Other

As you know, VHFA has been a member of Vermont Business for Social Responsibility for several years, and the mission of that organization matches well with the mission of VHFA. VHFA has joined a group of Burlington-based businesses through VBSR that have been meeting monthly to explore ways we could integrate more socially and environmentally responsible practices into our core business practices. To examine this internally, a team of 17 VHFA staff -- lead by Tom Connors and Maura Collins -- have started meeting regularly to inventory the ways VHFA is already working in a sustainable way, as well as brainstorm a list of actions that might be considered for future implementation. The Committee will be looking at (1) sustainable office practices; (2) community involvement/corporate giving; (3) employment practices; (4) corporate governance/business ethics; and (5) products. Once this internal committee has prepared its inventory and new ideas for each topic listed above, these will be compiled into a master document, with proposed timelines and resources needed as well as an estimate of resources saved by working more efficiently. This will be brought to Executive Management and the Board for discussion in the future. Just the number of participating VHFA staff shows the energy and interest in this topic, and I think the Agency will be stronger for the attention to this topic

I look forward to seeing you on the 4th.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director

DATE: July 3, 2007

RE: CONFIRMATION OF UPCOMING VHFA BOARD MEETING

This is to notify you that the next meeting of the Vermont Housing Finance Agency Board of Commissioners has been confirmed. The meeting will be held:

Monday, July 9, 2007
Vermont Housing Finance Agency
164 St. Paul Street, Burlington, VT
1:30 p.m. – 3:00 p.m.
Conference Call

Attached are the Agenda and Board packet. Please feel free to contact me should you have any questions prior to the meeting. Please contact Lori Gilding at lgilding@vhfa.org if you wish to request that items be removed from the Board meeting consent agenda; the deadline is 12:00 p.m. Friday, July 6th.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
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EQUAL HOUSING OPPORTUNITY

VHFA BOARD MEETING AGENDA
Vermont Housing Finance Agency
164 St. Paul Street, Burlington
Monday, July 9, 2007
Conference Call
1:30 a.m. – 3:00 p.m.

Consent Agenda: ***Action Requested****

- **Development - Loans and Tax Credits ("TC")**
  - Changes in Credit Amounts for Three Projects — Adams/Reid/Enclosure (by Erdelyi)
    Stonewall Bianchi, Montpelier – Increase in Allocated TC
    Willard Mill, St. Albans – Reduction in Allocated TC

Homeownership

- Energy Loans/Universal Jurisdiction — Carpenter/Crady/Enclosure

Development - Loans and Tax Credits ("TC")

- Winooski Redevelopment Project– The Cascades – Const. Loan — Adams/Enclosure

Other

- Audit/Risk Committee Meeting (July 24th – VHFA) — Connors
- August Board Meeting (Burlington) — Carpenter

Adjournment

** Call Lori at 652-3404 or e-mail lgilding@VHFA.org by noon July 6th to request items be removed from the Consent Agenda*

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Director of Development

DATE: June 26, 2007

RE: Downtown Crossing, Bennington; Stonewall Bianchi, Montpelier; Willard Mill, St Albans; Changes in Housing Credit Amounts

Recommendation: That the VHFA Board of Commissioners approve the staff recommendations as outlined below and summarized at the end of the memo, and approve the two attached Resolutions.

Background: The Allocation Plan allows for the staff to increase credit amounts up to 5% more than the amount awarded, due to fluctuations in the budget between Board action and the finalization of project costs. Two developments, Downtown Crossing in Bennington, and Stonewall/Bianchi in Montpelier, are seeking credit increases of more than 5% (as well as some changes in the project profiles) and so require Board approval. Willard Mill is returning some credits, and the impact of these three changes on the remaining credit ceiling is as follows:

2007-2008 credits currently available:	$721,018
- Additional for Downtown Crossing & Stonewall/Bianchi	($35,000)
+ Return from Willard Mill	$71,174
Revised credits available	$757,192

Downtown Crossing:
This project, consisting of 12 apartments, eight existing and four new construction, was approved for $143,000 in Housing Credits by the Board in March 2007. There have been some changes to the operating budget corresponding to local permit provisions, and others based on some recent audited expenses at these buildings. The annual operating budget has been increased by $11k, or 17%. On a small development like this, the effect is large, and the project has to lower its hard debt capacity, from $240k to $151k. (VHFA is providing credits and construction financing on this development.) In order to make up for that gap, the developer proposes adding a tax credit unit (there had been ten out of twelve tax credit units, and now eleven are proposed). The credit increase requested is approximately 7%, or $10,000. The total amount of credit allocated to the project would then be $153,000.

The project is slated to close and start construction in September. The only remaining variable is the construction budget, which is based on a cost estimate prepared by Steve Pitkin that is about a year old. The developer is in the process of having it updated. In the event the bids comes in over budget, VHFA has made it clear that any gap will need to be filled by revisiting the other funding sources, value engineering, or by deferring the developer's fee (rather than by another credit increase). ***Staff recommends approval of the requested increase in credit.***

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Stonewall / Bianchi:
The project was approved for $125,000 in ceiling credits at the September 2006 Board meeting and is seeking an increase of $25,000 (or 20%), to a new total allocation of $150,000. The project consists of three buildings, two of which comprise an existing Section 8 project, and one structure on Barre Street. This Barre Street property, the Bianchi Building, has a commercial space on the first floor and two empty floors above that long ago were used as apartments. The commercial space has a bump-out addition on the front (see attached photo) and the entire first floor has most recently been used as an auto parts store. Originally the budget CVCLT submitted planned on using the Historic Rehab Credit for this building, but in order to get those credits the storefront addition would need to be left in place. The local permit requires its removal (it obstructs key sight lines), and the first floor units would be more difficult to configure (and perhaps to market) with the "storefront" windows on the addition. The sponsor has hoped to remove the addition all along but was working to try to preserve the Historic Credits while eliminating the addition, and those efforts were not successful. The increase in Housing Credits will replace the equity decreased through the loss of the Historic Credits. The other changes in the budget since Board approval include the replacement of some NeighborWorks funding with money from the City of Montpelier's housing trust fund, an increase in amortizing debt, a lower CDBG amount, and an increase from 17 to 18 tax credit units. The one market-rate unit would cost this development $112k in foregone equity. The increased amortizing debt is as high as the project can manage, and this $112k gap would be difficult to fill with other sources (it would be roughly half of CVCLT's fee for this project). CVCLT owns the buildings now and has all of their other funding committed. They are on track to begin construction in August or September. ***Staff recommends approval of the requested increase in credit.***

Willard Mill:
The developer originally intended to use a "sandwich lease" structure in the financing, but after extensive discussions between their legal counsel and other legal / tax authorities, has abandoned that plan. Normally when a project gets both Housing Credits and the Historic Rehab Tax Credit, the basis on which the Housing Credit is calculated is reduced by the amount of the Historic credits. A sandwich lease directs the Historic Credits and the Housing Credits to different parties and in theory eliminates that need to reduce basis, thus enabling the project to receive more Housing Credits. The sandwich lease structure has been used for a long time for Historic Credit projects, but its application to Housing Credit deals is more recent. In the last year the IRS was asked to issue a private letter ruling permitting a sandwich lease structure on a development with both Housing Credits and Historic Credits, and they declined to issue the ruling. Many practitioners are now leery about using sandwich leases on these developments.

Willard Mill received an allocation of credits at the Board meeting of August 2006 that currently is in the amount of $432,662. The loss of the sandwich lease benefit would mean a loss to the project of $82,500 in credits and $650,000 in equity. To ameliorate the impact of this significant loss, the sponsor proposes three changes: 1) to change the income targeting in order to increase the percentage that is Housing Credit eligible, from 23 tax credit units to 24 tax credit units. (The Plan in general requires 15% of the units in the project, or four units in this case, be targeted above the tax credit program limits, so this change requires a waiver from this policy. At the August 2006 Board meeting staff specifically recommended enforcement of this requirement for four "market rate" units); 2) to have the equity paid in over a longer period, in order to increase the investor's return and therefore get more equity for each credit dollar; and 3) to pursue NeighborWorks funding of $120,000. Even with these three changes the proforma shows the need to defer a portion of their developer's fee.

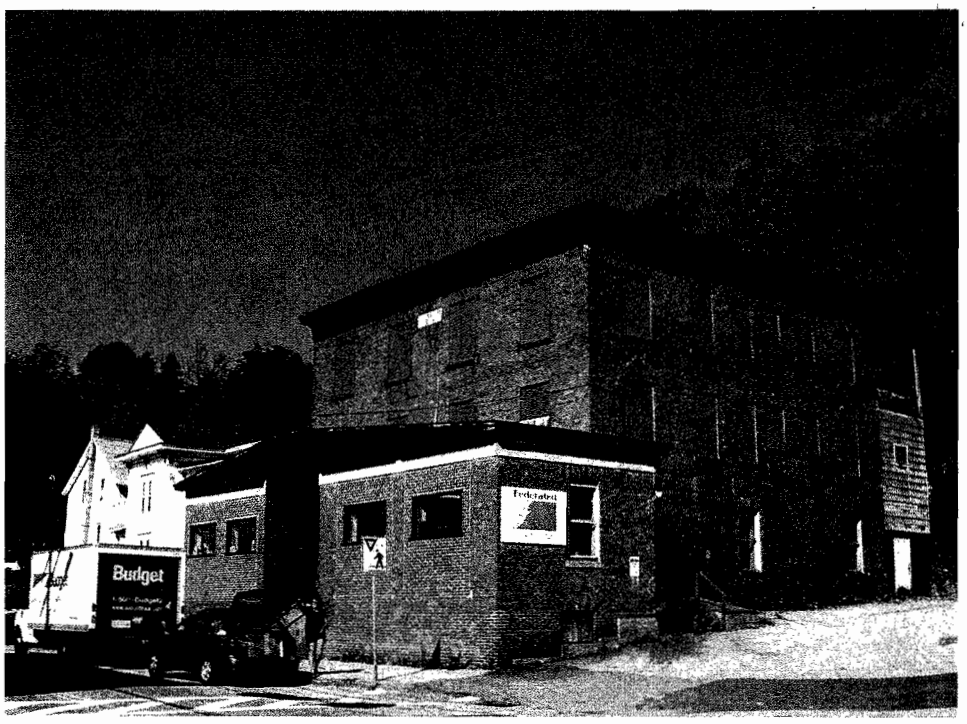
Staff would like to see the mixed-income requirement maintained and to see 23 tax credit units and four market units. One current condition of the allocation is that the Sponsors achieve this mix. At this time Staff are recommending that the Sponsors make their best efforts and apply to their other funders to obtain sufficient sources to maintain this unit mix. Should such other funding not be available Staff would like the Board's authorization to increase the number of tax credit units from 23 to 24 in order to fill this gap. The net result of all

these changes (including the presumption that this other funding will NOT be available, and that the project would therefore ultimately have 24 tax credit units) is a return of $71,174 in credits.
Staff recommends approval of this request.

Summary of Staff Recommendations:

- Downtown Crossing, Bennington: Tax Credit increase of $10,000
- Stonewall/Bianchi, Montpelier: Tax Credit increase of $25,000
- Willard Mill, St. Albans: Staff be authorized to reduce the number of required market rate units by one unit if developer is unable despite best efforts to fill a funding gap.

Bianchi Building, Montpelier



VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: INCREASE IN PROPOSED ALLOCATION OF ALLOCATED HOUSING CREDITS FOR STONEWALL/BIANCHI HOUSING, MONTPELIER

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow monies and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, an application has been submitted to the Agency by Central Vermont Community Land Trust (the "Sponsor") on behalf of a to be formed limited partnership in which the Sponsor or its subsidiary will be the general partner (the "Owner") involving the acquisition and rehabilitation of a total of eighteen (18) units of general occupancy rental housing in two (2) buildings in the City of Montpelier (the "Development"); and

WHEREAS, the Agency administers the allocation and use of the federal Low Income Housing Tax Credits (both Allocated Housing Credits and Bond Housing Credits) and the State Housing Credits under the State's Qualified Allocation Plan; and

WHEREAS, the Governor of the State of Vermont has approved the 2005-2006 Qualified Allocation Plan; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi dated June 26, 2007, containing information and recommendations about the Development (the "Memorandum") that will amend a certain resolution of the Board of Commissioners dated September 6, 2006;

WHEREFORE, it is hereby RESOLVED:

1. The recommendations for the increased allocation of Allocated Housing Credits contained in the Memorandum which is attached and incorporated by this reference are hereby approved;

2. The Executive Director and the appropriate staff are hereby authorized to take such actions as are described in the 2005-2006 Qualified Allocation Plan regarding the proposed allocation of federal Allocated Housing Credits in an increased total amount of $150,000.00 for the Stonewall/Bianchi Housing project in the City of Montpelier, Vermont.

Vermont Housing Finance Agency

TO: HFA Board of Commissioners
FROM: Patricia Crady, Director of Homeownership Programs PC
David Adams, Chief of Program Operations
DATE: July 2, 2007
RE: VHFA Administration of Programs for Septic Repair/Replacement and Energy Improvements

Over the past several weeks staff has been involved in discussions with the Agency of Natural Resources (ANR) on VHFA administering a loan fund to replace failed septic systems. In addition, VHFA has begun discussions with the Administration that would create a loan fund for the purpose of energy efficiency improvements. We are recommending that both programs would be administered by VHFA but delivered by the five Regional Revolving Loan Funds (RLFs). The RLFs would provide technical assistance to determine what repairs/improvements are necessary, coordinate with other potential funding sources, originate and service the loans and oversee the repairs and improvements until completed.

The following is a brief summary of the septic repair/replacement loan fund, and a loan program for energy efficiency improvement loans.

Loan Fund for Septic Repair/Replacement Loans

The Agency of Natural Resources has asked VHFA to accept $500,000 and use the funds to administer a loan fund to assist home owners to repair or replace failed septic systems. Funds would be administered by VHFA; however, the loans will be originated by the RLFs who already deliver home rehabilitation/repair loan programs to lower income home buyers. The loans will be serviced by NeighborWorks® of Western Vermont (NW of Western Vermont) who has the most experience in servicing this type of loan.

The $500,000 from ANR will be used to fund the loans. It is anticipated that some loans may be deferred until sale and others will have a sliding scale of interest rates based on household income. This would be a loan fund of last resort. The RLFs will also look to leverage other loan funds available to them. Interest earned on the loans will come back into the fund to be used for additional lending. ANR expects that additional funds will be available in subsequent years to increase the size of the loan fund. Costs to originate and provide project management fees to the RLFs could be included in the loan as an eligible use of loan proceeds or paid for with the proceeds of a grant source like CDBG. VHFA's administration fee and servicing fees paid to NW of Western Vermont will be paid by ANR and billed quarterly. VHFA will not guarantee repayment of the loans. Defaulted loans will reduce the amount of funds available in the loan pool. All loans will be secured via a mortgage on the property.

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Energy Efficiency Loan Program

The Administration has proposed a public/private partnership to begin to address energy needs for both residential and commercial properties. VEDA is being asked to administer programs for commercial properties and VHFA is being asked to administer programs for residential properties. The residential loans would be delivered and serviced by the RLFs

The proposal provides for funds for a loan loss reserve and also funding for interest rate subsidy so a portion of the program can include grants, no interest loans, and low interest loans. The goal would be to structure the loan so the projected energy savings and loan payments match. Loan origination and loan servicing fees would be paid through state appropriations.

The role of each member of the partnership is outlined below; however, roles are still preliminary and changes may be made as this program is further developed;

State of Vermont – Loan Loss Reserve Funds and Interest Rate Subsidy.
Vermont Financial Institutions - Lend money to VEDA and VHFA.
VEDA – Administer Program for Commercial Property Owners, Borrow money from Vermont Banks to lend; Service the Loans
VHFA – Administer Residential Program; Borrow money from Vermont Banks to lend to residential owners.
State Weatherization Programs – Energy Audits; Weatherization Services; Preliminary Eligibility Determination
Revolving Loan Funds – Loan processing and approval; loan closing; escrow for completion; loan servicing.

Revolving Loan Funds

The RLFs are part of the NeighborWorks® Alliance of Vermont, a collaboration of the five chartered NeighborWorks® organizations. The NeighborWorks® organizations are:

- Champlain Housing Trust who serves Chittenden, Grand Isle, and Franklin Counties from their offices in Burlington and Saint Albans;
- Central Vermont Community Land Trust who serves residents of Lamoille, Orange, and Washington Counties from their office in Barre;
- Gilman Housing Trust who serves Caledonia, Essex, and Orleans Counties out of their offices in Lyndonville and Newport;
- NeighborWorks® of Western Vermont who serves residents of Addison, Bennington, and Rutland Counties; and
- Rockingham Area Community Land Trust and Brattleboro Area Community Land Trust who serves residents of Windsor and Windham Counties out of their offices in Springfield and Brattleboro.

The RLFs typically provide second mortgage loans to assist with home rehabilitation/repair, down payment, and closing costs. To date their target audience has been households earning less than 80% of median income; however, they would like to expand the services they offer to be able to assist households at or below 120% of median income. The typical RLF borrower for a rehabilitation loan is not bankable due to lack of equity or credit issues; however, their portfolios perform well with low delinquency rates and loan losses. The RLFs have been very successful in leveraging other sources of loan and grant funds so it is one stop for the consumer.

Board Action Requested

Staff requests approval for the Executive Director to negotiate an agreement with ANR and the RLFs to administer a loan program for septic repairs loans.

We are not seeking approval at this time for the administration of the Energy Efficiency Program because the program is preliminary and would entail VHFA borrowing money or issuing bonds to fund the loans. Further details will be provided at future Board meetings.

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: David Adams, Chief of Program Operations

DATE: June 29, 2007 for Board Meeting of July 9th, 2007

RE: Request for Construction Financing The Cascades Condominiums-Winooski

Name:	The Cascades	**Location:**	Winooski
Housing Type:	Single Family - For Sale Homes	**Unit Type:**	Condominiums
Unit Count:	70	**Unit Sizes:**	13 1-bedroom: 742 sq ft 11 1-edroom w den: 960 sq ft 30 2- bedroom: 1114 sq ft 16 2-bedroom w den 1286 sq ft
Total Cost of Construction	$20,027,292	**Total Cost / Sq Ft** **Total Cost / Unit**	$261.00 cost per square foot $286,104 cost per unit
		Sponsor:	HallKeen Winooski, LLC
Request to VHFA	$3,000,000 taxable construction loan. **Second Lien holder Position**		
Other Funding:	Citizens Bank 1st Mortgage, HallKeen Equity		

Recommendation: Staff recommends that the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board authorize the Executive Director to issue a Letter of Interest and/or a Commitment Letter to finance this property upon satisfactory completion of staff underwriting and due diligence.

Project Summary: HallKeen Winooski, LLC has been the primary developer in the Winooski downtown redevelopment project. They have completed the construction of Spinner Place, and are ahead of schedule to complete Keen's Crossing. They have an option to develop the Champlain Mill, as well as an option with the City to develop one of two commercial pad sites. Wright & Morrissey was the general contractor on Keen's Crossing, and they will be the general contractor on the Cascades. Construction cost estimates for Cascades have been based on actual cost to build Keen's Crossing. The recent experience with Keen's Crossing gives staff a high degree of confidence in HallKeen's ability to complete the Cascades project.

HallKeen has requested a $3 million construction loan from VHFA to construct Phase 1A of the Cascades Condominium Project. Our loan would be in second position to a $14 million loan from Citizens Bank. Phase 1A will consist of 70 condominium units, and is one of four phases. When completed, the Cascades will have a minimum of 195 units and will be built-out over a four to five year period. HallKeen is targeting a construction closing in August and completion of phase 1A by spring 2009 and sold out by fall that year.

Unit prices range from $198,000 for a 1-bedroom, 742 square foot unit at ground level with street views, to $685,000 for a 2-bedroom with a loft on the 4th-floor with river views. There will be a minimum of 17 units sold at or below the VHFA purchase price limits which meets our 20% statutory minimum, but falls short of

our requirements for the Single Family Construction Loan Program which is 51%. Staff feels the Cascades meets the intent of our program by delivering most of these 17 units well under our price limits. Given the overall average cost per unit, the VHFA units are being subsidized by the higher priced units. Staff is recommending a waiver of the program requirements. The average unit price is $346,000 at an average unit size of 1,046 square feet. A per unit pricing schedule is attached to show a detailed breakdown of unit types and pricing.

Staff feels the pricing is aggressive even though a market study provided by Robert C. Lesser & Co. dated March 2007 indicates there is market depth and demand for the units and the proposed pricing in Phase 1A. Staff has concern for the some of the assumptions and findings of the market study, and had the market study reviewed by Allen & Brooks. Our financial analysis modeled construction cash flows using the Allen & Brooks recommendations against the proposed cash flows provided by HallKeen.

- The Proposed Development Budget from HallKeen serves as our base case scenario. It assumes 35 units are pre-sold during the construction period and 3 units per month thereafter: All units are sold by October 2009. Net profit to HallKeen after repayment of initial equity investment is just under $3,000,000. VHFA is paid off by April 2009 after 53 units are sold out of 70 (or 76% of the units)

- Stress Case Scenario IV – Using Allen & Brooks Findings: The primary findings of the Allen & Brooks Review suggest and absorption rate of 2 units per month, and the potential to discount pricing by up to 15%. There are nine units that have been pre-sold with a $10,000 non-refundable deposit since marketing efforts began this past March. At an absorption rate of 2 units per month, they will have 35 units sold by the time construction is completed. All units should be sold by March 2010, or roughly one year beyond Hallkeen's projections. Pay-off of the VHFA construction loan occurs after the sale of 59 units in September 2009. This scenario allows HallKeen to just breakeven recovering all of their initial investment of over $3 million.

Although we ran a number of different stress case scenarios, these two represent what we feel to be the best case and worst case scenarios. We expect the project will fall somewhere in between. There appears to be adequate developer investment at risk to provide protection for the Agency's second lien holder position. Given our concern for pricing and absorption rates, staff feels that a 20% pre-sale requirement is appropriate.

An appraisal is being performed for Citizens Bank. The total loan to value including financing from both VHFA and Citizens Bank is 85% of the cost to complete. Staff feels this is the maximum exposure we should take as a second mortgage provider in this development. Our recommendation is subject to receipt of an appraisal report that is acceptable to the Agency and which supports a value of not less than $20 million. All other standard underwriting conditions shall apply. Staff will ensure that appropriate review and approval of construction plans and specifications, and oversight of construction draws is in place to protect our interest.

Cascades-Winooski: Base Case Scenario Hallkeen Expectations

12-Jun-07

Total Residential Units:		70
Total Square Footage		76,757
Total Development Cost:	$	20,027,292
Total Development Cost per Unit:	$	286,104
Total Development Cost Per SF:	$	261

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
VHFA Construction Loan	3,000,000	15%	8.00%	Int Only	24 mos
Developer's Equity	3,000,000	15%	0.00%		
First Mortgage-Citizens Bank	14,000,000	70%	8.00%		24 mos
Sales Proceeds from Units	27,292		N/A	N/A	
TOTAL SOURCES	**20,027,292**	100%			

USES

Acquisition	$743,182	4%
Construction Hard Costs	$15,750,000	79%
Soft Costs	$3,534,110	18%
TOTAL USES	**$20,027,292**	100%

Gap **$0**

Sales Proceeds from Condos (Net)	$23,032,915
Pay-off Citizens	$13,859,286
Pay-off VHFA	$3,000,000
Repay HallKeen Equity	$3,200,355
Net Profit to HallKeen	$2,973,273

Loan proceeds from Citizens is never fully drawn. Once unit sales begin, draws on Citizens are assumed to stop, and interest carrying cost and other operating expenses are paid for either by Hallkeen or out of sales proceeds as sales occur. Hallkeen equity has been increase here to reflect that.

Cascades-Winooski: Base Case Scenario Hallkeen Expectations

June 15th, 2007

Proposed Scenario - Base Case: Reflects the construction proforma as presented by HallKeen. It assumes 35 Units are presold during construction period, and 3 units per month thereafter: Absorption period assumes all units are sold by September 2009. Interest carrying cost to HK is $826,000, with net profit to HK after repayment of initial equity investment is $3.0 million. VHFA is paid off by April 2009 after 53 units are sold out of 70 (or 76% of the units)

	Proposed Budget	Closing 8/1/2007	Sep-08	Oct-08	Nov-08	Apr-09	Oct-09	Totals
Total Cost/Total Periodic Draws	**$20,027,292**	**$3,102,538**	**$119,081**	**$37,515**	**$36,598**	**$2,715**	**$0**	**$20,059,640**
SOURCES OF FUNDS								
Citizents Bank First Mortgage	**$14,000,000**	$14,000,000	259,797	140,715	140,715	140,715		
Draws	$0	$0	$119,081	$0	$0	$0		**$13,859,285**
Funds Remaining	$14,000,000	$14,000,000	$140,715	$140,715	$140,715	$140,715		
Repayments		$0	$11,516,458	$0	$987,125	$0	$0	**$13,859,286**
Loan Balance	$0	$0	$2,342,827	$2,342,827	$1,355,702	$0	$0	
Interest Due Citizens at 8% of Balance	**$0**	$0	$91,601	$15,619	$15,619	$0	$0	**$531,235**
8%								
VHFA Second Mortgage	**$3,000,000**	$3,000,000	$0	$0	$0	$0		
Draws	$0	$102,538	$0	$0	$0	$0	$0	**$3,000,000**
Funds Remaining	$3,000,000	$2,897,462						
Repayments		$0	$0	$0	$0	$407,204	$0	**$3,000,000**
Loan Balance	**$0**	$102,538	$3,000,000	$3,000,000	$3,000,000	$0	$0	
Interest Due VHFA at 8% of Balance	**$0**	$0	$20,000	$20,000	$20,000	$2,715	$0	**$323,384**
8%								
HallKeen	**$3,000,000**							
Draws on Equity		($3,000,000)	$0	($37,515)	($36,598)	($2,715)	($0)	**($3,200,355)**
Repayments		$0	$0	$0	$0	$579,921	$658,083	**$6,173,629**
HallKeen (Net Cash	$3,000,000	($3,000,000)	($3,000,000)	($3,037,515)	($3,074,113)	($2,573,635)	$2,973,273	$2,973,273
			50%			53		
Unit Sales Projections Proposed	70		35	0	3	3	2	70
Gross Sales Proceeds Base Case Scenario	$24,231,000		$12,115,500	$0	$1,038,471	$1,038,471	$692,314	24,231,000
Less Amounts Owed to City	$175,000		$87,500	$0	$7,500	$7,500	$5,000	175,000
Sellers Closing Costs	$175,000		$87,500	$0	$7,500	$7,500	$5,000	175,000
Less Commissions	$848,085		$424,043	$0	$36,347	$36,347	$24,231	848,085
Net Sales Proceeds	$23,032,915		$11,516,458	$0	$987,125	$987,125	$658,083	$23,032,915

Cascades-Winooski-Stress Case Scenario IV: Closest to Steve Allen Report

12-Jun-07

Total Residential Units:		70
Total Square Footage		76,757
Total Development Cost:	$	20,027,292
Total Development Cost per Unit:	$	286,104
Total Development Cost Per SF:	$	261

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
VHFA Construction Loan (2nd Mtg)	3,000,000	15%	8.00%	Int Only	24 mos
Developer's Equity	3,000,000	15%	0.00%		
First Mortgage-Citizens Bank	14,000,000	70%	8.00%		24 mos
Sales Proceeds from Units	27,292		N/A	N/A	
TOTAL SOURCES	**20,027,292**	100%			

USES

Acquisition	$743,182	4%
Construction Hard Costs	$15,750,000	79%
Soft Costs	$3,534,110	18%
TOTAL USES	**$20,027,292**	100%

Gap **$0**

Sales Proceeds from Condos (Net)	$20,074,804
Pay-off Citizens	$13,859,285
Pay-off VHFA	$3,000,000
Repay HallKeen Equity	$3,215,215
Net Profit to HallKeen	$304

Full loan amount from Citizens is never drawn once sales begin and are used instead to cover interest carrying and operating costs from completion until all units are sold. This is a breakeven scenario for Hallkeen and most consistent with Steve Allen' report.

Cascades-Winooski-Stress Case Scenario IV: Closest to Steve Allen Report

Stress Case Scenario IV: Assumes 35 Units are presold during construction period (9 presales plus 2 per month until completion over 13 months), and 2 each month thereafter. Also assumes prices are discounted by 15% from Hallkeen's original pricing based on Steve Allen's review of the Market Study. Absorption period extends from original final sales date from March 2009, by 12 months to March 2010.
VHFA is paid off after 59 Units in September 2009. Interest carrying costs to HallKeen increases from the base case scenario of $826,000 to $997,381. Discounting pricing by 15% reduces gross proceeds by $3.6 million from $24,23,000 originally proposed to $21,165,600. This is a breakeven scenario for Hallkeen and the most consistent analysis with the finding of Steve Allen's review.

	Proposed Budget	Closing 8/1/2007	Sep-08	Oct-08	Apr-09	Sep-09	Mar-10	Projected Ending Totals
Total Cost/Total Periodic Draws	**$20,027,292**	**$3,102,538**	**$119,081**	**$47,375**	**$22,537**	**$3,418**	**$0**	**$20,202,402**
SOURCES OF FUNDS								
Citizents Bank First Mortgage	**$14,000,000**	$14,000,000	259,797	140,715	$0	$0		
Draws	$0	$0	$119,081	$0	$0	$0		**$13,859,285**
Funds Remaining	$14,000,000	$14,000,000	$140,715	$140,715	$0	$0		
Repayments		$0	$10,037,402	$573,566	$380,488	$0		**$13,859,285**
Loan Balance	$0	$0	$3,821,883	$3,248,317	$0	$0		
Interest Due Citizens at 8% of Balance	$0	$0	$91,601	$25,479	$2,537	$0		**$586,557**
VHFA Second Mortgage	**$3,000,000**	$3,000,000	$0	$0	$0	$0		
Draws	$0	$102,538	$0	$0	$0	$0		**$3,000,000**
Funds Remaining	$3,000,000	$2,897,462						
Repayments		$0	$0	$0	$193,078	$512,659	$0	**$3,000,000**
Loan Balance	$0	$102,538	$3,000,000	$3,000,000	$2,806,922	$0	$0	
Interest Due VHFA at 8% of Balance	$0	$0	$20,000	$20,000	$20,000	$3,418	$0	**$410,824**
HallKeen	**$3,000,000**	$3,000,000	($3,000,000)	($3,000,000)	($3,090,552)	($3,211,798)	($286,479)	
Draws on Equity		($3,000,000)	$0	$0	($22,537)	($3,418)	$0	**($3,215,215)**
Repayments		$0	$0	$0	$0	$60,907	$286,783	**$3,215,519**
HallKeen Cash Position	$3,000,000	($3,000,000)	($3,000,000)	($3,000,000)	($3,113,089)	($3,154,308)	$304	**$304**
						59		
Unit Sales Projections Proposed	**70**		35	2	2	2	1	**70**
Gross Sales Proceeds Based on Following (Disc 15%)	**$21,165,600**		$10,582,800	$604,731	$604,731	$604,731	$302,366	**21,165,600**
Less Amounts Owed to City	**$175,000**		$87,500	$5,000	$5,000	$5,000	$2,500	**175,000**
Sellers Closing Costs	**$175,000**		$87,500	$5,000	$5,000	$5,000	$2,500	**175,000**
Less Commissions	**$740,796**		$370,398	$21,166	$21,166	$21,166	$10,583	**740,796**
Net Sales Proceeds	**$20,074,804**		$10,037,402	$573,566	$573,566	$573,566	$286,783	**20,074,804**
Amounts Due Citizens	**$14,000,000**	$0	$10,037,402	$573,566	$380,488	$0	$0	**13,859,285**
Amounts Due VHFA	**$3,000,000**	$0	$0	$0	$193,078	$512,659	$0	**3,000,000**
Repay Original Owners Equity	**$3,000,000**	$0	$0	$0	$0	$60,907	$286,783	**3,215,519**

[redacted]EVELOPMENT BUDGET- Base Case Scenario
Cascades-Winooski

	Proposed Budget		% of Total	76,757 Cost/Sq Foot	$70 Cost/Unit
[redacted]cquisition					
Land	$700,000		3.50%	$9	$10,000
[redacted]ing (s) (if any)			0.00%	$0	$0
[redacted]olition (if any)	$0		0.00%	$0	$0
[redacted]ppraisal	$0		0.00%	$0	$0
Title & Recording	$43,182		0.22%	$1	$617
Legal Development/Acquisition/Finance	$0		0.00%	$0	$0
Transfer Tax	$0		0.00%	$0	$0
SUBTOTAL ACQUISITION COSTS		**$743,182**	3.71%	$10	$10,617
2. Hard Costs					
Sitework (Included in building construction)	$0		0.00%	$0	$0
Utilities	$0		0.00%	$0	$0
Landscaping	$0		0.00%	$0	$0
Hazardous Materials Abatement	$0		0.00%	$0	$0
Off Site Improvements	$0		0.00%	$0	$0
Bond	$0		0.00%	$0	$0
Site Contingency	$0		0.00%	$0	$0
Subtotal Site Construction		**$0**	0.00%	$0	$0
Building Construction - New	$14,000,000		69.90%	$182	$200,000
Building Construction - Rehabilitation	$0		0.00%	$0	$0
Accessory Buildings	$0		0.00%	$0	$0
Furnishings, Fixtures & Equipment	$0		0.00%	$0	$0
FFE - Model	$0		0.00%	$0	$0
Construction Contingency	$1,050,000		5.24%	$14	$15,000
Sub-total Building Construction		**$15,050,000**	75.15%	$196	$215,000
Construction Management	$0		0.00%	$0	$0
General Conditions	$0		0.00%	$0	$0
Contractor Overhead & Profit	$700,000		3.50%	$9	$10,000
Bond	$0		0.00%	$0	$0
Builders Risk Insurance	$0		0.00%	$0	$0
Subtotal Construction Fees & Charges		**$700,000**	3.50%	$9	$10,000
SUB TOTAL HARD COSTS		**$15,750,000**	78.64%	$0	$0
3. Soft Costs					
Architect & Engineering - buildings	$681,818		3.40%	$9	$9,740
Site Planning, Civil Engineering & Prof. fees tl	$0		0.00%	$0	$0
Environmental Site Assessment	$68,182		0.34%	$1	$974
Soft Cost Contingency	$45,455		0.23%	$1	$649
Consulting Fees	$23,886		0.12%	$0	$341
Sub-total Arch & Eng.		**$819,341**	4.09%	$11	$10,714
[redacted] Permit Fees:					
[redacted]or and Industry	$0		0.00%	$0	$0
Act 250	$227,273		1.13%	$3	$3,247
Local zoning, planning	$0		0.00%	$0	$0
Local water impact & sewer	$0		0.00%	$0	$0
Water Supply	$0		0.00%	$0	$0
Wastewater	$0		0.00%	$0	$0
Health Department	$0		0.00%	$0	$0
Sub-total Permits		**$227,273**	1.13%	$3	$3,247
Professional Fees:					
Legal - real estate, permits & finance	$0		0.00%	$0	$0
Legal - organization & sales	$145,455		0.73%	$2	$2,078
Accounting - organization-Cost Certificatons	$18,182		0.09%	$0	$260
Inspecting Engineer	$27,273		0.14%	$0	$390
Clerk of Works	$0		0.00%	$0	$0
Appraisal + Market Study Fees	$22,727		0.11%	$0	$325
Project Management-	$136,364		0.68%	$2	$1,948
Sub-total Prof. Fees		**$350,001**	1.75%	$5	$5,000
Marketing:					
Market Study	$0		0.00%	$0	$0
Advertising/Marketing	$400,000		2.00%	$5	$5,714
FFE & Signage & Decorating	$113,636		0.57%	$1	$1,623
Model/Office Fit Up & Maint	$27,273		0.14%	$0	$390
Commissions/Sales Staff	$0		0.00%	$0	$0
Sub-total Marketing		**$540,909**	2.70%	$7	$7,727
Financing:					
Construction Loan Fee-1st Mtg			0.00%	$0	$0
Construction Period Interest-1st Mtg	$522,942		2.61%	$7	$7,471
Construction Loan Fee-VHFA			0.00%	$0	$0
Construction Period Interest- VHFA	$305,586		1.53%	$4	$4,366
Construction Period Interest	$0		0.00%	$0	$0
Other Financing Costs	$170,455		0.85%	$2	$2,435
Sub-total Financing		**$998,983**	4.99%	$13	$14,271
Carrying Costs:					
Property Taxes	$195,455		0.98%	$3	$2,792
Liability Insurance	$109,633		0.55%	$1	$1,566
Option Payment	$40,909		0.20%	$1	$584
[redacted] Sales Period Exp + Dev Contingency	$181,606		0.91%	$2	$2,594
Sub-total Carrying Costs		**$527,603**	2.63%	$7	$7,537
Developer's Fees	$0		0.00%	$0	$0
			0.00%	$0	$0
Working Capital (Owner's Association)	$70,000	**$70,000**	0.35%	$1	$1,000
			0.00%	$0	$0
Other Contingency	$0		0.00%	$0	$0
SUB TOTAL SOFT COSTS		**$3,534,110**	17.65%	$46	$1,000
TOTAL PROJECTED COST	**$20,027,292**		100.00%	$261	$286,104

Cascades, Winooski: Unit Pricing Schedule

Unit Type:	1 br	1 br den	2 br	2 br den	River View:	Courtyard View:	Street View:	Elevator:	Ext. Corner:	Int. Corner:	Balcony:	Patio:	Sq. Footage:	Revised Pricing	Revised $/sf:	Purchaser(s)
A1	x						x						742	198,000	$267	
A1	x						x						742	198,000	$267	
A1	x						x						742	198,000	$267	
A1	x						x				x		742	205,000	$276	
A1	x						x				x		742	205,000	$276	
A1	x						x				x		742	205,000	$276	
A1	x						x						742	210,000	$283	
A1	x						x						742	210,000	$283	
A1	x						x						742	210,000	$283	
A1	x						x						742	220,000	$296	
A1	x						x						742	220,000	$296	
A1	x						x						742	220,000	$296	
A1.1	x						x					x	871	235,000	$270	
A2		x									x		969	260,000	$268	
B1			x				x						1114	272,000	$244	
B1			x				x				x		1114	275,000	$247	
A2		x											969	275,000	$284	
B1			x				x				x		1114	285,000	$256	
B1			x				x						1114	285,000	$256	
B1			x				x						1114	285,000	$256	
A2		x											969	290,000	$299	
A3		x				x						x	952	295,000	$310	**Under Agreement**
B2			x				x		x			x	1118	300,000	$268	
B1			x				x						1114	305,000	$274	
B1			x				x						1114	305,000	$274	
B1			x				x						1114	310,000	$278	
A3		x				x					x		952	310,000	$326	
A3		x				x						x	952	315,000	$331	
B1			x				x				x		1065	315,000	$296	
A3		x				x					x		952	315,000	$331	
A3		x				x					x		952	320,000	$336	**Under Agreement**
B2			x				x		x		x		1118	325,000	$291	
A3		x				x					x		952	325,000	$341	
B1			x				x				x		1065	330,000	$310	
B1			x			x						x	1065	335,000	$315	
B1			x		x						x		1065	335,000	$315	
B2			x				x		x				1118	335,000	$300	
B2			x				x		x				1118	335,000	$300	
A3		x				x					x		952	335,000	$352	**Under Agreement**
B1			x				x				x		1065	335,000	$315	
B3			x			x		x		x	x	x	1144	340,000	$297	
B1			x		x						x		1065	340,000	$319	
B2			x				x		x				1118	340,000	$304	
B2			x				x		x				1118	345,000	$309	
A3		x				x					x		952	345,000	$362	
B1			x				x				x		1065	345,000	$324	
B3			x			x		x		x	x		1144	350,000	$306	
B1			x		x						x		1065	350,000	$329	
B3			x			x		x		x	x		1144	355,000	$310	
B1			x			x					x		1065	360,000	$338	**Under Agreement**
B3.1				x		x				x		x	1286	365,000	$284	
B1			x			x					x		1065	365,000	$343	**Under Agreement**
B3			x			x		x		x	x		1144	365,000	$319	
B3.1				x		x				x	x		1286	370,000	$288	**Under Agreement**
B3.1				x		x				x	x		1286	375,000	$292	
B1			x			x					x		1065	375,000	$352	
B3.1				x		x				x	x		1286	395,000	$307	
B4				x	x						x		1271	435,000	$342	
B4				x	x						x		1271	435,000	$342	
B2 Loft			x						x				1308	495,000	$378	
B5				x	x						x		1521	525,000	$345	
B5				x	x						x		1521	525,000	$345	**Under Agreement**
B5				x	x						x		1521	535,000	$352	
B5				x	x								1521	540,000	$355	**Under Agreement**
B6				x	x						x		1437	550,000	$383	
B6				x	x						x		1437	575,000	$400	
B6				x	x						x		1437	580,000	$404	
B5 Loft				x	x						x		1760	615,000	$349	
B5 Loft				x	x						x		1760	615,000	$349	
B6 Loft				x	x						x		1639	685,000	$418	**Under Agreement**
70	**13**	**11**	**30**	**16**	**15**	**20**	**31**	**4**	**7**	**8**	**41**	**TOTALS:**	**76757**	**24,231,000**		
													1,097	346,157	Average	

Nine Units have signed Purchase and Sales Agreements as of June 14th, 2007. All nine units have paid a $10,000 non-refundable deposit. Brief buyer profiles received on the units under contract to-date indicate primary residential homebuyers and not speculators. Marketing of the project began actively in March 2007.

Pre-sales Total $3,795,000

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: SINGLE FAMILY CONSTRUCTION FINANCING FOR THE CASCADES, WINOOSKI

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow monies and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, an application has been submitted to the Agency by HallKeen Winooski, LLC (the "Borrower") involving the construction of seventy (70) for sale single family condominium units in the City of Winooski (the "Development"); and

WHEREAS, the application contemplates a second mortgage loan for construction financing of up to $3,000,000.00 for the Development with the interest rates to be determined by the Agency depending on the source of funds; and

WHEREAS, the Borrower 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; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Dave Adams dated June 29, 2007 containing information and recommendations about the construction financing for the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

1. At least 20% of the units of the Development are for occupancy by persons and families of low and moderate income.

2. The construction costs to be incurred by the Borrower will be 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 to be served by the proposed Development 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 and sufficient mortgage financing for occupancy by the persons or families.

4. The Borrower undertaking the Development will increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency 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 loan.

6. The Borrower are financially responsible and is a qualified housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the Borrower for the construction financing of the Development based on the recommendations in the attached Memorandum. 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 Borrower in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the Borrower for the construction financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter shall be conditioned on the satisfaction by the Borrower of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

3. The Executive Director and the Loan Review Committee will establish the final source and amount of the loan for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director

DATE: July 17, 2007

RE: CONFIRMATION OF UPCOMING VHFA BOARD MEETING

This is to notify you that the next meeting of the Vermont Housing Finance Agency Board of Commissioners has been confirmed. The meeting will be held:

Monday, August 6, 2007
Cathedral Square
412 Farrell Street – Suite 100, South Burlington, VT
9:30 a.m. – 2:00 p.m.

Attached are the Agenda and Board packet. Please feel free to contact me should you have any questions prior to the meeting. Please contact Lori Gilding at lgilding@vhfa.org if you wish to request that items be removed from the Board meeting consent agenda; the deadline is 12:00 p.m. Friday, August 3rd.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

VHFA BOARD MEETING AGENDA
Cathedral Square Corporation
412 Farrell St. Suite 100
Monday, August 6, 2007
9:30 a.m. – 2:00 p.m.

Review and Approval of June 4, 2007 and July 9, 2007 Board Minutes — Enclosure

Consent Agenda: ***Action Requested****

- **Development - Loans and Tax Credits ("TC")**
  - Dismas House II, Winooski – Perm Loan — Reid/Enclosure
- **Request to allocate IORTA funds to Homeownership Centers** — Crady/Enclosure

Development - Loans and Tax Credits ("TC")

- East Branch Farms, Manchester – Home Ownership Constr Loan — Erdelyi/Enclosure
- Cummings Street, Montpelier – Constr & Perm Loans & Alloc TC — Reid/Enclosure
- FY2009 State Credit Allocations — Reid/Enclosure

Homeownership

- Support for the Homeownership Centers — Crady/Enclosure

ance

- Zero % Loan Forgiveness — Falzone/Enclosure
- Balance Sheet Scenarios — Connors/Enclosure
- SF Bond Resolution documents (Tom will verify with Elizabeth — Connors/Enclosure

Administration

- Strategic Plan — Collins/Enclosure

Other

Adjournment

Reports: ***FYI Only***

- Interesting Housing Fact — Klyszeiko/Enclosure
- Summary of Homeownership Activities / Reports — Crady/Enclosure
- Tax Credit Status Report — Reid/Enclosure
- Standards for Capital Needs — Falzone/Enclosure
- Executive Director's Report — Carpenter/Enclosure

** Call Lori at 652-3404 or e-mail lgilding@VHFA.org by noon August 3rd to request items be removed from the Consent Agenda*

vhfa

Vermont Housing Finance Agency

VHFA Board of Commissioners Meeting Minutes
Agency of Commerce and Community Development
Vermont Housing Finance Agency
164 St. Paul Street, Burlington
Monday, June 4, 2007
9:30 a.m. – 12:30 p.m.

VHFA Board Members Present:
Lisa Mitiguy Randall – Chair, Gus Seelig – Vice Chair, Rob Alberts, Paul Beaulieu, Kevin Dorn, Bart Frisbie, Beth Pearce (designee for Spaulding)

VHFA Board Members Absent:
Tom Candon, Dagyne Canney

Staff: Scott Baker, Sarah Carpenter, Maura Collins, Tom Connors, Renee Couture, Pat Crady, Elizabeth Mullikin Drake, Joe Erdelyi, Lori Gilding, Pat Loller, Cindy Reid, Josh Slade

Guests: Andy Broderick (Housing Vermont), Amy Demetrowitz (CHT), Vincent Fusca (Windsor Selectboard), Patsy Highberg (Woodstock Community Trust), Paul Highberg (Woodstock Community Trust), Don Howard (Windsor Town Manager), Susan Inui-Kelley (Realtor, Woodstock), Peter Jamison (Valley News), Tom Kennedy (SWCRPC, Windsor), Lynn Mansfield (Housing Vermont), Nancy Owens (Housing Vermont), Bruce Pacht (Twin Pines Housing Trust), Charles Peterson (Woodstock), Larry Seavey (Vocational Rehabilitation, Windsor), Jeff Staudinger (RACLT), Jeff Sula (UBS Investment Bank)

Chair Randall called the meeting to order at 9:30 a.m. A quorum of the Board was present.

BOARD MINUTES
Ms. Pearce made a motion to approve the May 7, 2007 Board of Commissioners meeting minutes. Mr. Dorn seconded the motion. The Board unanimously approved the motion.

CONSENT AGENDA
Mr. Beaulieu made a motion to approve the items on the Consent Agenda (restated here):
- Essex Senior – Construction Loan and Bond Tax Credit
- Tontine, Guilford and Canal, Brattleboro – Allocated Tax Credit
- Loan Modifications as part of Series 1995A Bond Refunding ("95A Resolution")

Mr. Seelig seconded the motion which was unanimously approved.

Mr. Dorn asked why projects requesting Tax Credits were on the Consent Agenda. Ms. Carpenter stated all items are reviewed by the Loan Review Committee prior to presenting them to the Board. All recommendations on the Consent Agenda tend to be straightforward, have few complications, and are at reasonable costs. It has been the practice to include tax credits projects fitting this description on the consent agenda. She stated there is always the option to remove any and all items from the Consent Agenda.

ADMINISTRATIVE

Ms. Carpenter informed the Board that Dave Adams was not present at the meeting because he was attending the HDS user group conference in Florida.

DEVELOPMENT

Armory Square, Windsor

Ms. Reid reviewed her memo regarding a request for Construction Loans, Bond Tax Credits and Allocated Tax Credits for Armory Square, Windsor. Ms. Reid stated the majority of the Board members did have the opportunity to visit the project. She stated the building was built in the 1920's as one-and two-bedroom apartments. In the late 1980's an out of state real estate partnership purchased the building using Tax Credits and HUD Mod Rehab Certificates. They converted the building into two-and three-bedroom apartments with no change in square footage. She stated the building has been poorly managed with inadequate tenant selection and has had very little supervision. Recently the project has had no waiting list and high tenant turnover.

Ms. Reid reviewed the recommended conditions for approval of the project.

Ms. Reid introduced several members of the Windsor community and supporters of the project. Don Howard, Windsor Town Manger, informed the Board of the struggles the town has faced throughout the years while attempting to work with the building's current owners to improve the building's conditions and services, with no success. He reported the Town of Windsor is very supportive of the restoration project. Jeff Staudinger and Larry Seavey explained they have been working with existing tenants to get an understanding of current living conditions within the building. Tenants reported dangerous situations, multiple families living within one unit, some tenants stated they are afraid to leave their apartments because of intimidating individuals living in the building and police are called to the property on a regular basis. The supporters of the project are working with tenants to create a tenant association and hope to have the association in place within the next two years to help substantially improve living conditions.

Andy Broderick stated that if the project is approved, a reputable, private property management firm will be retained to manage the property. He is currently in negotiations with a local firm. The goals are to correct the substandard conditions that have occurred since the current owner purchased the property in 1988/1989 and make the new owners accountable for the service and living conditions provided to the tenants.

Ms. Reid stated the property was appraised one year ago which did not take condition or historically high vacancy rate into account, and an updated appraisal will be forthcoming.

Mr. Seelig asked if enough funds have been requested to complete the project and what, if any, had been left out. Mr. Broderick stated two elevators would have been desirable, but given the expense, one would meet the requirements. Ms. Carpenter and Ms. Reid both stated they were comfortable with the building's new design.

Mr. Dorn questioned the proposed closing date of September, 2007 with construction beginning shortly thereafter because of the possibility that Federal money that has been earmarked for the project may not become available. Mr. Broderick explained he has had open discussions with Senator Leahy's office regarding the priority for Federal funds and is confident that the earmarked Federal funds will be granted. Mr. Broderick offered to write a contingency plan for the Board should Federal funds fall through. In the meantime, Mr. Broderick plans to work on bridge financing for the project.

Mr. Howard stated the Town of Windsor's current financial commitment to the project is $100,000. There has been talk of revisiting the current commitment level for future funds.

The local redevelopment committee and staff strongly believes the key to success for this project will be a strong property management company and the commitment the town plans to make for this redevelopment opportunity. The town has emphasized frustration and dissatisfaction over the past 10 years with the building's current owner.

Mr. Beaulieu raised the question of the $165,000 management cancellation fee. Mr. Broderick believes he can negotiate this fee to be removed from the contract. Mr. Frisbie asked if the Federal funds earmarked for the project were not allocated and the $165,000 management cancellation fee could not be resolved, could the project be stopped. Mr. Broderick stated it was a possibility, but Mr. Seelig confirmed that his conversations with Senator Leahy's office have indicated the Federal funds are on the top of the Senator's "priority" list. Based on Mr. Broderick's experience, he is confident he can arrange bridge financing.

Ms. Reid informed the Board that a transition plan for the current tenants, depending on vacancy, is to relocate one-third of them at a time to other areas of the building while construction takes place.

Ms. Reid reported she will work with the sponsor and appraiser to resolve the appraisal update issue and closing would not take place until all financing issues have been resolved.

Mr. Broderick estimated the project will require one, on-site staff employee, one full-time maintenance employee and another on-call maintenance employee.

Mr. Dorn asked if other options were considered for the property. Mr. Kennedy responded that several options were discussed. Retail, commercial or homeownership did not make economic sense, and the cost of relocating all the tenants did not seem feasible. Building a new residential project without historic credits would not necessarily be less expensive and you still have the problem of what to do with Amory Square. Local efforts have taken place with several private investors, but at the time, the current owner was not willing to negotiate.

Mr. Seelig made a motion to approve the proposed Construction Financing and proposed Allocation of Allocated Housing Credits and the proposed use of Bond Housing Credits for Armory Square, Windsor, with the recommendation that a condition be added that the sponsor obtain a Memorandum of Understanding with the appropriate social service agency to provide resident services. He also publicly congratulated the working committee for their commitment and hard work on the project. Mr. Beaulieu seconded the motion. The motion was unanimously approved, with Mr. Frisbie abstaining from the vote.

The Board requested staff keep them updated via email as the project evolves.

King Street Housing, Burlington

Mr. Erdelyi reviewed his memo regarding a request for Allocated Tax Credits for King Street, Burlington. Mr. Erdelyi stated he expects full occupancy within three months of the project's completion date. He informed the Board that the King Street building will consume approximately 21% of the total BankNorth block.

Ms. Carpenter informed the Board that this project is across the street from a proposed Browns Court project site. The City of Burlington recently sent out an RFP for developers and construction proposals for mixed income rentals. Although Ms. Carpenter was aware that this site has been discussed over the years the City did not approach VHFA prior to sending out the RFP. She wanted to make sure the Board was aware of the concentration of affordable rental housing in the immediate area.

Nancy Owens pointed out that the King Street project is not subject to Act 250 permitting process because of the downtown designation. However, the proposed Browns Court project is located across the street and is considered outside the downtown designated area, therefore, will be subject to Act 250 permitting.

Mr. Dorn made a motion to approve the proposed Allocation of Allocated Housing Credits for King Street Housing, City of Burlington. Mr. Seeling seconded the motion. The motion was unanimously approved.

Grange Hill Housing, Woodstock

Mr. Erdelyi reviewed his memo regarding a request for Construction Loan and Allocated Tax Credits for Grange Hill, Woodstock. He informed the Board this project has been in the planning stages for many months and that there is a severe shortage of affordable multifamily housing in the Woodstock area.

Bruce Pacht of Twin Pines Housing Trust explained to the Board that the proposed project will consist of 36 units (10 homeownerships, to be developed later and 26 rental units in today's proposal). Patsy Highburg of Woodstock Community Trust reviewed the plans for the project as well as the difficulties the team has endured since 2005 by opposing neighbors. Several renditions of the development have been presented to the opposing neighbors. Although approval has been granted by the Development Review Board pending Act 250 approval, supporters anticipate there may be an appeal of the approved decision.

Mr. Dorn applauded the commitment and persistence of the team, but asked if the timeline was realistic given the expected appeal process and Act 250 permitting process. Mr. Erdelyi explained that the developers do not expect construction to begin until spring of 2008. Ms. Carpenter reminded the Board that Tax Credits can be used up to 18 months once approved.

Susan Inui-Kelley of Woodstock reiterated the need for affordable multifamily rental housing and stated the project has the school board's full support. Charles Peterson President of the First Community Bank repeated the need for affordable housing in the Woodstock area. He informed the Board of the problems the schools and local businesses face attracting suitable teachers and employees because of the lack of affordable housing. The number of students in the area schools is declining because of the housing problems.

Mr. Seelig made a motion to approve the proposed Construction Financing and proposed Allocation of Allocated Housing Credits for Grange Hill Housing, Woodstock. Mr. Alberts seconded the motion. The motion was unanimously approved. Mr. Frisbie asked and Mr. Erdelyi confirmed that if the project is delayed for more than 18 months, the Tax Credits could be returned and reapplied for.

FINANCE

FY2008 Budget

Mr. Connors reviewed his memo concerning the FY2008 Budget as well the Audit/Risk Management Board Committee's recommendation to approve the FY2008 Budget. Ms. Pearce made a motion to approve the FY2008 budget with an additional $100,000 as a reserve for support of the HomeOwnership Centers (HOCs), which staff will have authority to determine its use, while ensuring HOC accountability. Mr. Beaulieu seconded the motion. The Board unanimously approved the motion.

Mr. Connors introduced Mr. Sula from UBS

Multi-Family General Authorizing Resolution

Mr Connors reviewed his memo to the Board requesting approval of General Authorization Resolution of up to $35 million in multifamily housing bonds.

Single Family General Authorizing Resolution

Mr. Connors reviewed his memo to the Board requesting Approval of General Authorizing Resolution of up to $120 million in single family housing bonds. Mr. Connors and Ms. Crady informed the Board they are planning three issues this year, totaling $130-$140 million. Mr. Connors explained approving the General Authorizing Resolution would cut down on administration duties and be in effect until the end of calendar year, 2007. He explained he is seeking approval at this time and will report back to the Board with updates.

During a discussion regarding new Bond indentures, Ms. Carpenter pointed out that options were explored regarding upgrading from A to AA bonds. She reported at this point the capital requirements are such that staff does not believe there is any economic advantage to do so. Bond insurance can be purchased to bring the Agency up to AAA.

Mr. Dorn made the motion to approve the Series Resolution Authorizing the Issuance and Sale of a Maximum of $35,000,000 of Bonds In One or More Series To Finance Multi-Family Projects and a Resolution Authorizing the Issuance and Sale of a Maximum of $120,000,000 of Bonds and Notes In One or More Series to Finance Single Family Mortgages. Mr. Seelig seconded the motion. The Board unanimously approved the motion.

OTHER

The previous conversation regarding the Consent Agenda was discussed in more detail. The decision was made to remove all Tax Credits from the Consent Agenda in the future.

Mr. Seelig reminded the Board of the upcoming VHCB 20th Anniversary Celebration which will take place, Monday, June 20th. For more details go to http://www.vhcb.org/20th.html

Ms. Pearce expressed concern regarding the ongoing probe in the municipal market with respect to the GIC bidding process. She stated there have been new developments in that area. She acknowledged the finance team's effort completing the due diligence process, but felt it would be appropriate to review the process as a Board, as the Board is ultimately responsible. She stated she does not expect any problems, but given the situations being investigated by the IRS, she felt the Board should have a better understanding of what due diligence was taken. Mr. Connors informed the Board that the Agency has the due diligence documentation from Piper Jaffray. Ms. Carpenter indicated the Agency has not hired an independent consultant. Ms. Carpenter stated the Agency does have a policy, but the question is how tight is the policy?

She is unsure what the Board is looking for and what kind of due diligence from an outside consultant the Board might want. She stated these are issues that could be discussed with the Audit/Risk committee at a future meeting. She felt it would be helpful for the committee and the Board to understand what the Agency's current policies are now, so there would be a baseline if we want to change things in the future. Ms. Randall suggested the Audit/Risk Committee meet with Kutak Rock to get a better understanding of the due diligence process. The Audit/Risk Committee meeting could include a discussion regarding the Agenda for the Fall Retreat. This discussion is intended to include ideas about what should be presented at the Fall Retreat regarding GICs and relationships with investment bankers and financial advisors. Ms. Randall suggested it would be beneficial to invite all Board members to the next Audit/Risk Committee meeting.

Mr. Erdelyi reported Maura Collins and Leslie Black-Plumeau were responsible for the map that was handed out regarding the Browns Court project. He also acknowledged the Development Department's efforts, especially Ms. Reid's, for the tremendous amount of work completed with respect to all current projects.

ADJOURNMENT

Mr. Seelig made a motion to adjourn the meeting. Mr. Dorn seconded the motion and the Board unanimously approved to adjourn the meeting at 12:15 p.m.

Vermont Housing Finance Agency

VHFA Board of Commissioners Meeting Minutes
Vermont Housing Finance Agency
164 St. Paul Street, Burlington
Monday, July 9, 2007
1:30 p.m.
Conference Call

VHFA Board Members Present via Conference Call:
Lisa Mitiguy Randall – Chair, Rob Alberts, Paul Beaulieu, Thomas Candon (designee for Thabault), Dagyne Canney, John Hall (designee, Kevin Dorn), Bart Frisbie, Jeb Spaulding

VHFA Board Members Absent:
Gus Seelig

Staff: Dave Adams, Scott Baker, Sarah Carpenter, Tom Connors, Pat Crady (conference call), Elizabeth Mullikin Drake, Sam Falzone, Lori Gilding, Tim Gutchell, Pat Loller, Cindy Reid

Guests: Mark Hess, HallKeen, Ken Braverman, Braverman & Co.

Chair Randall called the meeting to order at 1:35 p.m. A quorum of the Board was present.

CONSENT AGENDA
Mr. Beaulieu made a motion to approve the item on the Consent Agenda (restated here):
- Resolution Re: Increase in Proposed Allocation of Allocated Housing Credits for Stonewall Bianchi, Montpelier.

Mr. Alberts seconded the motion which was unanimously approved.

HOMEOWNERSHIP
Septic Program
Ms. Carpenter summarized the memo regarding VHFA Administration of Programs for Septic Repair/Replacement and Energy Improvements. She requested from the Board authorization to accept funds from the Agency of Natural Resources (ANR) and administer those funds under Federal rules and regulations. She stated the intent is to sub-grant the funds to the five

Revolving Loan Funds (RLFs) so that the RLFs can carry out the origination, oversight and servicing of the septic loans with the allocated funds.

Mr. Candon asked what type of certification will be required of the engineers and/or contractors who will be installing and inspecting the septic systems. Ms. Carpenter informed the Board that the responsibilities are being shifted from town officials to ANR. She said that engineers and contractors will be required to obtain a permit from ANR and will be required to follow ANR procedures. The burden of compliance will ultimately be on the homeowner and their confidence that the professional they hired knows what they are doing and that professional will have to sign a certificate of compliance outlined by ANR. Mr. Adams informed the Board that ANR has expanded the list of professionals who are capable of designing the systems to meet ANR's updated standards. He believes all inspectors and contractors will be required to be licensed by the State before they can design and certify septic systems to meet State standards. Mr. Adams believes ANR will pass a high percentage of newly designed systems without physical inspection by ANR Staff, based on a desk review and ANR's experience with the system designer. The less experienced engineers and contractors will most likely be more closely reviewed, including physical inspections by ANR to ensure they adhere to the new standards.

Ms. Carpenter informed the Board that all the details of the program have not yet been worked out. Mr. Candon asked if all loans will be secured by property and in some cases would exceed the value of the property. Ms. Carpenter said that could be the case, but informed the Board other funds would likely be available for those with the lowest income. Those homeowners would be eligible for a grant program, not the loan program. Ms. Carpenter said there will be income limits to qualify for the program, which have been set by the legislature.

Mr. Hall made a motion to authorize staff to move forward in developing the program to repair and replace septic systems. Mr. Candon seconded the motion which was unanimously approved.

Energy Program

Ms. Carpenter reviewed the memo regarding the Energy Improvements Program made by the Governor with the Board. She informed the Board that the Governor's original proposal was that the financial institutions administer the program directly. At task force meetings it became clear that the program would be better administered by one coordinating entity and it might make sense for VHFA to take on that role working the with the regional RLF's. Ms. Crady informed the Board that the expectation is for smaller loans, used for weatherization rather than complete conversions. The cost to the financial institutions to originate and service the smaller loans would be high. Ms. Carpenter explained the memo was intended as an informational memo only. She stated the proposal for subsidies would require legislature approval and that no action was intended at this time. Ms. Carpenter requested feedback from the board and as the program evolves, she will discuss it again with the full Board.

Ms. Randall informed the Board that she had to leave the conference call and asked Mr. Candon to take over as Chairman for the remainder of the meeting.

DEVELOPMENT

The Cascades Condominiums, Winooski

Mr. Adams informed the Board that Mark Hess and Ken Braverman were present to answer any questions the Board may have regarding the Keen's Crossing and Spinner Place projects.

Mr. Adams reviewed the memo requesting construction financing for Cascades Condominiums in Winooski. He reiterated the need to obtain a waiver from the Board because only 20% of the units meet the VHFA's Single Family Construction Loan program requiring 51% of the units be sold within VHFA's Single Family purchase price limits.

Mr. Adams discussed the need for staff to have the flexibility to negotiate replacing the requirement to have 20% of the units pre-sold before construction loan close in exchange for corporate guarantees acceptable to the Agency. It was noted that nine of the 70 units were under contract to-date.

At the request of Mr. Frisbie, Mr. Braverman updated the Board on the Keen's Crossing project to-date. Mr. Braverman stated occupancy and rents are exceeding expectations on the market rate side and in terms of affordable absorption. The location and strength of the new project has captured a large percent of the market. On the construction side, the project is two to three months ahead of schedule.

Mr. Braverman stated Spinner Place has been a struggle. Recently they have secured a master lease with Champlain College for 272 beds. They continue to focus on a permanent solution which will in all likelihood involve Champlain College. Discussions will continue over the next several months.

Ms. Canney made a motion to approve the resolution for Single Family Construction Financing for the Cascades, Winooski and to include staff's recommendation to include a waiver of the program requirements. Mr. Beaulieu seconded the motion which was unanimously approved.

OTHER

Audit/Risk Committee Meeting

Ms. Carpenter reminded the Board of the upcoming Audit/Risk Committee Meeting schedule for July 24th. She encouraged full Board participation because VHFA's Financial Advisors (Piper Jaffray), the Agency's Underwriters (UBS), the Agency's Bond Council (Kutak Rock) and VHFA's new Trustees (Wells Fargo) would be attending the meeting to answer questions. The new Multi-Purpose Bond issue, which will close the same day.

Mr. Candon congratulated VHFA on their Banner year for Single Family Production - $134 million. Ms. Carpenter also noted a banner year for Multifamily Development. She congratulated all the staff on their hard work.

ADJOURNMENT

Mr. Candon made a motion to adjourn the meeting. Mr. Beaulieu seconded the motion and the Board unanimously approved to adjourn the meeting at 2:30 p.m.

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Senior Development Underwriter CR

DATE: July 23, 2007

RE: Request for Permanent Financing: Dismas House II, Winooski

Name:	Dismas House II	**Location:**	Winooski
Housing Type:	Transitional Housing	**Unit Type:**	SRO
Unit Count:	10 Bedrooms	**Total Cost:**	$562,000
Total Sq. Ft.	3,182	**Per SF Cost:**	$177/sq.ft. $159/sq.ft. acquisition & construction cost
Loan Requested:	Up to $200,000 (Tax Exempt)	**Borrower:**	Burlington Housing Authority
Other Funding:	VHCB Transitional Housing Grant, Department of Corrections Grant, TD BankNorth Grant & VHCB Feasibility Grant		

Recommendation: Staff recommends that the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"); and that the Board authorize the Executive Director to issue a Letter of Interest and/or a Commitment Letter to finance this property upon satisfactory completion of staff underwriting and due diligence.

Project Summary: Burlington Housing Authority (BHA) proposes the acquisition and rehabilitation of "Dismas House II" in the City of Winooski, a two-story building to have 10 single room occupancy (SRO) units located at 103 East Allen Street. This development will be the third "offender reentry" housing project in the State sponsored by Dismas which has a proven track record of successful programs in both Rutland and Burlington. Dismas is a 501(c)3 organization that reintegrates ex-offenders as full and equal members in communities through community relationship building and reconciliation. Dismas provides a "family" life for ex-offenders that may not exist for them otherwise and supports the ex-offenders in society reintegration through community meals, activities, and household chores. On-site staff provides supervision. The data shows that Dismas of Vermont has a very low recidivism rate which speaks to the program's effectiveness.

A year ago, a regional planning group identified the strong need for offender reentry housing in Chittenden County. The planning process was a catalyst for two projects: Northern Lights in downtown Burlington, and this project. The property appraises at $324,000 and currently houses two apartments and one business. BHA has preliminary zoning approval from the City of Winooski and expects final approval later this month. BHA received grant commitments from VHCB for Feasibility, and from the Vermont Department of Corrections. Approval for the TD BankNorth and VHCB Transitional Housing grants are expected in August.

mailing address P.O. Box 408, Burlington, VT 05402-0408 delivery address 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 fax (802) 864-5746 www.vhfa.org

Once complete, BHA will Master Lease the property to Dismas House II. The final design calls for 10 SRO units, common areas including a kitchen, living space and shared bathrooms, as well as resident parking behind the building. There will be a resident manager on site, so the program will serve 9 individuals. Under this Master Lease BHA will be responsible for property taxes, major repairs and major renovations. Dismas House II will be responsible for all utilities, grounds maintenance, snow removal, trash removal, general maintenance, light repairs and tenant damages.

BHA has requested approval for a loan of up to $200,000; however, at this time they will only need $155,000 based on expected funding commitments. The current underwriting supports a loan of this amount. Should there be a need for a loan increase in the event a funding source does not come through, staff would need to extend the term and amortization of the loan to 30 years, as well as have BHA renegotiate an appropriate lease fee accordingly.

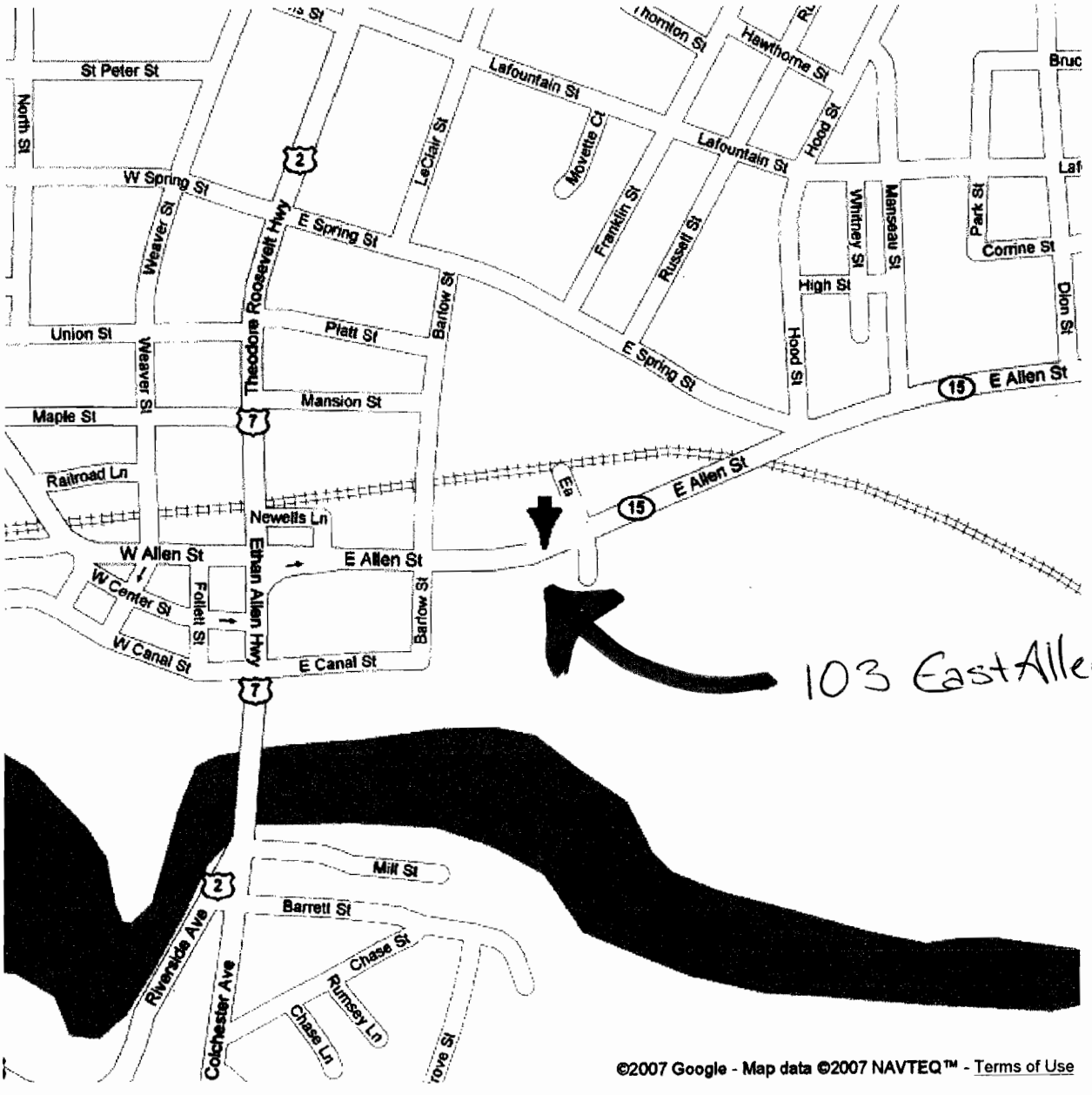
Special Conditions:

1. Receipt of an acceptable Capital Needs Assessment and/or Scope of Work;
2. Receipt of a finalized Memorandum of Understanding between BHA, Department of Corrections, Vermont Housing and Conservation Board, Dismas of Vermont, and Agency of Human Services regarding the construction, funding and management of Dismas House II, Winooski.
3. Receipt of the proposed Master Lease from BHA to Dismas House II, the terms of which are acceptable to VHFA.

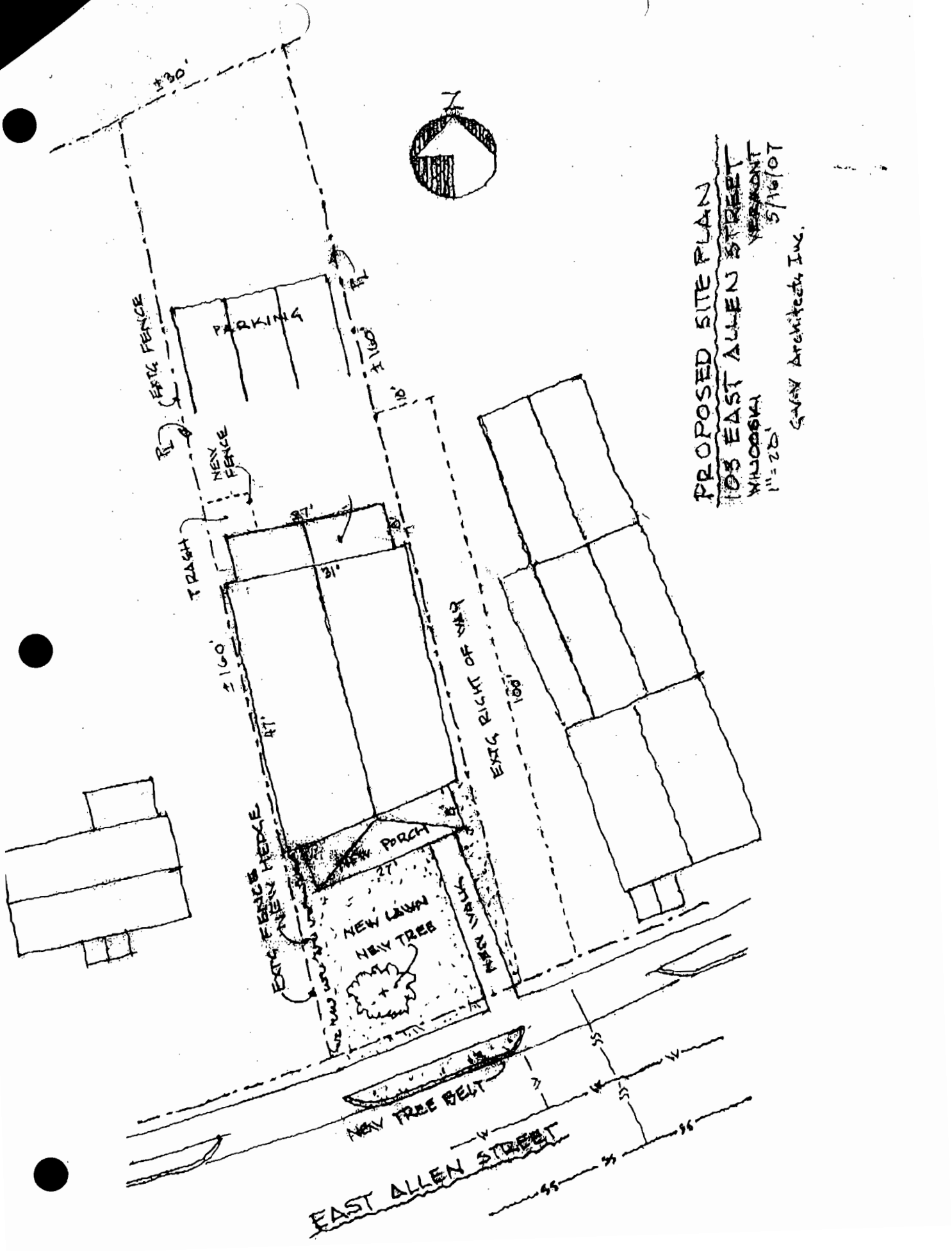
Staff recommends the Board approve up to $200,000 in permanent financing with the proposed conditions for the project. The expected closing will be in December 2007.

Google Maps

Address **103 E Allen St**
Winooski, VT 05404



103 EAST BLEND
105 EAST BLEND
BEAM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TRASH
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100'
EXTG FENCE & NEW HEDGE
NEW PORCH
27'
NEW LAWN
NEW TREE
NEW WALK
NEW TREE BELT
EAST ALLEN STREET
PROPOSED SITE PLAN
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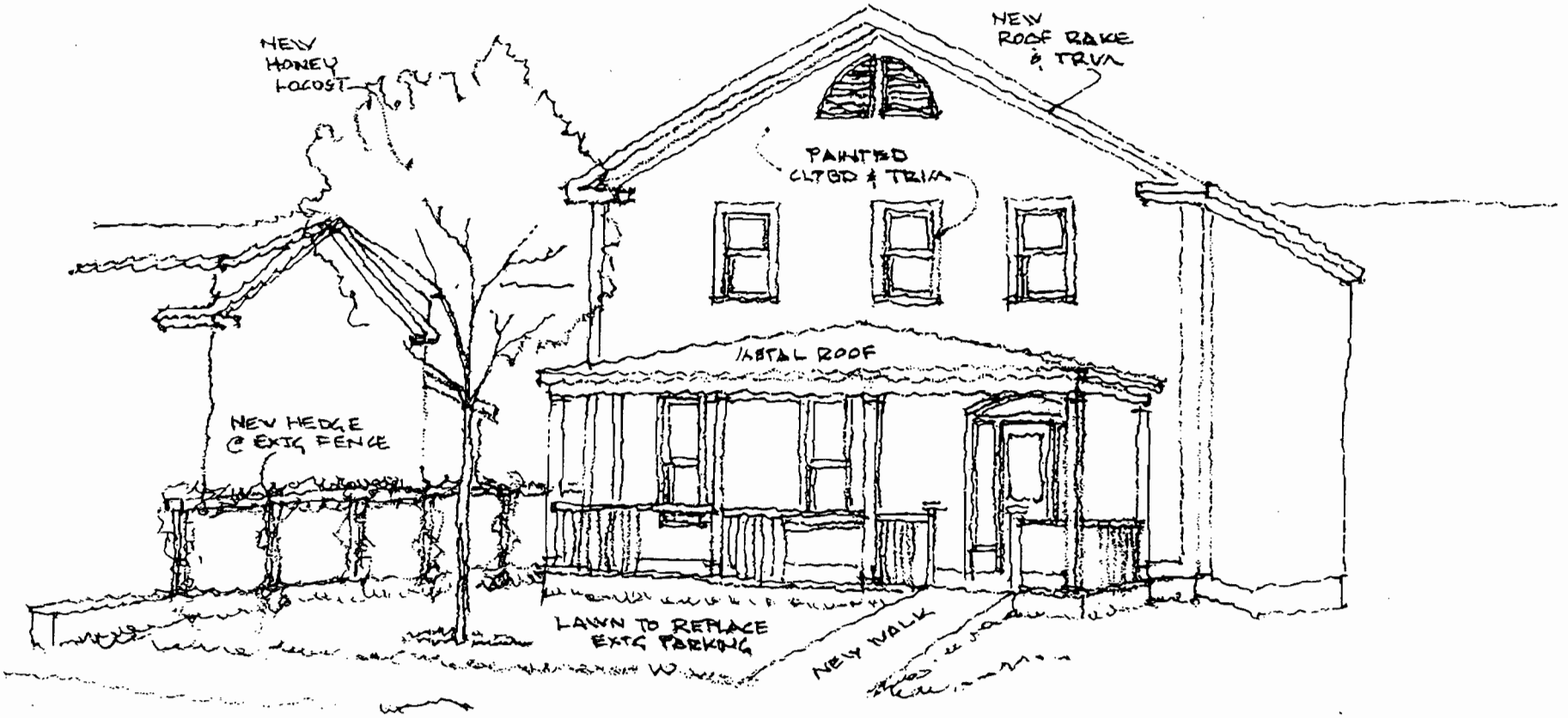
WINOOSKI VERMONT
1" = 20'
5/16/07
GVV Architects, Inc.



FRONT ELEVATION

103 E. ALLEN ST

G-V-V Architects Inc.

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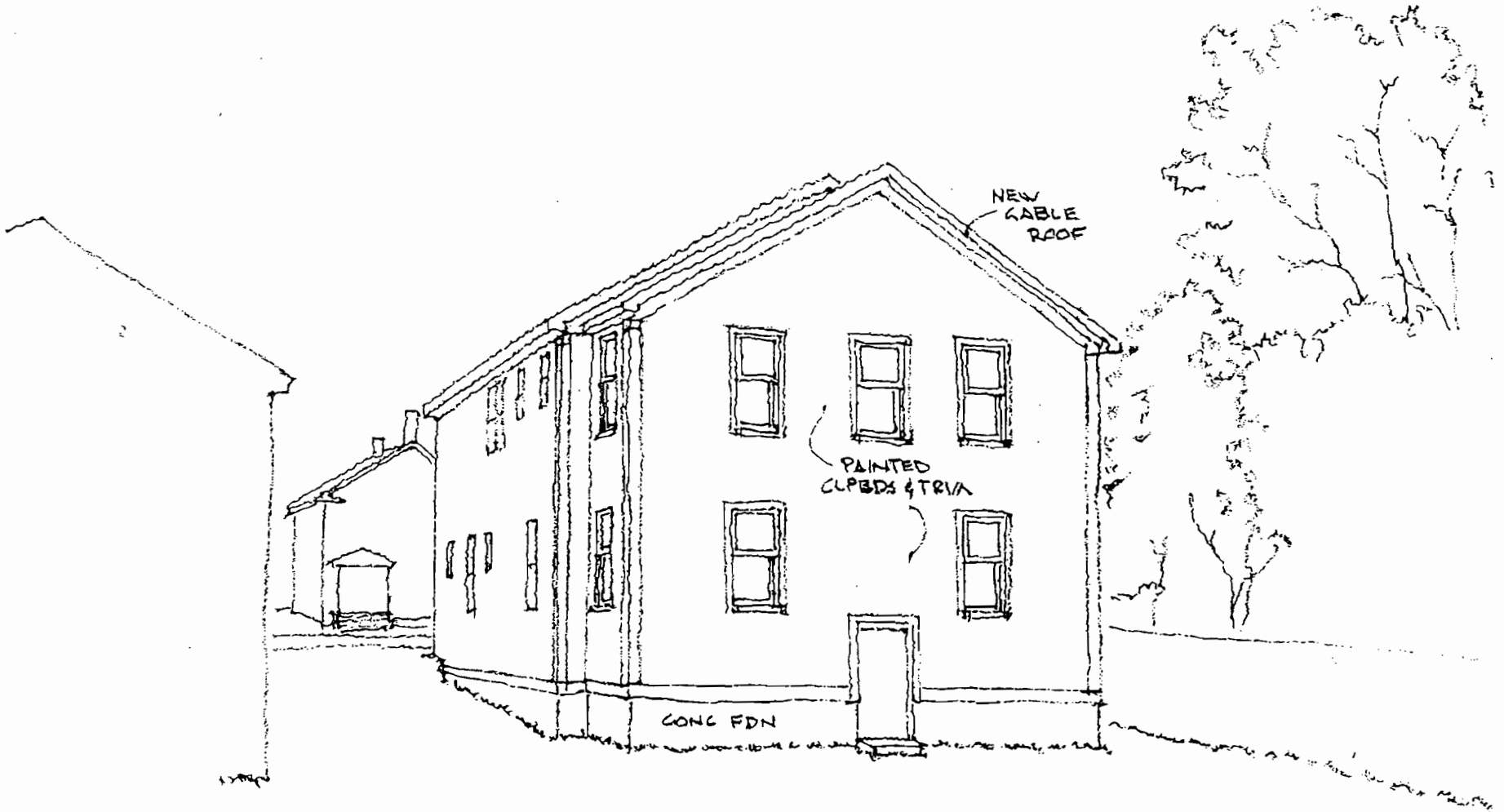


REAR ELEVATIONS

103 E. ALLEN ST
G·V·V Architects Inc.

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: PERMANENT FINANCING FOR DISMAS HOUSE II, WINOOSKI

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow monies and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, an application has been submitted to the Agency by Burlington Housing Authority (the "Borrower") involving the permanent financing of one (1) building containing a total of ten (10) single room occupancy units of rental housing in the City of Winooski to be master leased to Dismas House (the "Development"); and

WHEREAS, the application contemplates a new mortgage loan for acquisition and rehabilitation financing for the Development with the new mortgage interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds; and

WHEREAS, the Borrower 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; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated July 23, 2007, containing information and recommendations about the Development (the "Memorandum");

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 to be incurred by the Borrower 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 Borrower undertaking the Development will increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency 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 loan.

6. The Borrower is financially responsible and is a qualified housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a new mortgage loan to the Borrower for the permanent financing of the Development based on the recommendations in the attached Memorandum. 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 Borrower in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a new mortgage loan to the Borrower for the permanent financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter shall be conditioned on the satisfaction by the Borrower of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

3. The Executive Director and the Loan Review Committee will establish the final source and amount of the loan for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Director of Homeownership Programs

DATE: July 27, 2007

RE: Use of IORTA Funds for Homeownership Center Customers

Board Action Requested:
VHFA has approximately $185,000 available in IORTA funds. IORTA funds are from the interest earned on real estate trust accounts. These funds come to VHFA and must be used to assist homebuyers with down payment and/or closing costs. Staff requests approval from the Board to allocate up to $185,000 of these funds to assist customers of the Homeownership Centers with down payment and/or closing costs. The majority of the funds will be used by the Homeownership Centers to assist VHFA financed buyers.

Background:
Since 1992, VHFA has utilized IORTA funds to fund a loan loss reserve for its "Down Payment Assistance" and "No Down Payment" programs, and to introduce a "Cash Assistance" rate option on a pilot basis. (The Cash Assistance rate option has become a standard program feature and is now funded within each bond issue.) VHFA has also allocated a total of $825,000 in IORTA funds to the Homeownership Centers and other housing nonprofits to be used to make loans and grants to assist homebuyers with down payment and closing costs, and $150,000 to VHCB to leverage funds from the Federal Home Loan Bank's Affordable Housing Program. As of December 31, 2006, VHFA has received approximately $1.2 million in IORTA funds. Those funds have leveraged approximately $64.2 million in mortgage loans to assist 815 households.

The IORTA funds are used by the Homeownership Centers to assist households at or below 100% of median income with priority given to households at or below 80% of median income. Funds may be used to provide deferred or amortizing loans and direct grants. Repayments will be recycled to create a revolving fund at the Homeownership Center to assist future homebuyers. IORTA fund recipients report annually to VHFA providing information on the IORTA funds available and current activity.

The Homeownership Centers report that IORTA funds have been a critical source of funds for their customers with limited access to resources for down payment and closing costs.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Director of Development

DATE: July 30, 2007

RE: Request for Construction Financing: East Branch Farms, Manchester

Name:	East Branch Farms	**Location:**	Manchester
Housing Type:	For-Sale, General Occupancy	**Unit Type:**	Duplex Townhouses
Unit Count:	20 Total Units 12 VHFA-priced units (3 Homeland)	**Unit Sizes:**	1,423-2,500 finished square feet
Total Cost:	$6,206,603	**Per S.F. Acquisition & Construction Cost:**	$135.76
Loan Requested:	$3,000,000 Construction Loan Line of Credit	**Sponsor:**	Josh and Linda Wien
Other Funding:	Developers Equity		

Recommendation: Staff recommend that the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board authorize the Executive Director to issue a Letter of Interest and/or a Commitment Letter to finance this land purchase upon satisfactory completion of staff underwriting and due diligence.

Project Summary:

Josh and Linda Wien live in Manchester on the proposed development site, in an existing renovated farmhouse. The property consists of three contiguous parcels totaling 6.28 acres (see attached). Adjacent to this property is a three-acre site also owned by the Wiens (through a corporation in which they are the sole shareholders), with two commercial buildings and 24,000 square feet of leasable area. This other site is known as Manchester Marketplace, and is approximately ¼ mile from Route 7. Josh Wien also owns Manchester Realty and has been active in Manchester real estate for over two decades.

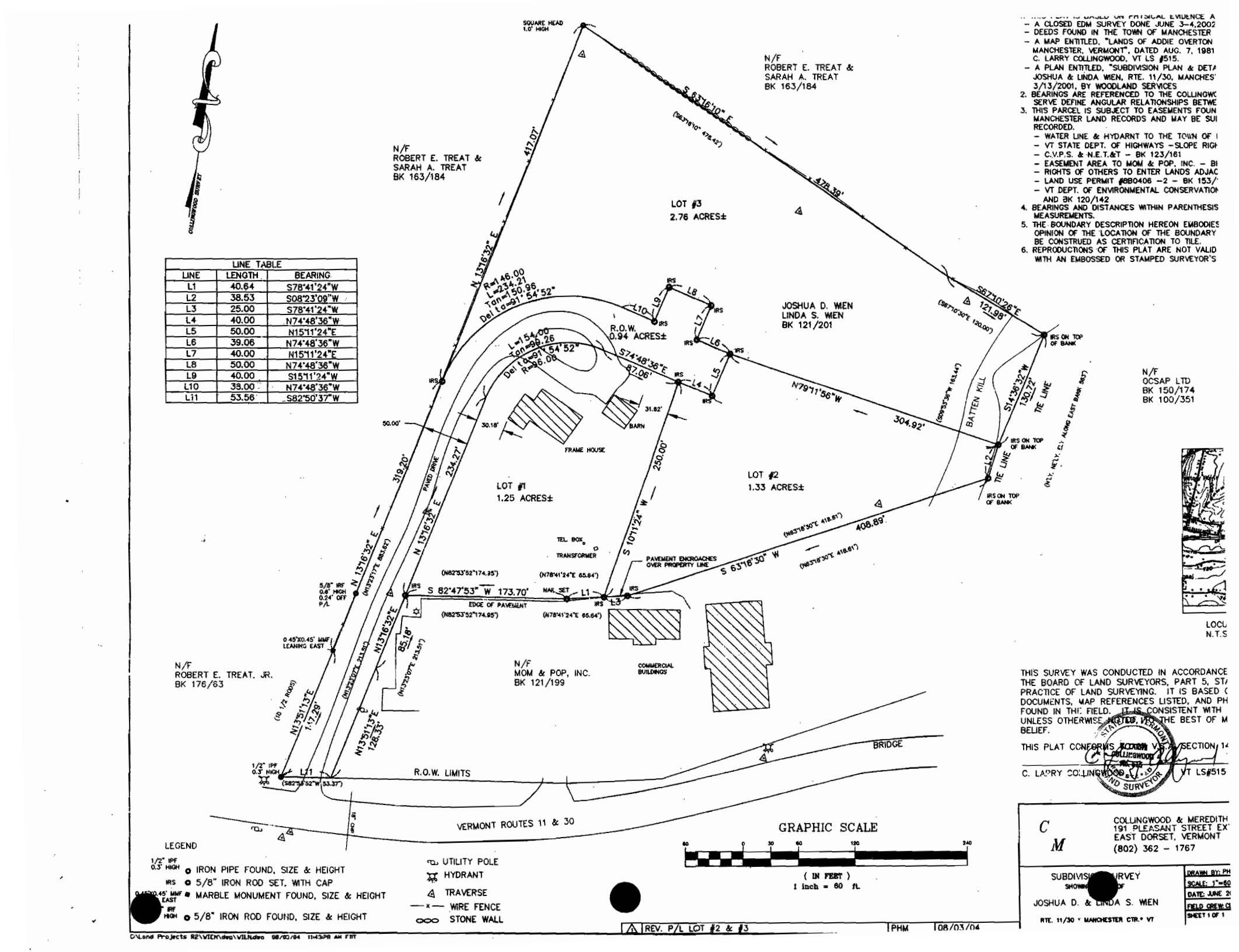
Mr. Wien previously received local permits to construct three homes on his 6.28 acre site, but has since decided to endeavor to put up affordable housing. There are townhouse-style condominiums on parcels close to and visible from his property, but there has been no new condominium development approved in Manchester in many years. This land is just beyond the sewer district, and Mr. Wien has attempted to get the sewer district expanded to include this parcel, which would have allowed for even greater density (32 homes rather than the 20 now proposed). This effort was not fruitful, and the current project shows municipal water and on-site septic disposal. Mr. Wien has also been in contact with Ed Bove, the Executive Director of Regional Affordable Housing Corporation (RAHC) regarding the ongoing affordability of the homes. RAHC has applied for Homeland subsidies from VHCB and anticipates Homeland for three homes. The town is looking in its permit conditions to have 12 of the 20 homes remain

affordable. Staff will work with RAHC and Mr Wien on the specifics of the covenant to keep subsequent re-sales within the VHFA income limits and purchase price limits.

The development will consist of 18 newly constructed modular units, manufactured by Avis America out of Pennsylvania, and finished and assembled onto full-foundation basements by the Quinn Companies of Rutland (who have worked as general contractor on a number of VHFA-financed developments). The existing farmhouse that the Wiens now occupy is slated to be converted into a duplex and the two units sold as well.

The project has all local permits and some State permits, and is awaiting finalization of its Act 250 permit; the sponsors believe they have worked out issues with their abutting neighbor, and that the Act 250 permit will be final (i.e., will have run its 30-day appeal period after issuance) by early September. Construction expected start date is September 15, with the Guaranteed Maximum Price construction contract prices holding until October 1st, 2007.

Staff is still awaiting the final appraisal and market data with which to complete underwriting. The sales prices and projected sell-out period are based on the borrower's knowledge of the market and appear achievable. Staff is also awaiting review of the construction budget and plans by its construction inspector, Dave Anderson, and may need to make some additional modifications based on his feedback.



LINE TABLE		
LINE	LENGTH	BEARING
L1	40.64	S78°41'24"W
L2	38.53	S08°23'09"W
L3	25.00	S78°41'24"W
L4	40.00	N74°48'36"W
L5	50.00	N15°11'24"E
L6	39.06	N74°48'36"W
L7	40.00	N15°11'24"E
L8	50.00	N74°48'36"W
L9	40.00	S15°11'24"W
L10	38.00	N74°48'36"W
L11	53.56	S82°50'37"W

- A CLOSED EDM SURVEY DONE JUNE 3-4,2002
- DEEDS FOUND IN THE TOWN OF MANCHESTER
- A MAP ENTITLED, "LANDS OF ADDIE OVERTON MANCHESTER, VERMONT", DATED AUG. 7, 1981 C. LARRY COLLINGWOOD, VT LS #515.
- A PLAN ENTITLED, "SUBDIVISION PLAN & DETA JOSHUA & LINDA WIEN, RTE. 11/30, MANCHES 3/13/2001, BY WOODLAND SERVICES

2. BEARINGS ARE REFERENCED TO THE COLLINGWC SERVE DEFINE ANGULAR RELATIONSHIPS BETWE
3. THIS PARCEL IS SUBJECT TO EASEMENTS FOUN MANCHESTER LAND RECORDS AND MAY BE SUI RECORDED.
   - WATER LINE & HYDARNT TO THE TOWN OF I
   - VT STATE DEPT. OF HIGHWAYS - SLOPE RIGH
   - C.V.P.S. & N.E.T.&T - BK 123/161
   - EASEMENT AREA TO MOM & POP, INC. - BI
   - RIGHTS OF OTHERS TO ENTER LANDS ADJAC
   - LAND USE PERMIT #8B0406 -2 - BK 153/
   - VT DEPT. OF ENVIRONMENTAL CONSERVATION AND BK 120/142
4. BEARINGS AND DISTANCES WITHIN PARENTHESIS MEASUREMENTS.
5. THE BOUNDARY DESCRIPTION HEREON EMBODIES OPINION OF THE LOCATION OF THE BOUNDARY BE CONSTRUED AS CERTIFICATION TO TILE.
6. REPRODUCTIONS OF THIS PLAT ARE NOT VALID WITH AN EMBOSSED OR STAMPED SURVEYOR'S

LOCU N.T.S

THIS SURVEY WAS CONDUCTED IN ACCORDANCE THE BOARD OF LAND SURVEYORS, PART 5, ST/ PRACTICE OF LAND SURVEYING. IT IS BASED C DOCUMENTS, MAP REFERENCES LISTED, AND PH FOUND IN THE FIELD. IT IS CONSISTENT WITH UNLESS OTHERWISE NOTED, TO THE BEST OF M BELIEF.

THIS PLAT CONFORMS TO V.S.A. SECTION 14

C. LARRY COLLINGWOOD VT LS#515

LEGEND

- 1/2" IPF 0.3' HIGH — IRON PIPE FOUND, SIZE & HEIGHT
- IRS — 5/8" IRON ROD SET, WITH CAP
- 0.45'X0.45' MMF LEANING EAST — MARBLE MONUMENT FOUND, SIZE & HEIGHT
- IRF HIGH — 5/8" IRON ROD FOUND, SIZE & HEIGHT
- UTILITY POLE
- HYDRANT
- TRAVERSE
- WIRE FENCE
- STONE WALL

REV.			
1	P/L LOT #2 & #3	PHM	08/03/04

C M

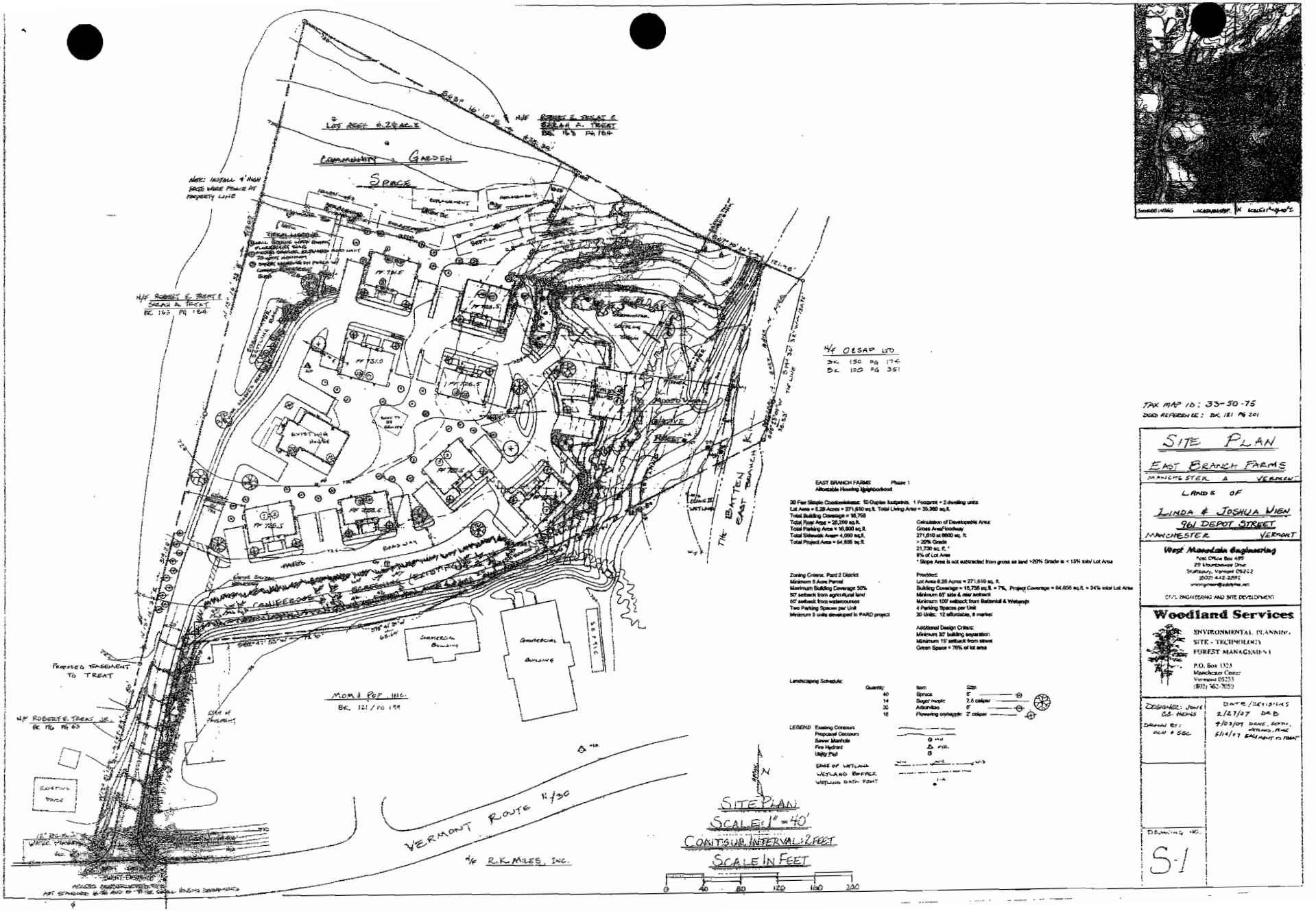
COLLINGWOOD & MEREDITH
191 PLEASANT STREET EX
EAST DORSET, VERMONT
(802) 362 - 1767

SUBDIVISION SURVEY SHOWN OF JOSHUA D. & LINDA S. WIEN

RTE. 11/30 * MANCHESTER CTR.* VT

DRAWN BY: PH
SCALE: 1"=60
DATE: JUNE 2
FIELD CREW: C
SHEET 1 OF 1

D:\Land Projects R2\WIEN\dwg\WIEN.dwg 08/03/04 11:43:28 AM EST



TAX MAP ID: 33-50-75
DEED REFERENCE: BK. 121 PG 201

SITE PLAN

EAST BRANCH FARMS

MANCHESTER, VERMONT

LANDS OF

LINDA & JOSHUA WIEN

961 DEPOT STREET

MANCHESTER, VERMONT

EAST BRANCH FARMS Phase 1
Affordable Housing Neighborhood

26 Fee Simple Condominiums: 10 Duplex footprints, 1 Footprint = 2 dwelling units
Lot Area = 6.28 Acres = 271,610 sq.ft. Total Living Area = 35,360 sq.ft.
Total Building Coverage = 16,756
Total Pave Area = 28,200 sq.ft.
Total Parking Area = 16,600 sq.ft.
Total Sidewalk Area= 4,000 sq.ft.
Total Project Area = 64,856 sq.ft.

Calculation of Developable Area:
Gross Area/Roadway
271,610 sq ft/6800 sq. ft.
= 20% Grade
21,730 sq. ft. *
8% of Lot Area
* Slope Area is not subtracted from gross as land >20% Grade is < 15% total Lot Area

Zoning Criteria, Rural 2 District
Minimum 5 Acre Parcel
Maximum Building Coverage 50%
50' setback from agricultural land
50' setback from watercourses
Two Parking Spaces per Unit
Minimum 5 units developed in PARD project

Provided:
Lot Area 6.28 Acres = 271,610 sq. ft.
Building Coverage = 16,756 sq.ft. = 7%, Project Coverage = 64,856 sq.ft. = 24% total Lot Area
Minimum 65' side & rear setback
Minimum 100' setback from Battenkill & Wetlands
4 Parking Spaces per Unit
20 Units: 12 affordable, 8 market

Additional Design Criteria:
Minimum 30' building separation
Minimum 15' setback from street
Green Space = 76% of lot area

Landscaping Schedule:

Quantity	Item	Size
40	Spruce	5'
14	Sugar maple	2.5 caliper
20	Arborvitae	5'
18	Flowering crabapple	2' caliper

LEGEND
Existing Contours
Proposed Contours
Sewer Manhole
Fire Hydrant
Utility Pad
EDGE OF WETLAND
WETLAND BUFFER
WETLAND DATA POINT

West Mountain Engineering
Post Office Box 495
79 Mountainview Drive
Shaftsbury, Vermont 05262
(802) 442-2595
vmengineer@adelphia.net
CIVIL ENGINEERING AND SITE DEVELOPMENT

Woodland Services
ENVIRONMENTAL PLANNING
SITE - TECHNOLOGY
FOREST MANAGEMENT
P.O. Box 1323
Manchester Center
Vermont 05255
(802) 362-3059

DESIGNED: JWH / CG-HENS
DRAWN BY: GLH + SGL

DATE/REVISIONS
2/27/07 DRD
4/03/09 DRWG. SCALE, WETLAND, ETC
5/14/09 EASEMENT TO TREAT

DRAWING NO.
S-1

Date: 7-1-04	East Branch Farms								
Total Residential Units:	20								
Total Development Cost:	$ 6,206,603								
Total Development Cost per Unit:	$ 310,330								
Total Development Cost Per SF:	$ 188								
SOURCES									
		% of Total Development Cost	Interest Rate	Amortization	Term				
VHFA Construction Loan	3,002,386	32.60%	7.58%		12 months	phase I is 22 weeks; total buildout is 40 weeks			
Developer's Equity	104,625	1.14%							
	0	0.00%							
		0.00%							
Seller Financing	0	0.00%							
		0.00%							
Seller Donation	0	0.00%							
	0	0.00%							
		0.00%							
Sales Proceeds from Units	6,120,000	66.46%							
TOTAL SOURCES	**9,227,011**	100.20%							
USES									
Acquisition	418,540	4.54%							
Construction Hard Costs	4,061,974	44.11%							
Soft Costs	1,726,089	18.74%							
Repay Construction Loan	3,002,386	32.60%							
TOTAL USES	**9,208,989**	100.00%							
Gap	**18,022**								

30-Jun-04

DEVELOPMENT BUDGET
East Branch Farms

The attached "Notes to Development Budget" are an integral part of this financial analysis

							33,002 Cost Per Square Foot	# Units For Sale 20 Cost Per Unit
1. Acquisition						% of Total		
	Land	Town	Manchester	389,375		6.27%	$11.80	19,469
	Building (s) (if any)			0		0.00%	$0.00	0
	Property Transfer Tax			18,165		0.29%	$0.55	908
	Appraisal			3,500		0.06%	$0.11	175
	Legal- Title & Recording			2,500		0.04%	$0.08	125
	Other (legal)			5,000		0.08%	$0.15	250
	Transfer Tax			0		0.00%	$0.00	0
Sub-total Acquisition				**418,540**		6.74%	$12.68	20,927
2. Hard Costs								
	Sitework			607,212		9.78%	$18.40	30,361
	Utilities			0		0.00%	$0.00	0
	Landscaping			0		0.00%	$0.00	0
	Hazardous Materials Abatement			0		0.00%	$0.00	0
	Off Site Improvements			9,176		0.15%	$0.28	459
	Bond			0		0.00%	$0.00	0
	Site Contingency			0		0.00%	$0.00	0
			Subtotal Site Construction		**616,388**	0.00%	$18.68	30,819
	Building Construction - New (Modules)			1,372,098		22.11%	$41.58	68,605
	Building Construction - Rehabilitation			344,036		5.54%	$10.42	17,202
	Foundations, Setting and Finishing			1,007,739		16.24%	$30.54	50,387
	Furnishings, Fixtures & Equipment			76,671		1.24%	$2.32	3,834
	Market upgrades - allowance			72,000		1.16%	$2.18	3,600
	Construction Contingency			0		0.00%	$0.00	0
			Sub-total Building Construction		**2,872,544**	46.28%	$87.04	143,627
	Construction Management					0.00%	$0.00	0
	General Conditions			234,050		3.77%	$7.09	11,702
	Contractor Overhead & Profit			335,392		5.40%	$10.16	16,770
	Bond			0		0.00%	$0.00	0
	Builders Risk Insurance			3,600		0.06%	$0.11	180
			Subtotal Construction Fees & Charges		**573,042**		$17.36	28,652
Sub-total Hard Costs				**4,061,974**		65.45%	$123.08	203,099
3. Soft Costs								
	Architect & Engineering - buildings			7,500		0.12%	$0.23	375
	Site Planning, Civil Engineering & Prof. fees thru Permits			17,700		0.29%	$0.54	885
	Environmental Site Assessment			0		0.00%	$0.00	0
			Sub-total Arch & Eng.		**25,200**	0.41%	$0.76	1,260
	Permit Fees:							
		Labor and Industry		0		0.00%	$0.00	0
		Act 250		18,200		0.29%	$0.55	910
		Local zoning, planning		7,000		0.11%	$0.21	350
		Local water impact & sewer		10,000		0.16%	$0.30	500
		Water Supply, Waste, storm, etc		3,495		0.06%	$0.11	175
		Special Consultants		1,500		0.02%	$0.05	75
		Preparation / Presentation		2,000		0.03%	$0.06	100
			Sub-total Permits		**42,195**	0.68%	$1.28	2,110
	Professional Fees:							
		Legal - real estate, permits & finance		4,500		0.07%	$0.14	225
		Legal - organization & sales		10,000		0.16%	$0.30	500
		Accounting - organization		5,000		0.08%	$0.15	250
		Clerk of Works		1,000				
		Project Management		8,200		0.13%	$0.25	410
			Sub-total Prof. Fees		**28,700**	0.46%	$0.87	1,385
	Marketing:							
		Market Study		0		0.00%	$0.00	0
		Advertising/Marketing		0		0.00%	$0.00	0
		Marketing Literature		3,500		0.06%	$0.11	175
		Commissions/Sales Staff		213,290		3.44%	$6.46	10,664
			Sub-total Marketing		**216,790**	3.49%	$6.57	10,839
	Financing:							
		Construction Loan Fee		15,938		0.26%	$0.48	797
		Construction Loan Expenses		7,600		0.12%	$0.23	380
		Construction Period Interest		182,382		2.94%	$5.53	9,119
		Other Financing Costs		0		0.00%	$0.00	0
			Sub-total Financing		**205,920**		$6.24	10,296
	Carrying Costs:							
		Property Taxes		16,870		0.27%	$0.51	843
		Liability Insurance		3,500		0.06%	$0.11	175
		Other		5,000				
		Maintenance/Utilities		27,000		0.44%	$0.82	1,350
			Sub-total Carrying Costs		**52,370**	0.84%	$1.59	2,368
	Developer's Fees			1,034,914		16.67%	$31.36	51,746
	Working Capital (Owner's Association, if any)			0		0.00%	$0.00	0
	Contingency			120,000			$3.64	6,000
Sub-total Soft Costs				**1,726,089**		27.81%	$52.30	86,304
TOTAL PROJECTED COST				**$6,206,603**		100.00%	$188.07	$310,330

East Branch Farms

Notes to Development Budget

Detail on Hard Cost

30-Jun-04		Total	Phase I	
	Item	**Cost**		**Assumptions**
	Sitework	607,212	434,866	
	Utilities			
	Landscaping			incl in sitework; +-62k for seeding, plantings, trees, fencing
	Hazardous Materials Abatement			
	Off Site Improvements	9,176	9,176	
	Bond			
	Site Contingency			GMP contract with general - what about site sub?
	Building Construction - New (Modules)	1,372,098	757,074	
	Building Construction - Rehabilitation	344,036	0	
	Foundations, Setting and Finishing	1,007,739	564,720	
	Furnishings, Fixtures & Equipment	76,671	42,595	
	Market upgrades - allowance	72,000	24,000	
	Construction Contingency			GMP with general
	Construction Management			
	General Conditions	234,050	131,192	
	Contractor Overhead & Profit	335,392	176,888	
	Bond			
	Builders Risk Insurance	3,600	1,800	
	TOTAL HARD COSTS	4,061,974	2,142,311	

Square Foot Analysis

Construction Plans dated :

# Residential Units	Type (s.f., duplex, flat, t.h.)	# Bdrms	stories	square feet	Total
0	A	0	0	0	0
6	B - affordable	3	2	1,423	8,538
6	D - affordable	3	2	1,622	9,732
4	D - market	3	2	1,622	6,488
2	D - walk-out - market	3	2	1,622	3,244
2	rehab units - market	3	2	2,500	5,000
20					33,002
Accessory Buildings					
	common			0	
	laundry			0	
	storage & mechanical			0	
	parking			0	
	office				
			total common	0	

East Branch Farms

Notes to Development Budget

Detail on Soft Costs

	Cost	Assumptions
Architect & Engineering - buildings	7,500	
Site Planning, Civil Engineering & Prof. fees thru Permits		
Civil Engineer	17,700	
Landscape Architect		
Survey & Topo.		
Archaeology		
Wildlife/Wetlands		
Environmental Site Assessment	0	
Sub-total Arch & Eng.	25,200	
Permit Fees:		
Labor and Industry		
Act 250	18,200	actual per application
Local zoning, planning	7,000	need to confirm
Local water impact & sewer	10,000	per City
Water Supply, Waste, storm, etc	3,495	
Special Consultants	1,500	
Preparation / Presentation	2,000	
Sub-total Permits	42,195	
Professional Fees:		
Legal - real estate, permits & finance	4,500	acq, financing, condo assoc
Legal - organization & sales	10,000	
Accounting - organization	5,000	
Other Consultants	1,000	
Project Management	8,200	
Sub-total Prof. Fees	28,700	
Marketing:		
Market Study		
Advertising/Marketing		
Marketing Literature	3,500	
Commissions/Sales Staff	213,290	3.49%
Sub-total Marketing	216,790	
Financing:		
Construction Loan Fee	15,938	vhfa legal, as-complete appraisal, const bond
Construction Loan Expenses	7,600	vhfa construction inspector
Construction Period Interest	182,382	
Other Financing Costs		
Sub-total Financing	205,920	
Carrying Costs:		
Property Taxes	16,870	
Liability Insurance	3,500	
Other	5,000	
Maintenance/Utilities	27,000	
Sub-total Carrying Costs	52,370	
Developer's Fees	1,034,914	16.67% of total development cost, incl fee.
Working Capital (Owner's Association, if any)	0	
TOTAL SOFT COSTS	2,091,664	

Local Permit Analysis			
	Building Permit		x.xx per 1000
	Conditional Use		
	Sketch Plan		
	Site Plan review	7,000	
	Major Subdivision		
	Zoning permit		
	Subtotal Local	7,000	
Local Impact Fees			
	Water hook-up	10,000	$x00 per
	Sewer hook-up		$xx per
	School		
	Police		
	Fire		
	Streets		
	Library		
	Recreation		$xxx/
	Subtotal Impact Fees	10,000	
	Total Local Permit Fees	17,000	
	Construction Loan		
	VHFA at 95% appraised value		

East Branch Farms

Unit Sales Schedule

213,290

6,120,000

3.49%

Phase:		Unit #	Unit Type	Square Feet	# Bdrms	#Baths	Sales Price	Cost of Sales	Net Sales Price
2	1	1	rehab - mkt	2,500	3	2.5	425,000	14,812	410,188
2	1	2	rehab - mkt	2,500	3	2.5	425,000	14,812	410,188
1	1	3	B - afford.	1,423	3	2.5	220,000	7,667	212,333
1	1	4	B - afford.	1,423	3	2.5	220,000	7,667	212,333
1	1	5	B - afford.	1,423	3	2.5	220,000	7,667	212,333
1	1	6	B - afford.	1,423	3	2.5	240,000	8,364	231,636
2	1	7	B - afford.	1,423	3	2.5	240,000	8,364	231,636
2	1	8	B - afford.	1,423	3	2.5	240,000	8,364	231,636
2	1	9	D - afford.	1,622	3	2.5	275,000	9,584	265,416
2	1	10	D - afford.	1,622	3	2.5	275,000	9,584	265,416
1	1	11	D - afford.	1,622	3	2.5	260,000	9,061	250,939
1	1	12	D - afford.	1,622	3	2.5	260,000	9,061	250,939
1	1	13	D - afford.	1,622	3	2.5	260,000	9,061	250,939
1	1	14	D - afford.	1,622	3	2.5	260,000	9,061	250,939
1	1	15	D - mkt	1,622	3	2.5	400,000	13,941	386,059
1	1	16	D - mkt	1,622	3	2.5	400,000	13,941	386,059
2	1	17	D - mkt	1,622	3	2.5	375,000	13,069	361,931
2	1	18	D - mkt	1,622	3	2.5	375,000	13,069	361,931
2	1	19	D - mkt	1,622	3	2.5	375,000	13,069	361,931
2	1	20	D - mkt	1,622	3	2.5	375,000	13,069	361,931
	20								
				33,002	60	50	6,120,000		5,906,710

Total Dev Cost =	6,206,603	
Surplus/(Deficit)	-86,603	per unit
average sales price	306,000	

RAHC 1% fee on four homeland units?

East Branch Farms			Development Period Cash Flow										
Cash Flow Projection			Assume closing:										
29-Jul-07		2007	closing	2007				2008					
	Projected Final Cost	as of 7/30/07	August	September	October	November	December	January	February	March	April	May	June
Land	389,375		389,375										
Building (s) (if any)	0		0										
Property Transfer Tax	18,165		18,165										
Appraisal	3,500		3,500										
Legal- Title & Recording	2,500		2,500										
Other (legal)	5,000		5,000										
Transfer Tax	0												
Sitework	607,212			0	21,683	86,658	104,192	107,840	65,057	75,551	77,031	51,872	17,329
Utilities	0												
Landscaping	0												
Hazardous Materials Abatement	0												
Off Site Improvements	9,176			0	328	1,310	1,575	1,630	983	1,142	1,164	784	262
Bond	0												
Site Contingency	0												
Building Construction - New (Modules)	1,372,098			0	48,997	195,817	235,440	243,682	147,007	170,720	174,064	117,213	39,158
Building Construction - Rehabilitation	344,036												
Foundations, Setting and Finishing	1,007,739			0	35,986	143,818	172,919	178,973	107,969	125,385	127,841	86,088	28,760
Furnishings, Fixtures & Equipment	76,671			0	2,738	10,942	13,156	13,617	8,215	9,540	9,726	6,550	2,188
Market upgrades - allowance	72,000			0	2,571	10,275	12,355	12,787	7,714	8,958	9,134	6,151	2,055
Construction Contingency	0												
Construction Management	0												
General Conditions	234,050			0	8,358	33,402	40,161	41,567	25,076	29,121	29,691	19,994	6,680
Contractor Overhead & Profit	335,392			0	11,977	47,865	57,550	59,565	35,934	41,730	42,548	28,651	9,572
Bond	0												
Builders Risk Insurance	3,600		1,800					1,800					
Architect & Engineering - buildings	7,500		7,500										
Site Planning, Civil Engineering & Prof. fees thru Permits	17,700		17,700										
Environmental Site Assessment	0												
Labor and Industry	0												
Act 250	18,200		18,200										
Local zoning, planning	7,000		7,000										
Local water impact & sewer	10,000		10,000										
Water Supply, Waste, storm, etc	3,495		3,495										
Special Consultants	1,500		1,500										
			0										
Legal - real estate, permits & finance	4,500		4,500										
Legal - organization & sales	10,000		4,000				4,000						2,000
Accounting - organization	5,000						2,500						
Clerk of Works	1,000			100	100	100	100	100	100	100	100	100	100
Project Management	8,200			820	820	820	820	820	820	820	820	820	820
Market Study	0												
Advertising/Marketing	0												
Marketing Literature	3,500			3,500									
Commissions/Sales Staff	213,290		0	0	0	0	0	0	7,667	15,335	17,426	9,061	9,061
Construction Loan Fee	15,938		15,938										
Construction Loan Expenses	7,600		7,600										
Construction Period Interest	182,382		0	3,297	3,422	4,363	7,821	12,072	16,435	17,793	18,223	18,348	18,965
Other Financing Costs	0												
Property Taxes	16,870						8,435						8,435
Liability Insurance	3,500		1,750					1,750					
Other	5,000		2,500					2,500					
Maintenance/Utilities	27,000			2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Developers Fee	1,034,914												
Working Capital (Owner's Association, if any)	0												
Contingency	120,000			10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Total Uses of Funds	6,204,603	0	522,023	19,717	148,978	547,371	673,024	690,702	434,976	508,194	519,768	357,632	157,384
				0.00%	3.57%	14.27%	17.16%	17.76%	10.71%	12.44%	12.69%	8.5	2.85%

East Branch Farms

Cash Flow Projec

29-Jul-07

	July	August	Sept	October	November	December	January	*Total*
Land								389,375
Building (s) (if any)								0
Property Transfer Tax								18,165
Appraisal								3,500
Legal- Title & Recording								2,500
Other (legal)								5,000
Transfer Tax								0
								0
Sitework	0	0	0					607,212
Utilities								0
Landscaping								0
Hazardous Materials Abatement								0
Off Site Improvements	0	0	0					9,176
Bond								0
Site Contingency								0
								0
Building Construction - New (Modules)	0	0	0					1,372,098
Building Construction - Rehabilitation				114,679	114,679	114,679		344,036
Foundations, Setting and Finishing	0	0	0					1,007,739
Furnishings, Fixtures & Equipment	0	0	0					76,671
Market upgrades - allowance	0	0	0					72,000
Construction Contingency								0
								0
Construction Management								0
General Conditions	0	0	0					234,050
Contractor Overhead & Profit	0	0	0					335,392
Bond								0
Builders Risk Insurance								3,600
								0
Architect & Engineering - buildings								7,500
Site Planning, Civil Engineering & Prof. fees thru Per								17,700
Environmental Site Assessment								0
								0
Labor and Industry								0
Act 250								18,200
Local zoning, planning								7,000
Local water impact & sewer								10,000
Water Supply, Waste, storm, etc								3,495
Special Consultants								1,500
								0
Legal - real estate, permits & finance								4,500
Legal - organization & sales								10,000
Accounting - organization						2,500		5,000
Clerk of Works								1,000
Project Management								8,200
								0
Market Study								0
Advertising/Marketing								0
Marketing Literature								3,500
Commissions/Sales Staff	9,061	27,881	21,434	21,434	37,465	37,465	0	213,290
								0
Construction Loan Fee								15,938
Construction Loan Expenses								7,600
Construction Period Interest	18,317	16,923	12,229	8,569	5,605	0	0	182,382
Other Financing Costs								0
								0
Property Taxes								16,870
Liability Insurance								3,500
Other								5,000
Maintenance/Utilities	2,000	2,000	2,000	1,000				27,000
								0
								0
Developers Fee								0
								0
Working Capital (Owner's Association, if any)								0
								0
Contingency	10,000	10,000						120,000
Total Uses of Funds	39,378	56,804	35,662	145,682	157,749	154,644	0	5,169,689
	0.00%	0.00%	0.00%	0.00%				

			2007		2007				2008					2008
			as of 7/30/07	August	September	October	November	December	January	February	March	April	May	June
SOURCES OF FUNDS														
VHFA loan		3,002,386	0	522,023	19,717	148,978	547,371	673,024	690,702	214,976	68,194	19,768	97,632	0
equity	104,625													
proceeds from sales	6,120,000													
Total	6,224,625													
Surplus/(Gap)	20,022													
Sales Proceeds (Gross)	Unit #													
	1	425,000												
	2	425,000												
	3	220,000								220,000				
	4	220,000									220,000			
	5	220,000									220,000			
	6	240,000										240,000		
	7	240,000												
	8	240,000												
	9	275,000												
	10	275,000												
	11	260,000										260,000		
	12	260,000											260,000	
	13	260,000												260,000
	14	260,000												
	15	400,000												
	16	400,000												
	17	375,000												
	18	375,000												
	19	375,000												
	20	375,000												
Total Sources (excluding VHFA loan)			0	0	0	0	0	0	0	220,000	440,000	500,000	260,000	260,000
Total Uses of Funds			0	522,023	19,717	148,978	547,371	673,024	690,702	434,976	508,194	519,768	357,632	157,384
Cash Flow			0	-522,023	-19,717	-148,978	-547,371	-673,024	-690,702	-214,976	-68,194	-19,768	-97,632	102,616
Loan Draw				522,023	19,717	148,978	547,371	673,024	690,702	214,976	68,194	19,768	97,632	0
Cash Flow for Loan Reduction				0	0	0	0	0	0	0	0	0	0	102,616
Cash flow for Developer				0	0	0	0	0	0	0	0	0	0	0
Loan Balance				522,023	541,740	690,719	1,238,089	1,911,113	2,601,816	2,816,792	2,884,986	2,904,754	3,002,386	2,899,771
	Interest at													
	7.58%			0	3,297	3,422	4,363	7,821	12,072	16,435	17,793	18,223	18,348	18,965

	July	August	Sept	October	November	December	2009 Jan	Total
SOURCES OF F								
VHFA loan	0	0	0	0	0	0	0	
equity								
proceeds from sales								
Total								0
Surplus/(Gap)								
Sales Proceeds (Gross)								0
					425,000			425,000
						425,000		425,000
								220,000
								220,000
								220,000
								240,000
			240,000					240,000
				240,000				240,000
					275,000			275,000
						275,000		275,000
								260,000
								260,000
								260,000
	260,000							260,000
		400,000						400,000
		400,000						400,000
			375,000					375,000
				375,000				375,000
					375,000			375,000
						375,000		375,000
								0
								0
								0
								0
Total Sources (excluding VHFA loan)	260,000	800,000	615,000	615,000	1,075,000	1,075,000	0	
Total Uses of Funds	39,378	56,804	35,662	145,682	157,749	154,644	0	
Cash Flow	220,622	743,196	579,338	469,318	917,251	920,356	0	
Loan Draw	0	0	0	0	0	0	0	
Cash Flow for Loan Reduction	220,622	743,196	579,338	469,318	887,297	0	0	
Cash flow for Developer	0	0	0	0	29,954	920,356	0	950,311
Loan Balance	2,679,149	1,935,953	1,356,615	887,297	0	0	0	
	18,317	16,923	12,229	8,569	5,605	0	0	182,382
							0	

UNIT #1
Q-13074104

UNIT #2
Q-13074105

PORCH POSTS, JOISTS, DECKING, & RAILING
PROVIDED & INSTALLED ON SITE BY OTHERS

This Drawing is for REFERENCE ONLY and may be used in conjunction with STRUCTURAL DRAWINGS AND DETAILS. These prints are drawn from specifications and information supplied by others and AVIS AMERICA assumes no responsibility for, due to construction techniques and codes that are beyond the control of AVIS AMERICA.

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REVISIONS
1. PD REVISION 4/10/07 CPB
2. PD REVISION 4/16/07 CPB
3. CONFO 4/23/07 SEY
4. ELEV-FND-ELEC JMO 5/02/07
5. CONFO#2 6/4/07 SEY
6. CONFO#3 6/11/07 SEY
7. FND/ELEV/ELEC 6-22-07 TLG

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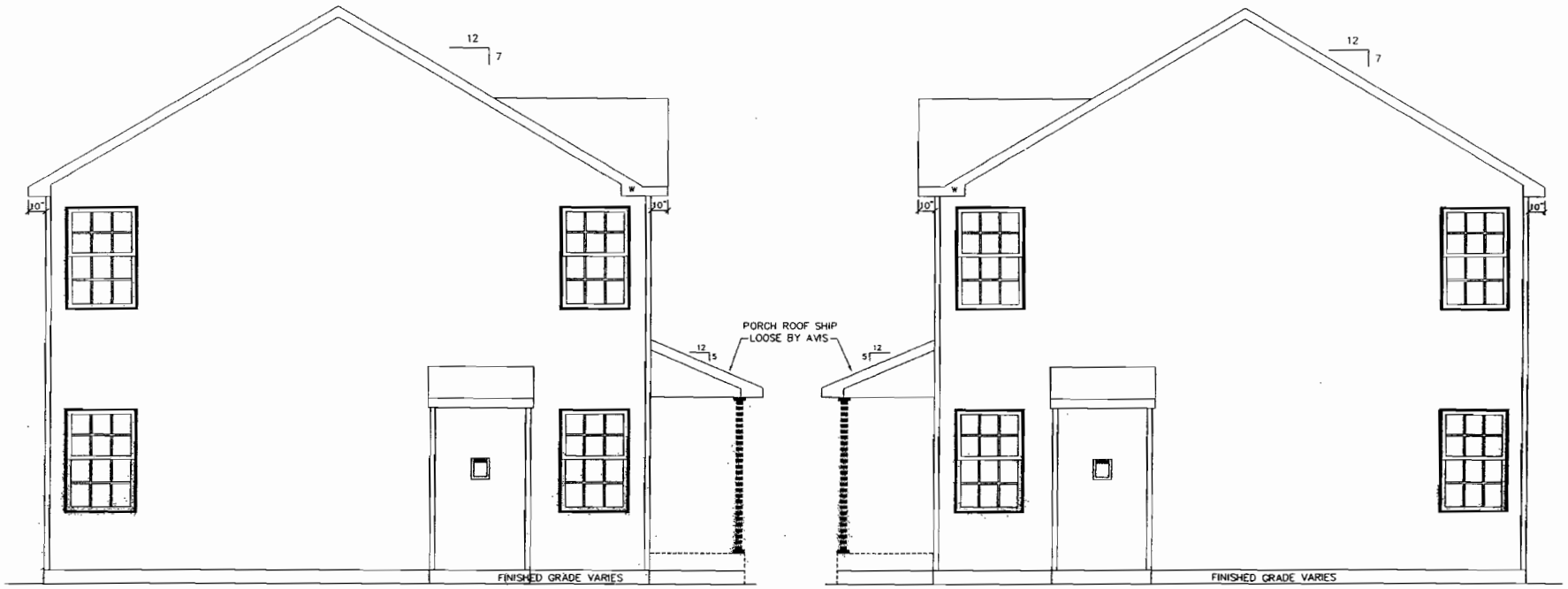
REF: 13073640/13073641

3392 SQ FT.	28'-9"x52'-0" / CUSTOM 2-STORY FRONT ELEVATION		
DRAWN BY: KYLA	CHECKED BY: ---	DATE: 3/27/07	SCALE: 3/16"=1'-0"
SN- /Q13074104&4105/ VT			
QUINN COMPANY, INC/EAST BRANCH BLDG B			

SHEET #: 4A



PORCH POSTS, JOISTS, DECKING, & RAILING
PROVIDED & INSTALLED ON SITE BY OTHERS

LEFT ELEVATION
UNIT #1
Q-13074104

RIGHT ELEVATION
UNIT #2
Q-13074105

REF: 13073640/13073641

3392 SQ FT
28'-9"x52'-0" CUSTOM 2-STORY
LEFT & RIGHT ELEVATIONS

DRAWN BY: KYLA | CHECKED BY: .... | DATE: 3/27/07 | SCALE: 3/16"=1'-0"

SN- /Q13074104&4105/ VT

QUINN COMPANY, INC/EAST BRANCH BLDG B

SHEET # 4C

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REVISIONS
1. PD REVISION 4/10/07 CPB
2. PD REVISION 4/16/07 CPB
3. CONFO 4/23/07 SEY
4. ELEV-FND-ELEC JMO 5/02/07
5. CONFOAF 6/4/07 SEY
6. CONFOAF 6/14/07 SEY
7. FND/ELEV/ELEC 6-22-07 TLG

The Drawing is for REFERENCE ONLY and may be used in conjunction with STRUCTURAL DRAWINGS AND DETAILS. These prints are drawn as APPROXIMATE REPRESENTATIONS of the building(s) and actual dimensions and conditions may vary. Avis America assumes no responsibility for any discrepancies between these prints and actual conditions and construction that are beyond the control of Avis America.

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CIRCUIT SCHEDULE (200 AMP PANEL) UNIT#1

CKT	BRK	WIRE	LOCATION	VOLT	CKT	BRK	WIRE	LOCATION	VOLT
			+WIRE WITH GROUND ALL CIRCUITS						
1	20A	12-2	APPLIANCE-KIT.-DIN	110	2	20A	12-2	APPLIANCE-KIT.	110
3	15A	14-2	LIGHTING-KIT.-DIN.	110	4	15A	14-2	DISHWASHER	110
5	40A	8-3	RANGE	220	6	20A	12-2	BATH #3	110
7					8	15A	14-2	HALL LIGHTS & SD	110
9	15A	14-2	LIVING	110	10				
11	15A	14-2	BATH#3 LTS-FOY	110	12				
13	15A	14-2	BEDROOM#2 & #3	110	14	20A	12-2	BATH #2	110
15					16				
17	15A	14-2	BEDROOM#1	110	18	20A	12-2	BATH #1	110
19	15A	14-2	BATH#1 & #2 LIGHTS	110	20				
21					22				
23					24				
25					26				
27					28				
29					30				
31					32				
33					34				
35					36				
37					38				
39					40				

CIRCUIT SCHEDULE (200 AMP PANEL) UNIT#2

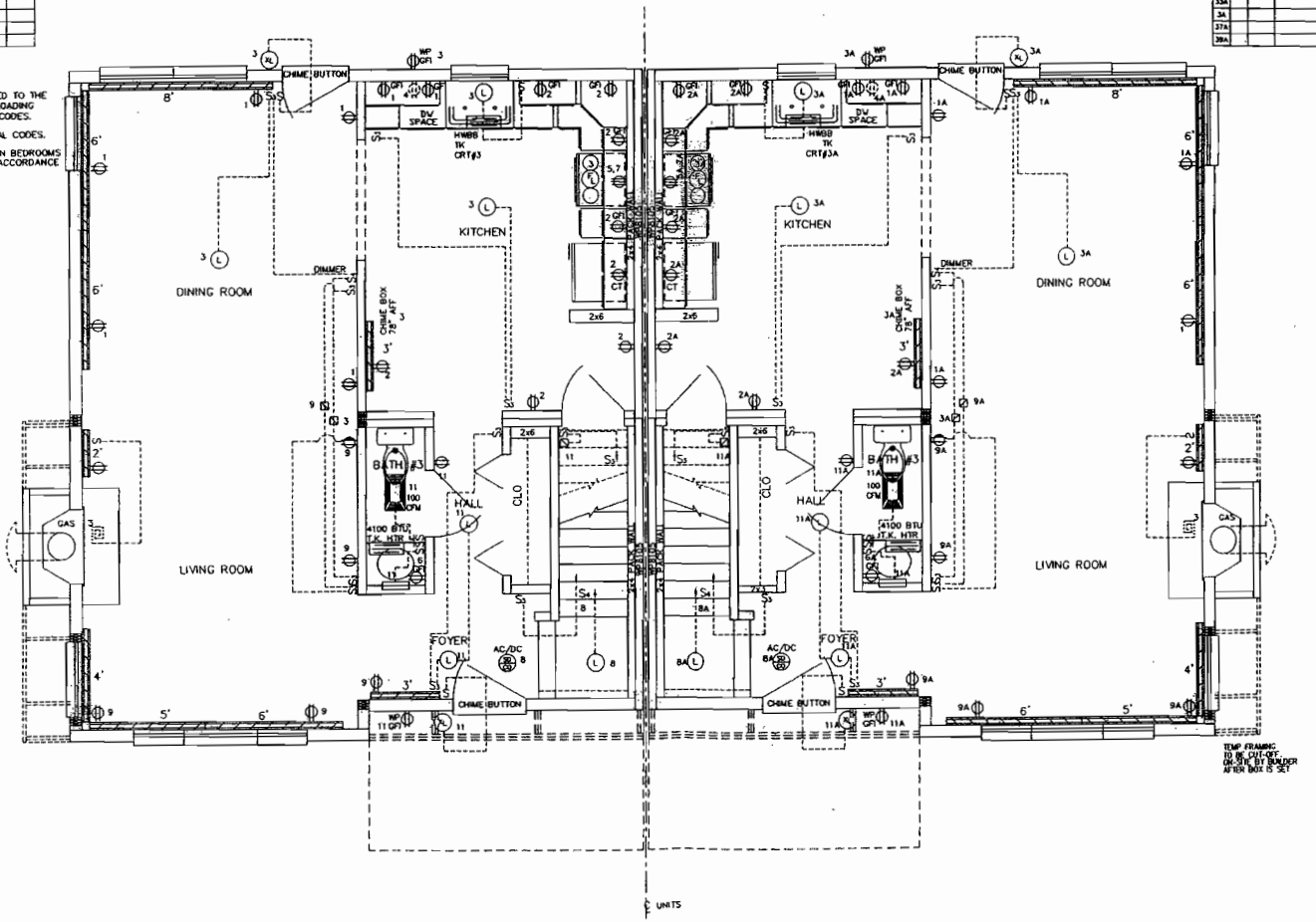
CKT	BRK	WIRE	LOCATION	VOLT	CKT	BRK	WIRE	LOCATION	VOLT
			+WIRE WITH GROUND ALL CIRCUITS						
1A	20A	12-2	APPLIANCE-KIT.-DIN	110	2A	20A	12-2	APPLIANCE-KIT.	110
3A	15A	14-2	LIGHTING-KIT.-DIN.	110	4A	15A	14-2	DISHWASHER	110
5A	40A	8-3	RANGE	220	6A	20A	12-2	BATH #3	110
7A					8A	15A	14-2	HALL LIGHTS & SD	110
9A	15A	14-2	LIVING	110	10A				
11A	15A	14-2	BATH#3 LTS-FOY	110	12A				
13A	15A	14-2	BEDROOM#2& #3	110	14A	20A	12-2	BATH #2	110
15A					16A				
17A	15A	14-2	BEDROOM#1	110	18A	20A	12-2	BATH #1	110
19A	15A	14-2	BATH#1 & #2 LIGHTS	110	20A				
21A					22A				
23A					24A				
25A					26A				
27A					28A				
29A					30A				
31A					32A				
33A					34A				
35A					36A				
37A					38A				
39A					40A				

ELECTRICAL NOTES:

- THIS PLAN MAY HAVE ADDITIONAL APPLIANCES/FIXTURES ADDED TO THE ELECTRICAL SCHEMATIC AND/OR PANEL BOX PROVIDING THE LOADING DOESN'T EXCEED THE MAXIMUM ALLOWED BY STATE & LOCAL CODES.
- E-CUTOFF SWITCH ON-SITE BY OTHERS PER ALL STATE & LOCAL CODES.
- ALL BRANCH CIRCUITS SUPPLYING 15 & 20 AMPERE OUTLETS IN BEDROOMS ARE PROTECTED BY AN ARC-FAULT CIRCUIT INTERRUPTER IN ACCORDANCE WITH SECTION 210.12.2005 NEC.
- BTU HEATLOSS: 65,000 PER DWELLING

UNIT #1
O-13074104

UNIT #2
O-13074105



ARC FAULT BREAKERS MUST BE USED IN ALL HABITABLE AREAS, IN EACH DWELLING

This Drawing is for reference ONLY and may be used in conjunction with STRUCTURAL DRAWINGS AND DETAILS. These prints are drawn from information supplied by the customer. Any errors or omissions in these specifications may affect the fit and construction techniques and are beyond the control of AVIS AMERICA.

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REVISIONS

1. PD REVISION 4/10/07 CPB
2. PD REVISION 4/16/07 CPB
3. CONFO#1 4/16/07 SEY
4. ELEV-FND ELEC JMO 5/02/07
5. CONFO#2 6/4/07 SEY
6. CONFO#3 6/14/07 SEY
7. FND/ELEV/ELEC 6-22-07 TLG

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REF: 13073640/13073641

3392 SQ FT
28'-9"x52'-0" / CUSTOM 2-STORY
1ST FLR ELECTRICAL PLAN

DRAWN BY: KYLA | CHECKED BY: ---- | DATE: 3/27/07 | SCALE: 3/16"=1'-0"

SN- /Q13074104&4105/ VT

QUINN COMPANY, INC/EAST BRANCH BLDG B

SHEET # 8A

CIRCUIT SCHEDULE (200 AMP PANEL) UNIT#1

CKT	BRK	WIRE	LOCATION	VOLT	CKT	BRK	WIRE	LOCATION	VOLT
			*WIRE WITH GROUND . ALL CIRCUITS						
1	20A	12-2	APPLIANCE-KIT.-DIN	110	2	20A	12-2	APPLIANCE-KIT.	110
3	15A	14-2	LIGHTING-KIT.-DIN.	110	4	15A	14-2	DISHWASHER	110
5	40A	8-3	RANGE	220	6	20A	12-2	BATH #3	110
7					8	15A	14-2	HALL LIGHTS & SD	110
9	15A	14-2	LIVING	110	10				
11	15A	14-2	BATH#3 LTS-FOY	110	12				
13	15A	14-2	BEDROOM#2 & #3	110	14	20A	12-2	BATH #2	110
15					16				
17	15A	14-2	BEDROOM#1	110	18	20A	12-2	BATH #1	110
19	15A	14-2	BATH#1 & #2 LIGHTS	110	20				
21					22				
23					24				
25					26				
27					28				
29					30				
31					32				
33					34				
35					36				
37					38				
39					40				

CIRCUIT SCHEDULE (200 AMP PANEL) UNIT#2

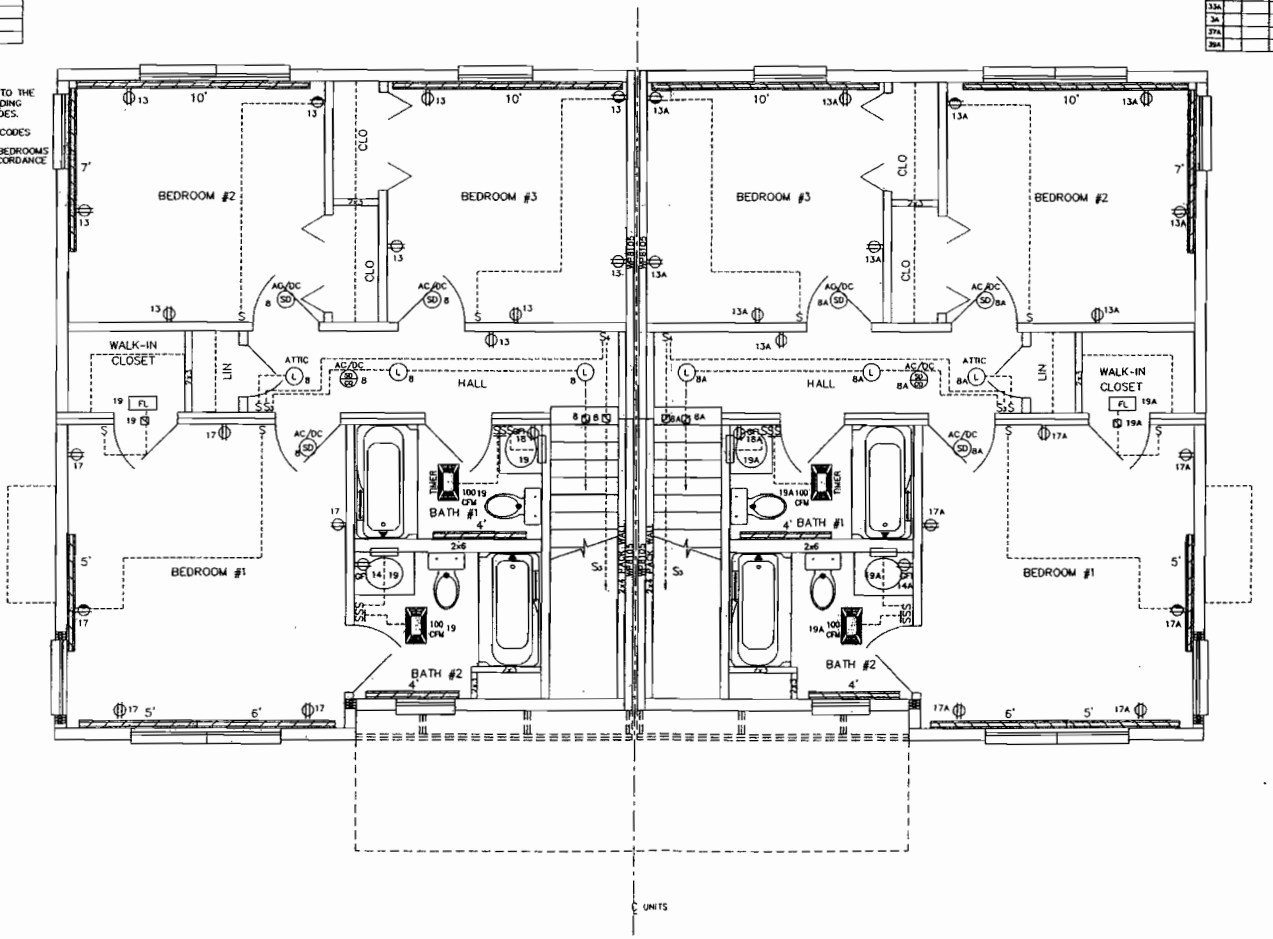
CKT	BRK	WIRE	LOCATION	VOLT	CKT	BRK	WIRE	LOCATION	VOLT
			*WIRE WITH GROUND . ALL CIRCUITS						
1A	20A	12-2	APPLIANCE-KIT.-DIN	110	2A	20A	12-2	APPLIANCE-KIT.	110
3A	15A	14-2	LIGHTING-KIT.-DIN.	110	4A	15A	14-2	DISHWASHER	110
5A	40A	8-3	RANGE	220	6A	20A	12-2	BATH #3	110
7A					8A	15A	14-2	HALL LIGHTS & SD	110
9A	15A	14-2	LIVING	110	10A				
11A	15A	14-2	BATH#3 LTS-FOY	110	12A				
13A	15A	14-2	BEDROOM#2&#3	110	14A	20A	12-2	BATH #2	110
15A					16A				
17A	15A	14-2	BEDROOM#1	110	18A	20A	12-2	BATH #1	110
19A	15A	14-2	BATH#1 & #2 LIGHTS	110	20A				
21A					22A				
23A					24A				
25A					26A				
27A					28A				
29A					30A				
31A					32A				
33A					34A				
35A					36A				
37A					38A				
39A					40A				

ELECTRICAL NOTES:

- THIS PLAN MAY HAVE ADDITIONAL APPLIANCES/FIXTURES ADDED TO THE ELECTRICAL SCHEMATIC AND/OR PANEL BOX PROVIDING THE LOADING DOESN'T EXCEED THE MAXIMUM ALLOWED BY STATE & LOCAL CODES.
- E-CUTOFF SWITCH ON-SITE BY OTHERS PER ALL STATE & LOCAL CODES
- ALL BRANCH CIRCUITS SUPPLYING 15 & 20 AMPERE OUTLETS IN BEDROOMS ARE PROTECTED BY AN ARC-FAULT CIRCUIT INTERRUPTER IN ACCORDANCE WITH SECTION 210.12.2005 NEC.
- BTU HEATLOSS: 65,000 PER DWELLING

UNIT #1
Q-13074104

UNIT #2
Q-13074105



ARC FAULT BREAKERS MUST BE USED IN ALL HABITABLE AREAS, IN EACH DWELLING

This Drawing is for REFERENCE ONLY and may be used in conjunction with APPROVED CONSTRUCTION DRAWINGS. These prints are drawn as APPROXIMATE REPRESENTATIONS of the floor plan and may not reflect all appearances that may appear due to construction techniques and conditions that are beyond the control of AVIS AMERICA.

In Signing I Acknowledge I Have Reviewed and Accept the prints

REVISIONS

1. PO REVISION 4/10/07 CPB
2. PO REVISION 4/16/07 CPB
3. CONFO 4/23/07 SEY
4. ELEV-FND-ELEC JMO 5/02/07
5. CONFO#2 6/4/07 SEY
6. CONFO#3 6/14/07 SEY
7. FND/ELEV/ELEC 6-22-07 TLG

AVIS AMERICA
HENRY ST. AVIS, P.A. 17721 PH. (570) 753-3700
WWW.AVISAMERICA.COM
Jun 22, 2007 - 9:06am
\\Dfiles02\Dwg files\13074104.dwg

REF: 13073640/13073641

3392 SQ FT.
28'-9"x52'-0" / CUSTOM 2-STORY
2ND FLR ELECTRICAL PLAN

DRAWN BY: KYLA | CHECKED BY: .... | DATE: 3/27/07 | SCALE: 3/16"=1'-0"

SN- /Q13074104&41105/ VT-

QUINN COMPANY, INC/EAST BRANCH BLDG B

SHEET # 8B

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: SINGLE FAMILY CONSTRUCTION FINANCING FOR EAST BRANCH FARMS, MANCHESTER

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow monies and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, an application has been submitted to the Agency by Josh and Linda Wien (the "Borrower") involving the construction of twenty (20) for sale single family condominium townhouses in the Town of Manchester (the "Development"); and

WHEREAS, the application contemplates a mortgage loan for construction financing of up to $3,300,000.00 for the Development with the interest rates to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds; and

WHEREAS, the Borrower 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

WHEREAS, the Board of Commissioners was presented with a memorandum from Joe Erdelyi dated July 30, 2007 containing information and recommendations about the construction financing for the Development (the "Memorandum");

THEREFORE, it is hereby RESOLVED:

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

2. The construction costs to be incurred by the Borrower 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 to be served by the proposed Development 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 and sufficient mortgage financing for occupancy by the persons or families.

4. The Borrower undertaking the Development will increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency 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 loan.

6. The Borrower is financially responsible and will be required to qualify as a housing sponsor within the meaning of the Act.

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the Borrower for the construction financing of the Development based on the recommendations in the attached Memorandum. 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 Borrower in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the Borrower for the construction financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter shall be conditioned on the satisfaction by the Borrower of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

3. The Executive Director and the Loan Review Committee will establish the final source and amount of the loan for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency.

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Senior Development Underwriter

DATE: July 25, 2007

RE: Request for Construction & Permanent Financing & Allocated Credits: Cummings Street Housing, Montpelier

Name:	Cummings Street Apartments	**Location:**	Montpelier
Housing Type:	Family Housing	**Unit Type:**	Townhouse
Unit Count:	20 Total Units 20 Housing Credit Units	**Unit Sizes:**	5 2-Br @ 961 sf 10 3-Br @ 1,239 sf 5 4-Br @ 1,390 sf
Total Cost:	$1,563,590	**Per S.F. Acquisition & Construction Cost:**	$64.76
Loan Requested:	$500,000 Construction $680,000 Permanent	**Sponsor:**	Capital City Housing Foundation (of Montpelier Housing Authority)
Housing Credits:	$74,000 (Allocated "9%" Credits)	**Other Funding:**	VHCB Feasibility, VHFA 0% Loan Assumed & Deferred; Replacement Reserves, Efficiency Vermont

Recommendation: Staff recommends that the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board authorize the Executive Director to issue a Letter of Interest and/or a Commitment Letter to finance this property upon satisfactory completion of staff underwriting and due diligence; and authorize staff to issue the appropriate documentation according to the Qualified Allocation Plan.

Project Summary: Capital City Housing Foundation (CCHF) is proposing to acquire and rehabilitate the 20-unit Cummings Street Apartments in Montpelier. CCHF is a co-general partner with Housing Vermont in the limited partnership which currently owns Cummings Street, and is exercising its option to purchase the property, which is past the 15th year of its tax credit compliance period. The mortgages are currently held by VHFA. One is an amortizing loan which will be assumed and then refinanced, and the second is a 0% loan which will also be assumed and is to be extended and deferred. The tax credit equity plus Efficiency Vermont funds and replacement reserves will pay for rehab costs. The property is approximately 29 years old and consists of three two-story buildings on 8.7 acres. CCHF and Housing Vermont acquired the property 17 years ago. Montpelier Housing Authority has managed the development since it was built and will continue to do so. The property has a high occupancy history. It is now needing capital improvements in excess of the replacement reserves available. Improvements are needed in these areas: drainage, playground, energy efficiency, roof replacements, laundry room, carbon monoxide detectors, kitchens, interior finishes, exterior surfaces, replacing electric heat on second floors with gas

heat. This application came in as a 4% Credit deal, and after reviewing the scope of work, Development and Multifamily Management staff met on site to review it together with the director of the Montpelier Housing Authority, the Architect, the Development Consultant, and Tom Dillon who had performed the Capital Needs Assessment. At staff's recommendation, the scope of work was increased to address more areas than had been included in the original scope, including more drainage, exterior paint, laundry room improvements, landscaping, decks and storage sheds, and additional electrical improvements, all to improve energy efficiency, livability and curb appeal. These changes increased costs, and staff encouraged the project sponsor to seek 9% rather than 4% credits. The 9% Credit request (at $74,000) is still modest, however, it's the staffs' opinion that the revised scope of work is more appropriate to the needs of the property. The sponsor has ordered an as-built appraisal and a market study (a tax credit requirement).

The sponsor would like to close on the construction loan in September and begin rehab immediately, before the heating season begins.

Tax Credit Discussion:
The application meets four top tier priorities and one second tier priority: The project involves rehabilitation, serves families, maintains the historic settlement pattern of the neighborhood, is near a designated downtown, and is affordable to households earning less than 30% of area median income.
The application does not however meet the mixed income requirement, that projects of 20 or more units provide 15% of units to households above 60% of area median income. Staff is recommending a waiver of this requirement, as all units currently have project-based Section 8 rental assistance, it is an established fully occupied project with no vacancy problems, and less Section 8 income would have an adverse affect on the operating budget.

30-Jul-07 **Cummings Street Apts, Montpelier**

Total Residential Units:	20	Increase in Income from Rental Units:	1.50%
Housing Credit Restricted Units:	20	Increase in Income from Other Sources:	1.50%
Percent Restricted:	100.00%	Increase in Income from Commercial:	0.00%
Total Development Cost:	1,563,590	Expense increase:	3.00%
Total Development Cost per Unit:	78,180	Vacancy Rate:	5%
Total Development Cost Per SF:	65	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
Max Credit Potential:	75,702	Short Depreciation Schedule:	7 years
Credit Amount Allocated:	**74,000**	Sponsor's Estimated Yield:	77.46%
VT State Credit	0		
liHTC - 9%	8.21%		
LIHTC - 4%	3.52%	August 2007	

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term	
VHFA	680,000	43.49%	8.20%	30	30	125%
VHFA zero loans	214,890	13.74%	0.00%	25	deferred	
GP Loan (deferred fee)	25,000	1.60%	0.00%	30	deferred	
Efficiency VT	13,000	0.83%	0	0	Cap Contribution	
Replacement Reserves	48,000	3.07%			Cap Contribution	
VHCB Feasibility (GP Equity)	9,500	0.61%	0	0	Cap Contribution	
Tax Credit Equity LP	573,200	36.66%	N/A	N/A		
	1,563,590	100.00%				

USES

Acquisition	602,390	38.53%
Construction Hard Costs	709,030	45.35%
Soft Costs	252,170	16.13%
TOTAL USES	1,563,590	100.00%

		Rate	Term (months)	Interest
Gap	**0**			
VHFA Construction Loan	500,000	8.50%	10	17,708

General Partner's Capital Contribution	5,732	1.00%
Limited Partner's Capital Contribution	567,468	99.00%
Total Equity	573,200	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	20
Total Units	20
Unit Fraction	100.00%
Tax Credit Square Footage	24,145
Total Residential Square Footage	24,145
Square Footage Fraction	100.00%
Applicable Fraction	100.00%

30-Jul-07 **Cummings Street Apts, Montpeli** 651,530 54

		Total Project Budget	Per Unit	Per s.f.
	ACQUISITION			
1	Land	91,200	4,560	3.78
2	Purchase of Building(s)	503,690	25,185	20.86
3	Demolition (without replacement)		0	0.00
4	Property Appraisal	2,500	125	0.10
5	Legal - Title and Recording	5,000	250	0.21
	Subtotal - Acquisitior	602,390		24.95
	CONSTRUCTION HARD COSTS			
6	Rehabilitation	651,530	32,577	26.98
7	Additional rehab		0	0.00
8	Accessory Buildings		0	0.00
9	Sitework		0	0.00
10	Commercial Space Costs (if any)		0	0.00
11	General Requirements		0	0.00
12	Contractor Overhead & profit		0	0.00
13	Contractor Profit		0	0.00
14	Construction Contingency	50,000	2,500	2.07
15	Construction Management		0	0.00
16	Construction Bond Fee		0	0.00
17	Hazardous Materials Abatement		0	0.00
18	Off-Site Improvements		0	0.00
19	Furnishings, Fixtures, & Equipment	7,500	375	0.31
20			0	0.00
	Subtotal - Hard Costs	709,030		29.37
	SOFT COSTS			
21	Architectural / Engineering	38,000	1,900	1.57
22	Engineering	8,500	425	0.35
23	Legal	9,500	475	0.39
24	Cost Certification audit	4,500	225	0.19
25	Environmental Assessment	1,500	75	0.06
26	Relocation	6,500	325	0.27
27	Permits/Fees	2,500	125	0.10
28	Impact Fees		0	0.00
29	Compaction/Testing	1,500	75	0.06
30	Independent Market Study	1,500	75	0.06
31	Construction Period Insurance		0	0.00
32	Construction Interest	20,000	1,000	0.83
33	Loan Origination Fee		0	0.00
34	Taxes During Construction		0	0.00
35	Inspection Fee	3,500	175	0.14
36	Marketing		0	0.00
37	Tax Credit Fees	2,910	146	0.12
38	Soft Cost Contingency	2,760	138	0.11
39	VHFA Lender's Council Fee	3,500	175	0.14
43	Capital Needs Assessment	2,000	100	0.08
	SYNDICATION COSTS			
44	Organizational (Partnership)	1,000	50	0.04
45	Bridge Loan Fees and Expenses		0	0.00
46	Syndication Consultant	2,500	125	0.10
47	Tax Opinion		0	0.00
	DEVELOPER'S FEES			
48	Developer's Fees	50,000	2,500	2.07
49	Deferred Fee	25,000	1,250	1.04
50	Consultant Fees	30,000	1,500	1.24
	RESERVES			
51	Working Capital		0	0.00
52	Rent-up (Deficit Escrow) Reserve		0	0.00
53	Replacement Reserves	35,000	1,750	1.45
54	Sinking Fund		0	0.00
55	Replacement Reserves		0	0.00
	Subtotal - Soft Costs	252,170	12,609	10.44
	TOTAL DEVELOPMENT COSTS	1,563,590	78,180	64.76

Scope of Work		
Site		
Parking paved asphalt	42,500	
Pedestrian walkways	12,500	
Site lighting	14,000	
Improve Drainage	15,000	
Misc Site Improvements	15,000	
Landscaping	8,000	
		107,000
Building Envelope		
Roofs (2)	30,000	
Clapboard repairs	8,000	
Doors & Hardware	26,000	
Storm Doors	12,600	
Insulation & Air Sealing	16,900	
Exterior Paint	18,000	
Decks & Storage Sheds	104,400	
		215,900
Interiors		
Kitchen Cabinets, vanities, counters	49,600	
Floor Finishes	24,000	
Carpeting	42,600	
GWB Repair/Paint	32,500	
Doors & Hardware	15,000	
Laundry Room Updrades	2,000	
		165,700
Electrical		
Fixture Upgrades	12,600	
Smoke CO detectors	9,000	
		21,600
Mechanical		
Plumbing Fixtures	14,800	
Supplement Existing system	54,000	
		68,800
Total Rehab Costs		579,000
Estimating Contingency		57,900
Total Rehab Costs		636,900

[redacted]ummings Street Apts, Montpelier

		Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	91,200					
2	Purchase of Building(s)	503,690	503,690		503,690		
3	Demolition (without replacement)	0			0		
4	Property Appraisal	2,500	2,500		2,500		
5	Legal - Title and Recording	5,000	5,000		5,000		
	Subtotal - Acquisition	602,390					
	CONSTRUCTION HARD COSTS						
6	Rehabilitation	651,530		651,530	651,530		
7	Additional rehab	0		0	0		
8	Accessory Buildings	0		0	0		
9	Sitework	0		0	0		
10	Commercial Space Costs (if any)	0					
11	General Requirements	0		0	0		
12	Contractor Overhead & profit	0		0	0		
13	Contractor Profit	0		0	0	0	
14	Construction Contingency	50,000		50,000	50,000		
15	Construction Management	0		0	0	0	
16	Construction Bond Fee	0		0	0		
17	Hazardous Materials Abatement	0		0	0		
18	Off-Site Improvements	0		0	0	0	
19	Furnishings, Fixtures, & Equipment	7,500		7,500	7,500	0	
20	0	0		0	0	0	
	Subtotal - Hard Costs	709,030					
	SOFT COSTS						
21	Architectural / Engineering	38,000		38,000	38,000		
22	Engineering	8,500		8,500	8,500		
23	Legal	9,500		9,500	9,500		
24	Cost Certification audit	4,500		4,500	4,500		
25	Environmental Assessment	1,500		1,500	1,500		
26	Relocation	6,500		6,500	6,500	0	
27	Permits/Fees	2,500		2,500	2,500		
28	Impact Fees	0		0	0		
29	Compaction/Testing	1,500		1,500	1,500		
30	Independent Market Study	1,500		1,500	1,500		
31	Construction Period Insurance	0		0	0		
32	Construction Interest	20,000		20,000	20,000		
33	Loan Origination Fee	0		0	0		
34	Taxes During Construction	0		0	0		
35	Inspection Fee	3,500		3,500	3,500		
36	Marketing	0					
37	Tax Credit Fees	2,910					
38	Soft Cost Contingency	2,760		2,760	2,760		
39	VHFA Lender's Council Fee	3,500		3,500	3,500		
43	Capital Needs Assessment	2,000					
	SYNDICATION COSTS						
44	Organizational (Partnership)	1,000					
45	Bridge Loan Fees and Expenses	0					
46	Syndication Consultant	2,500					
47	Tax Opinion	0					
	DEVELOPER'S FEES						
48	Developer's Fees	50,000		50,000	50,000		
49	Deferred Fee	25,000		25,000	25,000		
50	Consultant Fees	30,000		30,000	30,000		
	RESERVES						
51	Working Capital	0					
52	Rent-up (Deficit Escrow) Reserve	0					
53	Replacement Reserves	35,000					
54	Sinking Fund	0					
55	Replacement Reserves	0					
	Subtotal - Soft Costs	252,170					
	TOTALS	1,563,590	511,190	917,790	1,421,480	0	
LESS:	Amount of Non-qualified Financing			214,890		0	
LESS:	Adjustment for per unit cost limits	100.00%		0			
LESS:	Historic tax Credit (Residential Portion)			0	0	20%	Historic Credit Rate
	Total Eligible Basis		511,190	702,900		0	Annual Historic Credit
TIMES:	Adjusted for QCT/DDA	100.00%		702,900			
TIMES:	Applicable Fraction	100.00%	511,190	702,900			
	Total Qualified Basis		511,190	702,900	1,421,480	Long Term Depreciable Basis	
TIMES:	Applicable Percentage		3.52%	8.21%	27.5	Depreciation Schedule	
	Total Annual Credit Qualified		17,994	57,708	51,690	Annual Depreciation	

Total Tax Credits Requested	74,000	75,702
Estimated Net Syndication Proceeds (excluding historic credit equity)	573,200	
Estimated Yield - Housing Credit Syndication	77.46%	
Equity Gap	0	
Credits Needed to fill Equity Gap	0	

7,500	Short Term Depreciable Basis	
7	Depreciation Schedule	
1,071	Annual Depreciation	

0.00

30-Jul-07 **Cummings Street Apts, Montpelier**

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
RD 1% Loan, No Interest Credit															
Operating Income															
Gross Rent	239,880	243,478	247,130	250,837	254,600	258,419	262,295	266,230	270,223	274,276	278,391	282,566	286,805	291,107	295,474
Other Income	1,000	1,015	1,030	1,046	1,061	1,077	1,093	1,110	1,126	1,143	1,161	1,178	1,196	1,214	1,232
Vacancy and other losses	(11,994)	(12,174)	(12,357)	(12,542)	(12,730)	(12,921)	(13,115)	(13,311)	(13,511)	(13,714)	(13,920)	(14,128)	(14,340)	(14,555)	(14,774)
Total Operating Income	228,886	232,319	235,804	239,341	242,931	246,575	250,274	254,028	257,838	261,706	265,632	269,616	273,660	277,765	281,932
Operating Expenses															
Total Expenses (excl. Reserves)	139,860	144,056	148,377	152,829	157,414	162,136	167,000	172,010	177,170	182,486	187,960	193,599	199,407	205,389	211,551
Reserves	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500
Sub-Total Operating Expense	152,360	156,556	160,877	165,329	169,914	174,636	179,500	184,510	189,670	194,986	200,460	206,099	211,907	217,889	224,051
Total Operating Expense	152,360	156,556	160,877	165,329	169,914	174,636	179,500	184,510	189,670	194,986	200,460	206,099	211,907	217,889	224,051
Net Operating Income	76,526	75,763	74,927	74,012	73,018	71,939	70,774	69,518	68,168	66,720	65,171	63,517	61,753	59,876	57,881
Less Primary Debt Service	61,017	61,017	61,017	61,017	61,017	61,017	61,017	61,017	61,017	61,017	61,017	61,017	61,017	61,017	61,017
Less Secondary Debt Service															
Annual Cash Flow	15,509	14,747	13,910	12,996	12,001	10,922	9,757	8,501	7,151	5,704	4,155	2,500	737	(1,141)	(3,136)
	0	0	0	0	0	0	0	0	0	0	0	0	0	1,141	3,136
Net Cash	15,509	14,747	13,910	12,996	12,001	10,922	9,757	8,501	7,151	5,704	4,155	2,500	737	0	0
DCR	125.42%	124.17%	122.80%	121.30%	119.67%	117.90%	115.99%	113.93%	111.72%	109.35%	106.81%	104.10%	101.21%	98.13%	94.86%
Cumulative Cash Flow															
Beginning Balance	0	15,509	30,372	44,510	57,839	70,274	81,723	92,093	101,285	109,196	115,718	120,741	124,147	125,814	125,617
Deposits	15,509	14,747	13,910	12,996	12,001	10,922	9,757	8,501	7,151	5,704	4,155	2,500	737	0	0
Interest 1.5%	0	116	228	334	434	527	613	691	760	819	868	906	931	944	942
Withdrawals	0	0	0	0	0	0	0	0	0	0	0	0	0	(1,141)	(3,136)
Ending Balance	15,509	30,372	44,510	57,839	70,274	81,723	92,093	101,285	109,196	115,718	120,741	124,147	125,814	125,617	123,424
Cumulative Replacement Reserves															
Beginning Balance	35,000	47,594	60,451	73,404	86,455	84,603	97,738	110,971	109,303	122,623	136,042	149,563	163,184	176,908	190,735
Deposits	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500
Interest 1.5%	94	357	453	551	648	635	733	832	820	920	1,020	1,122	1,224	1,327	1,431
Withdrawals	0	0	0	0	(15,000)	0	0	(15,000)	0	0	0	0	0	0	0
Ending Balance	47,594	60,451	73,404	86,455	84,603	97,738	110,971	109,303	122,623	136,042	149,563	163,184	176,908	190,735	204,666
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income	76,526	75,763	74,927	74,012	73,018	71,939	70,774	69,518	68,168	66,720	65,171	63,517	61,753	59,876	57,881
Plus Reserves	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500
Less Interest Expense	(55,558)	(55,093)	(54,589)	(54,041)	(53,447)	(52,803)	(52,103)	(51,344)	(50,521)	(49,627)	(48,657)	(47,604)	(46,462)	(45,223)	(43,878)
Less Long Depreciation	(51,690)	(51,690)	(51,690)	(51,690)	(51,690)	(51,690)	(51,690)	(51,690)	(51,690)	(51,690)	(51,690)	(51,690)	(51,690)	(51,690)	(51,690)
Less Short Depreciation	(1,071)	(1,071)	(1,071)	(1,071)	(1,071)	(1,071)	(1,071)	0	0	0	0	0	0	0	0
Taxable Income (Loss)	(19,293)	(19,591)	(19,924)	(20,290)	(20,691)	(21,125)	(21,591)	(21,017)	(21,543)	(22,097)	(22,676)	(23,277)	(23,899)	(24,537)	(25,187)
Cash Flow	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings	6,753	6,857	6,973	7,102	7,242	7,394	7,557	7,356	7,540	7,734	7,936	8,147	8,365	8,588	8,816
Plus Tax Credits	74,000	74,000	74,000	74,000	74,000	74,000	74,000	74,000	74,000	74,000					
After Tax Cash Flow	80,753	80,857	80,973	81,102	81,242	81,394	81,557	81,356	81,540	81,734	7,936	8,147	8,365	8,588	8,816

30-Jul-07 **Cummings Street Apts, Montpelier**

Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
2 BdRm		961	5	884	87	53,040
3 BdRm		1,239	10	1,011	102	121,320
4 Bd Rm		1,390	5	1,092	120	65,520
Common Space						
	Totals	24,145	20			239,880

Less Vacancy	5.00%	(11,994)
NET RENT		227,886

OTHER INCOME

Laundry	1,000
Interest	
Commercial Space Income	0
Other	0
TOTAL INCOME	228,886

30-Jul-07 **ummings Street Apts, Montpelier**

	Check all Applicable									A					B						C					
Building #	Unit #	HOME Unit	Lead Paint Unit	Project Based Assistance	Tax Credit Unit	VHCB Restricted	Accessible	Adaptable	Unrestricted	Number of Bedrooms	Proposed Square Footage	Proposed Rent	Utility Allowance for Tenant-Paid Utilities	Gross Rent (Rent + Tenant-Paid Utilities)	OCCUPIED BY: Income level of residents to be served:						AFFORDABLE TO: Units affordable to residents at:					
															<30%	<50%	<60%	<80%	<100%	>100%	30%	50%	60%	65%	80%	100%+
	1			1	1					2	961	884	87	971							1					
	2			1	1					2	961	884	87	971							1					
	3			1	1					2	961	884	87	971							1					
	4			1	1					2	961	884	87	971							1					
	5			1	1					2	961	884	87	971							1					
	6			1	1					3	1,239	1,011	102	1,113							1					
	7			1	1					3	1,239	1,011	102	1,113							1					
	8			1	1					3	1,239	1,011	102	1,113							1					
	9			1	1					3	1,239	1,011	102	1,113							1					
	10			1	1					3	1,239	1,011	102	1,113							1					
	11			1	1					3	1,239	1,011	102	1,113							1					
	12			1	1					3	1,239	1,011	102	1,113							1					
	13			1	1					3	1,239	1,011	102	1,113							1					
	14			1	1					3	1,239	1,011	102	1,113							1					
	15			1	1					3	1,239	1,011	102	1,113							1					
	16			1	1					4	1,390	1,092	120	1,212							1					
	17			1	1					4	1,390	1,092	120	1,212							1					
	18			1	1					4	1,390	1,092	120	1,212							1					
	19			1	1					4	1,390	1,092	120	1,212							1					
	20			1	1					4	1,390	1,092	120	1,212							1					
Total # Units	**20**	**0**	**0**	**20**	**20**	**0**	**0**	**0**	**0**	**Totals:**	**24,145**	**19,990**		**Total # Units:**	0	0		0	0	0	30	0	0	0	0	0

form revision date: 2/27/97

30-Jul-07 **Cummings Street Apts, Montpelier**

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	9,500	792	40	4.2%
social services	1,000	83	4	
Audit/Accounting	4,500	375	19	
Legal	500	42	2	
Compliance Monitoring	960	80	4	960
Marketing		0	0	
Other	3,100	258	13	
TOTAL ADMINISTRATIVE	19,560	1,630	82	
Utilities				
Electricity	4,500	375	19	
Fuel	28,000	2,333	117	
Water and Sewer	15,000	1,250	63	
Fire Alarm / Emergency	1,500	125	6	
Other		0	0	
TOTAL UTILITIES	49,000	4,083	204	
Maintenance				
Maintenance / Janitor Payroll	10,500	875	44	
Maintenance Overhead		0	0	
Exterminating	1,200	100	5	
Trash Removal	8,000	667	33	
Snow Removal	3,000	250	13	
Grounds	1,500	125	6	
Repairs Material	4,100	342	17	
Repairs Contract	7,500	625	31	
HVAC Repairs / Maintenance	500	42	2	
Elevator Contract / Repairs		0	0	
Painting and Decorating	4,000	333	17	
Other		0	0	
TOTAL MAINTENANCE	40,300	3,358	168	
				per unit month excl. ds & res. 583
Real Estate Taxes	23,500	1,958	98	
Property Insurance	7,500	625	31	
Replacement Reserves	12,500	1,042	52	
Primary Debt Service		0	0	
Other "must pay" debt service		0	0	
Other		0	0	910
Total	152,360	12,697	635	

139,860

form revision date: 2/27/97

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: CONSTRUCTION AND PERMANENT FINANCING AND PROPOSED ALLOCATION OF ALLOCATED HOUSING CREDITS FOR CUMMINGS STREET APARTMENTS, CITY OF MONTPELIER

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow monies and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, an application has been submitted to the Agency by Capital City Housing Foundation (the "Sponsor") on behalf of a to be formed limited partnership in which the Sponsor or its subsidiary will be the general partner (the "Borrower") involving the acquisition and rehabilitation of a total of twenty (20) units of general occupancy rental housing in the City of Montpelier (the "Development"); and

WHEREAS, the application contemplates a mortgage loan for construction and permanent financing for the Development with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds; and

WHEREAS, the Borrower 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

WHEREAS, the Agency administers the allocation and use of the federal Low Income Housing Tax Credits (both Allocated Housing Credits and Bond Housing Credits) and the State Housing Credits under the State's Qualified Allocation Plan; and

WHEREAS, the Governor of the State of Vermont has approved the 2005-2006 Qualified Allocation Plan; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated July 31, 2007, containing information and recommendations about the Development (the "Memorandum");

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 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 increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency 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 loan.

6. The Sponsor is financially responsible and is a qualified housing sponsor within the meaning of the Act. The Borrower will be required to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsor for construction and permanent financing of the Development based on the recommendations in the attached Memorandum. 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 Sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the limited partnership to be created by the Sponsor for construction and permanent financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsor as the representative of the Borrower. The Commitment Letter shall be 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.

3. The Executive Director and the Loan Review Committee will establish the final source and amount of the loan for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines, and the conditions described in the Memorandum.

4. The recommendations for the allocation of Allocated Housing Credits contained in the Memorandum which is attached and incorporated by this reference are hereby approved.

5. The Executive Director and the appropriate staff are hereby authorized to take such actions as are described in the 2005-2006 Qualified Allocation Plan regarding the proposed allocation of federal Allocated Housing Credits in the amount of $74,000.00 for the Cummings Street Apartments project in the City of Montpelier, Vermont.

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Senior Development Underwriter CR

DATE: July 23, 2007

RE: Requests for FY09 State Credits

Recommendation:
Staff recommends that the VHFA Board of Commissioners pass the attached resolution and authorize staff to issue the appropriate documentation according to the Qualified Allocation Plan.

Summary:
The projects listed below have applied for FY09 State Affordable Housing Credits. Our process has been to allocate State Credits not more than two years out. Since we're now in FY08, we are looking at allocating FY09 Credit. The following projects applied for State Credit at the same time they applied for VHFA financing and federal Housing Credits. All of them have been to the Board previously and have commitments for either financing or federal credits or both. Some of them have all other funding committed (Essex; Tontine Canal; Wheeler Brook, Warren), and some of them have funding gaps (West River Assisted Living; Armory Square; Grange Hill, Woodstock) which the State Credit will help to fill.

West River Assisted Living has a gap to fill and is scheduled to complete construction in October. The gap is approximately $539,000 which they hope to fill with VCDP ($30,000); VHCB ($30,000); fundraising ($51,500), HUD Special Purpose sponsored by Senator Sanders ($216,000) and additional State Credits ($47,000 translating to $211,500 in equity). The local sponsor, Valley Cares, has already done a tremendous job with their fundraising efforts having secured $1,230,000 locally through area foundations, Grace Cottage Hospital and by commitment of its full development fee. They currently have 112 people on their waiting list; 70 for the 24 independent senior apartments and 40 for the 28 assisted living units (plus 14 residents currently in the Heins Home Residential Care Facility who will be relocated to the assisted living).

Armory Square and Grange Hill are still putting together their funding.

The State Credits continue to be a valuable resource to help fill funding gaps, and they continue to be in high demand, along with the 9% Credits. Since 2003 when legislation was passed which bifurcated the State Credit (separated it from the federal credit), the pool of possible investors was expanded, and the yield increased significantly (it's now in the range of .87 to .92 cents on the dollar), thus becoming even more valuable. Attached for your information is a history of what has been allocated to date.

We decided to bring all of the projects to the Board at one time, in the beginning of FY08. We will not bring requests for future allocations until the beginning of FY09.

Staff recommends the following allocations subject to meeting all other statutory requirements:

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

Project	Town	Sponsor(s)	#Units	State Credit Requested
Armory Square Allocated	Windsor	Rockingham Area Community Land Trust, Housing Vermont	43	$79,680
Armory Square Bond	Windsor	Rockingham Area Community Land Trust, Housing Vermont	15	$44,820
Essex Senior Housing	Essex Junction	Cathedral Square Corporation	48	$31,875
Tontine Canal	Guilford & Brattleboro	Brattleboro Area Community Land Trust	21	$37,600
West River Assisted Living	Townshend	Valley Cares, Housing Vermont	28	~~$47,000~~ $54,000
Wheeler Brook	Warren	Central Vermont Community Land Trust, Housing Vermont	18	$84,660
Grange Hill	Woodstock	Twin Pines Housing Trust, Housing Vermont	26	~~$74,700~~ $67,700
TOTAL REQUESTED			**199**	**$400,000**
TOTAL AVAILABLE TO ALLOCATE FY09				**$400,000**

Vermont Affordable Housing Tax Credit

Year	Project	City/Town	Sponsor(s)	Total # Units	# Tax Credit Units	Project Type	Amount Allocated
2000	Clark & Canal Street	Brattleboro	BACLT/ HVT	12	10	Acq/Rehab	58,000
	Green Mountain Seminary	Waterbury	CVCLT/HVT	16	14	Acq/Rehab	42,000
							100,000
2001	Jeffersonville Senior	Jeffersonville	LHP/HVT	22	18	New Const	100,000
	Moose River Housing	St. Johnsbury	GHT/HVT	28	28	Acq/Rehab	50,000
							150,000
2002	Creekview Housing	Vergennes	HVT/ACCAG	36	31	Acq/Rehab	80,000
	Groton Redevelopment	Groton	HVT/GHT	18	18	Acq/Rehab	20,000
	Vernon Senior Housing	Vernon	HVT/BACLT	24	17	New Const	50,000
							150,000
2003	Highgate Apartments	Barre	HVT/HHI	120	74	Rehab	50,000
	Whetstone	Brattleboro	BACLT	20	17	Rehab	100,000
							150,000
2004	Highgate Apartments	Barre	HVT/HHI	120	74	Rehab	150,000
							150,000
2005	Butterfield Senior	West Dover	BACLT	26	22	New Const	150,000
							150,000
2006	Evergreen Place	Waitsfield	CVCLT	18	18	Rehab/New	106,000
	Groton Redevelopment	Groton	HVT/GHT	18	18	Rehab	44,000
							150,000
FY 2007*	Sadawga Springs Apts	Whitingham	BACLT	9	7	Acq/Rehab	47,000
	Vernon Senior Housing	Vernon	BACLT/VSH/HVT	24	17	New Const	29,000
	Farrell St Senior Housing	So. Burlington	CSC	63	63	New Const	74,000
	Enosburg Falls Housing	Enosburg Falls	HVT/LCHDC	28	25	New/Rehab	92,500
	Conant Square	Brandon	RCCLT	19	19	Acq/Rehab	32,500
	Rutland AFS	Rutland	RCCLT	13	13	Rehab/New	25,000
							300,000
FY 2008	Bradford Scattered Site	Bradford	CVCLT/HVT	32	27	Acq/Rehab	62,500
	Enosburg Falls Housing	Enosburg Falls	HVT/LCHDC	28	25	New/Rehab	32,500
	Stowe Family Housing	Stowe	LHP/HVT	28	22	New Const	55,000
	West River Valley Assisted Living	Townshend	VC/HVT	28	15	New Const	60,000
	Rutland AFS	Rutland	RCCLT	13	13	Rehab/New	31,000
	Esteyville Housing	Brattleboro	BACLT	20	20	Rehab	53,500
	Middlebury South Village (MF)	Middlebury	HVT/ACCAG/ACCT	30	25	New Const	50,000
	Willard Mill	St Albans	HVT	27	25	Acq/Rehab	55,500
							400,000
	TOTALS			637			1,594,000

NOTES:

Annual available credit was $100,000 in 2000, $150,000 from 2001-2006, $300,000 in FY07, and $400,000 FY08-current.

* Effective May 2006 - State Credit is now on a fiscal year.

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: PROPOSED ALLOCATIONS OF FY2009 STATE HOUSING CREDITS

WHEREAS, the Agency administers the allocation and use of the federal Low Income Housing Tax Credits (both Allocated Housing Credits and Bond Housing Credits) and the State Housing Credits under the State's Qualified Allocation Plan; and

WHEREAS, the Governor of the State of Vermont has approved the 2005-2006 Qualified Allocation Plan; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated July 23, 2007, containing information and recommendations for the proposed allocations of FY2009 State Housing Credits (the "Memorandum");

1. The recommendations for the proposed allocations of FY2009 State Housing Credits contained in the Memorandum which is attached and incorporated by this reference are hereby approved;

2. The Executive Director and the appropriate staff are hereby authorized to take such actions as are described in the 2005-2006 Qualified Allocation Plan regarding the proposed allocations of State Housing Credits in the following amounts:

Project	**Town**	**Sponsor(s)**	**#Units**	**Proposed State Housing Credit Allocation**
Armory Square Allocated	Windsor	Rockingham Area CLT, Housing VT	43	$79,680
Armory Square Bond	Windsor	Rockingham Area CLT, Housing VT	15	$44,820
Essex Senior Housing	Essex Junction	Cathedral Square Corp.	48	$31,875
Tontine Canal	Guilford & Brattleboro	Brattleboro Area CLT	21	$37,600
West River Assisted Living	Townshend	Valley Cares, Housing VT	28	$54,000
Wheeler Brook	Warren	Central Vermont CLT, Housing VT	18	$84,660
Grange Hill	Woodstock	Twin Pines Housing Trust, Housing VT	26	$67,700
TOTAL REQUESTED			**199**	**$400,000**
TOTAL AVAILABLE TO ALLOCATE FY09				**$400,000**

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Director of Homeownership Programs PC

DATE: July 27, 2007

RE: Support for the Homeownership Centers

Board Action Requested:

VHFA's FY 2008 budget approved by the Board provided for additional funding in the amount of $100,000 for the Homeownership Centers to assist them to expand capacity within their revolving loan funds. The Board did ask the Centers to submit a proposal on how the funds would be used. I have attached a copy of a proposal and work plan submitted by the Centers for your review. I recommend approval of the plan.

Liz Curry plans to attend the meeting and will answer questions about this proposal.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

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Executive Director
Tim King

Gilman Housing Trust
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316 Main Street
Newport, VT 05855
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Executive Director
Ed Stretch

NeighborWorks®
of Western Vermont
110 Marble Street
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Executive Director
Ludy Biddle

Rockingham Area
Community Land Trust
24 Park Street
Springfield, VT 05156
T 802-885-3220
F 802-885-5811
Executive Director
Jeff Staudinger

inting Courtesy Chittenden Bank

July 26, 2007

Sarah Carpenter, Executive Director
Pat Crady, Director of Homeownership Programs
VHFA
PO Box 408
Burlington, VT 05402

Dear Sarah and Pat,

Enclosed please find a proposal from the NeighborWorks® HomeOwnership Centers of Vermont requesting the Vermont Housing Finance Agency's support to expand their housing loan funds.

As you know, the HomeOwnership Centers (HOCs) currently operate regional housing loan funds that help eligible households repair and/or purchase a home. The housing loan funds provide a package of expertise that includes financial counseling to increase the household's ability to preserve their home equity or to gain equity by purchasing a home. In addition to financial counseling, the loan funds have construction managers on staff who bring technical expertise to borrowers for their home repair projects.

The housing rehab funds rely primarily on grant income from the Vermont Community Development program and serve homeowners with low and very low homeowners who often cannot afford to repay the loans or repay with interest. As a result, the HOCs manage a non-performing loan portfolio that diminishes the sustainability of the loan funds.

The HOCs recent business analysis provided a set of recommendations that will lead to greater sustainability through expansion. This proposal requests a one time grant of $100,000 from the Finance Agency to support the Centers' expansion into statewide lending lines that will reach a broader market and wider geographic coverage. The goal of these lending lines would be to return revenue to the Centers in order to grow loan products that are currently unavailable to low and moderate income homeowners and home buyers.

The impact of this project will be stronger financial health of lower income homeowners through equity preservation coupled with financial counseling, and continued growth of new homeowners who have been shut out of the housing market for the past decade.

VHFA has been tremendously supportive of the Vermont NeighborWorks® organizations and we greatly appreciate this new opportunity to work with you and your staff on another phase of expansion. We look forward to discussing this request with you and your board. Thank you for your consideration.

Sincerely Yours,

Liz Curry

Liz Curry, Resource Developer
NeighborWorks® HomeOwnership Centers of VT

MEMORANDUM

TO: Sarah Carpenter, Director, VHFA

FROM: Liz Curry, Resource Developer, Neighborworks® HomeOwnership Centers of VT

SUBJECT: Request for support to expand the HOC regional housing loan funds

DATE: 7/26/2007

CC: Patricia Crady, Director Homeownership Programs; Dave Adams, Chief Program Operations

Introduction

This memo follows from a request made in spring 2007 by the NeighborWorks® HomeOwnership Centers of Vermont to the VHFA director, staff and board finance committee to consider a one-time allocation of up to $100,000 for the HomeOwnership Centers (HOCs) to implement recommendations made by an independent consultant's business analysis of the HOCs' regional housing loan funds, completed in April, 2007.

In 2003, VHFA participated in the HomeOwnership Centers' statewide expansion campaign with a generous $100,000 grant to support the geographic expansion of the Centers' homebuyer education and financial counseling programs. Geographic expansion happened over a three year period from 2003-2006 during which each Center went from serving a one county to a two-three county area. VHFA's grant was critical to the campaign results that doubled the number of customers who purchased a home (from 198 annually to 400 in 2005) after participating in homebuyer education workshops and financial counseling.

The expansion campaign also generated the synergy to sustain the statewide collaborative structure that emerged from the campaign. The Centers agreed that a collaborative approach to standardizing statewide program and resource development brings each organization greater capacity, skills, market, constituencies, and opportunities than the limited return on five individual, localized efforts.

Following the campaign, in 2006 the collaborative developed a broad strategic plan to identify opportunities to increase the Centers' sustainability without over-reliance on grant funding. Simultaneously, the Department of Housing and Community Affairs requested that the Centers create a business plan for the regional housing rehab loan funds; each Center operates a loan fund using VT Community Development Program funds either directly or in partnership with a local nonprofit housing organization.

NeighborWorks®
CHARTERED MEMBER

NeighborWorks®
CHARTERED MEMBER

Background

In the fall of 2006, the five Centers decided to collaborate on a statewide analysis of their regional housing loan funds in order to evaluate the feasibility of standardizing some loan fund components and explore paths to sustainability. With half ($12,953) of the cost covered by grant funds from NeighborWorks® America, independent consultants I² Community Development Consulting, Inc., Eileen Flanagan and Stephanie Pasquale completed an extensive performance review in April 2007 which was presented to VHFA staff in May, 2007. The analysis compiled the following components:

- existing indicators to evaluate the health of the housing loan funds;
- market data demonstrating areas of need and expansion opportunities;
- a case statement to use for raising loan capital; and
- twelve recommendations to bring the housing loan funds to scale; four of which form the basis of Vermont's short-term expansion strategy proposed in this application.

Proposal

In order to serve the housing needs of Vermonters who cannot qualify for conventional financing, the HOC directors have established the goal of creating statewide loan products that enhance the sustainability of participating organizations through collaboration that promotes the efficient delivery of affordable loan products.

The HOCs chose four of the business consultant's recommendations as their short-term focus in order to test a couple of statewide loan products. These four recommendations underpin the HOC's collaborative workplan and proposal to VHFA for $100,000:

1. Inventory organizational capacity, loan products, and costs
2. Market research
3. Coordinate lending functions
4. Design statewide delivery infrastructure

The workplan is designed with two or three statewide loan products in mind that are not available from conventional lenders (and are dependent on funding).

Pilot Loan Products

First, as discussed in Pat Crady's memo of July 2, 2007, the 2007 legislature allocated $500,000 through the Agency of Natural Resources for repairing and/or replacing failed septic systems that fall under the state's recent universal jurisdiction over design and permitting for on-site wastewater systems and potable water supplies. The HOC's propose to work in partnership with VHFA to implement statewide delivery of this loan pool. The Department of Housing and Community Affairs

has also agreed to enhance this loan pool by exploring a set-aside of funds for septic design engineering and technical assistance.

Second, the HOCs' housing loan fund network applied through NeighborWorks® of Western Vermont in May for a USDA Rural Utilities private household well repair grant. The grant would provide $200,000 in loan capital for homeowners who have tried to resolve their private well problems but need a repair or replacement solution for which they cannot afford a conventional bank loan. Western VT would administer the grant and the other four HOCs would operate as loan outlets for the loan pool.

Third, the HOC loan funds are exploring the feasibility of designing an energy savings loan product and raising capital (debt and equity). The governor's administration has proposed an interest rate subsidy that may be introduced in the 2008 session. This model is common in other states (New York, Wisconsin, Oregon) but these states typically have an energy conservation entity with technical expertise administering the subsidy. To address the technical side of energy efficiency lending, the NeighborWorks® organizations intend to forge partnerships with the Weatherization Program, VT Energy Investment Corporation, and train in-house rehab staff.

Implementation of Statewide Loan Delivery System

In order to bring Vermont's housing loan fund network to the scale required to deliver statewide loan products, the NeighborWorks® organizations have set the following goals for which VHFA funds would be needed:

1. Inventory organizational capacity, loan products, and costs

The statewide loan fund network is conceived of as a revenue-generating business line for the HomeOwnership Centers that will strengthen their sustainability without an over-reliance on grant funding. In order to create a successful business line, it is critical the Centers first evaluate:

a. capacity, in the context of how HomeOwnership Center staff are currently deployed and what staffing changes will be necessary to lend new, additional products;
b. costs, in terms of how much it costs on a per loan basis to make a rehab loan and how new loan products should be priced in order to cover program costs; and
c. existing loan products, to evaluate how these loan products will fare while new, statewide loan products are rolled out.

The HomeOwnership Centers request that a portion of the VHFA grant be allocated to procure a consultant who can undertake a cost analysis of the Centers' housing loan funds in order to provide cost data required for pricing new loan products.

2. Market research and marketing materials

The goal of market research is to verify a clear demand for new products at a sufficient scale to determine their success. Market research will first focus on an energy efficiency loan. Successful research techniques could be duplicated for other new products, e.g. second mortgages, accessibility modifications, refinances, and home equity lines of credit.

A secondary goal of market research is to identify lending niches that are not currently filled in order to demonstrate to lending partners that the NeighborWorks® housing loan funds are not competing with conventional loan products. The VT NeighborWorks® business analysis found that:

"15% of the 4,573 home improvement mortgage applications made in 2005 were high-cost loans, 26% were denied, and over 44% never made it through the process (frustrated rate).[1] These statistics represent an enormous new market for the HOC's to help homeowners avoid subprime lenders and purchase or fix their homes with financial counseling support."

The competitive edge that the HOCs' housing loan funds bring to community-based lending is the wrap-around service package that includes financial counseling and construction management. For home improvement lending, no other lender fills this niche.

Market research costs will include:

- Effective market research techniques (e.g. written and on-line survey; focus groups);
- Identify target customers and build database (e.g. purchase mailing lists, VHFA homeowners, CLT homeowners, members of environmental organizations, etc.);
- Gauge demand for product(s) through effective marketing techniques;
- Product design;
- Identify effective marketing venues (brochures, websites, print media, television/radio).

Marketing materials costs will include:

- Graphic and website design;
- Printing, mailing; shipping;
- Newspaper, radio, other media advertisements.

The HomeOwnership Centers request that a portion of the VHFA grant be allocated to market research on an energy conservation loan product and production of marketing materials. Also included in the marketing budget is design and production of a general brochure for the HOCs' housing loan funds for statewide marketing purposes.

---

[1] Source: 2005 Home Mortgage Disclosure Act (HMDA) Data

3. Coordination of state-wide lending functions

In order to design efficiencies into a statewide loan delivery system, the HomeOwnership Centers are committed to reducing duplicative back-office functions that currently include:

- Marketing, outreach and branding
- Underwriting
- Servicing
- Compliance
- Document preparation
- Data collection and reporting
- Technical support
- Training
- Resource development (capital)
- IT – information technology services
- In-take via 1-800 # and www

The current housing loan delivery system operates on a regional basis due to the nature of the loan funds' primary funding source – Community Development Program funds, which are regulatorily required to flow through municipalities. Therefore, the five individual organizations perform all of these functions in five regions. The Centers agree that a statewide infrastructure could house some of these functions in one "hub" and other functions could be handled centrally, with less labor required from the regional offices. It is likely that the inventory of capacity, costs, and loan products will illuminate opportunities for coordination and/or centralization of lending functions.

Centralized expertise in raising capital, coordinating data collection and marketing, and facilitating the collaborative has evolved through the statewide network's Resource Developer staff. The HomeOwnership Centers request that a portion of the VHFA grant be allocated to support some of the Resource Developer's time to raise capital, coordinate the workplan items in this proposal, facilitate design of the statewide infrastructure, and help implement centralized functions.

4. Design statewide delivery infrastructure

The HOCs goal is to implement a statewide infrastructure that generates more efficient loan delivery. With current loan capital coming primarily from the Community Development Program, the existing system necessarily duplicates many functions, activities, documents, and systems in five different offices. The proposed loan fund will use capital not tied to geographic locality, which will enable centralization and concentration of some activities in fewer entities and standardization of documents and systems.

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Examples of standardized documents include:
Loan policies;
Loan documents;
Marketing materials;
Databases and reports.

Examples of standardized systems include:
Intake and underwriting procedures/protocols using checklists;
Underwriting criteria;
Software and data entry;
Loan fees;
Requisitions;
Regulatory compliance and reporting.

Examples of consolidated or shared functions include:
Loan servicing;
Fund accounting;
Technical support (website management; 1-800 number; etc);
Marketing and branding;
Training.

In order to evaluate which items should be standardized and/or centralized, HOC directors will spend a portion of their time over the next four-six months building the new infrastructure. This new focus will divert their time and energy from developing financial resources and organizational capacity for their own individual shops. The HomeOwnership Centers request that a portion of the VHFA grant be allocated to support their internal capacity while the new infrastructure is being designed and implemented.

As a network, the HOCs are well poised to deliver homeownership and home improvement products to their respective service areas through the provision of a comprehensive program of financial products and services. The Centers have built staff capacity and loan capital to increase production this year and over the next three years. The Vermont NeighborWorks® organizations expect that investments in this effort will result in significant impact at both the individual family and community wide levels.

Request to the Vermont Housing Finance Agency
from the
NeighborWorks HomeOwnership Centers Housing Loan Funds
for Expansion Grant

July 18, 2007

Proposed use of funds

1	Cost Inventory	$	7,500
2	Market research & materials	$	15,000
3	Coordination of statewide lending functions (these costs will be determined following the cost inventory*)	$	15,000
4	Design statewide infrastructure (HOC organizational capacity)	$	62,500
		$	100,000

*The Centers propose to work with Pat Crady and VHFA staff to delineate use of funds slated for coodination of statewide lending functions after the cost inventory is complete. A portion of this line item will support to coordinate this effort developers' time

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NeighborWorks®
ALLIANCE OF VERMONT

NeighborWorks America Expansion Grant Application
Start-up Operating Budget
August 3, 2007

Uses				VHFA	NeighborWorks/Other
Resource Developer - 12 mos.			$ 30,000	9,500	20,500
includes supervision and administrative support time from CHT director and staff					
coordination/facilitation of executive director & HOC director meetings					
analyze fund management capacity needs and develop plan to meet needs					
research models, inventory existing products, & design loan products					
build/expand relationships with multiple partners					
coordination/facilitate performance analysis					
coordinate market research, design, production of materials; communications					
create investment portfolio to raise loan capital					
facilitate standardization of loan documents/policies/protocols					
facilitate training needed by regional HOC staff					
raise loan capital					
Overhead (phone/travel/copying/postage/other)			$ 1,500		1,500
Marketing - research w/Beacon Associates; design & production of materials			$ 15,000	15,000	
Consulting					
performance analysis of HOC's	$	7,500		7,500	
creating an investment grade porfolio	$	3,000			3,000
build technological capacity to web-base loan fund documents	$	2,500		2,500	
Pursue common server/network database	$	5,000			5,000
build debt/equity fund spreadsheet to track PRI repayments	$	2,000			2,000
		subtotal consult	$ 20,000		
HOC staff training/capacity building			$ 75,000	62,500	12,500
Loan software and training			$ 6,000	3,000	3,000
Legal/accounting advice			$ 2,500		2,500
		Total Uses	$ 150,000		
Sources					
NeighborWorks® America Expansion Grant			$ 50,000		
Vermont Housing Finance Agency			$ 100,000		
		Total Sources	$ 150,000	100,000	50,000

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sam Falzone, Director, Multifamily Programs

DATE: July 30, 2007

RE: **0% Loan Forgiveness**

Recommendation: Staff recommend that the VHFA Board approve forgiving $794,336 in 0% loans as discussed during the July 24th Audit Risk Management Committee meeting. Our recommendation and rationale for what loans to forgive is detailed below.

A feature of the Multi-Purpose 2007 Series A and B bond issue allowed us to defer the forgiveness of all but $794,336 in excess yield earnings until 2037. In order to be in yield compliance when the 1995 Series A bonds are redeemed on August 15, 2007, we must now forgive $794,336 of the $10 million in 0% loans we have made. The Audit Risk Management Committee asked that we provide a list of all 0% loans we have made and a recommendation for the specific loans we have picked to make up the $794,336.

The following loans have been selected because forgiveness will not trigger an income event for the borrower and in the case of Jeri Hill and Point School, we have perpetual Preservation Agreements guaranteeing future affordability. The VHCB lead paint loan forgiveness will provide an ongoing source of funds to leverage and lower the rate on other sources of funding used for lead abatement loans.

VHCB Lead Paint Loans	**$428,305**
Jeri Hill Apts. (Cathedral Square Corp)	**$254,031**
Point School Apts. (Champlain Housing Trust)	**$112,000**
TOTAL	**$794,336**

Attached is a complete listing of all 0% loans that were made from the excess yield generated from the 1995 A and 1999 CD refunding bonds.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

MF 0% EXCESS YIELD USES

Multi-Family:	Pres. workouts	Development acquisitions	deficits	Dollar Amount
Abenaki Acres	x			$85,036
Allen Apartments		x		$199,000
Ben South		x		$133,000
Benson Heights	x			$15,000
Black River			x	$50,000
Brookside			x	$43,944
Canterbury Inn	x			$100,000
Charettes MHP - HFI			x	$30,319
Cherry, Summer, George - LPH	x			$30,000
Colonial Apartments		x		$100,000
Conant Square Inn		x		$100,000
Cummings Street	x			$214,889
Dalton Drive Neighborhood Inc.	**Interest Write Down**			$125,000
Duggan Row House				$84,550
French Hill	x			$8,166
Graystone Village			x	$40,345
Harrington		x		$100,000
Highgate	x			$510,000
Jeri-Hill		x		$254,031
King Street		x		$137,711
St. Paul Street Townhouse		x		$100,000
Lake Champlain Housing		x		$100,983
Lyndon Terrace	x			$75,000
Mad River Meadows		x		$90,000
Manchester Commons		x		$80,000
Maples One Ltd.		x		$198,000
Maple Street - Hardwick	x			$80,300
McCauley		x		$510,320
Mountain View		x		$94,050
Northgate (Westgate Premium notes)		x		$381,204
O'Dell I & II		x		$350,000
Parson Hill			x	$164,890
Peterson Place		x		$175,000
Pine Grove	x			$60,000
Pine Manor	x			$30,000
Pine Meadow	x			$192,710
Point School Associates		x		$112,000
Prospect Forest			x	$20,000
Randall Apts. (235 St. Paul)	x			$200,000
REO Assistance		**Single Family**		$214,000
Rockingham			x	$83,734
Saxton's River		x		$327,210
St Johnsbury HP	x			$401,110
SF Progress/Distressed & other		**Single Family**		$190,195
St Johnsbury (Northern Senior Hsg)		x		$60,000
Starlake Village Losses		**Single Family**		$57,647
Sunrise Manor	x			$50,000
Templeton (Northwoods)	x			$590,000
The Courtyard		x		$300,000
Walden Mountain	x			$428,000
Welden Villa	x			$29,820
Westgate		x		$290,000
Westminster	x			$185,000
Whitecomb Woods		x		$210,000
Winchester Accommodation advances			x	$1,496,709
VHCB Lead				$700,827
			Totals	**$10,989,700**

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board Audit/Risk Management Committee
VHFA Board of Commissioners

FROM: Tom Connors, Chief Financial Officer

RE: Pro Forma Balance Sheet Reflecting Forgiveness of Zero % Loans

DATE: July 30, 2007

At the Audit/Risk Management Meeting on July 24th, 2007, we discussed the forgiveness of $794,336 in zero % loans relative to the refunding of the 1995 and 1997 bond issues. The Committee asked that staff provide a summary of which loans were being recommended for forgiveness and the rationale used to select those loans. This information is being provided by Sam Falzone under separate cover.

Staff was also asked to provide a pro forma balance sheet showing the impact of writing off these loans. Since we are still closing the June financial statements, I used the financial statements from March 2007 and adjusted those to show the impact of forgiving the three loans selected. I have attached a March balance sheet and an income statement showing the results before and after the write-off. Please note on the balance sheet that the $1.5 million Reserve for Loan Losses remains unchanged under the Multifamily Housing Program heading.

As always, if you have any questions, feel free to contact me at 652-3436.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

Statement of Net Assets

March 31, 2007

(Unaudited)

Pro forma example after forgiveness of $794,336 in %

Net of $794,336 of zero % loans forgiven

		SINGLE FAMILY				MULTI-FAMILY			
	GENERAL FUND	INSURED MORTGAGE PROGRAM	MORTGAGE PURCHASE PROGRAM	HOME MTG PURCHASE PROGRAM	HOUSING PROGRAM	MORTGAGE PROGRAM	HOUSING PROGRAM	DIRECT PLACEMENT PROGRAM	COMBINED TOTAL
ASSETS:									
Cash and cash equivalents	7,352,724	550,285	144,838	8,947,453	134,806,292	20,322,464	6,127,523	4,698,944	182,950,523
Investments	100,000	542,771	-	-	63,310,026	5,042,746	2,750,868	-	71,746,411
Mortgage and const loans receivable	15,252,070	257,626	40,695	1,580,439	452,264,423	78,446,994	24,446,401	34,001,529	606,290,177
Less: Reserve for loan losses	(2,669,756)	-	-	(4,569)	(92,313)	-	(1,500,000)	-	(4,266,638)
Accrued interest receivable:									
Mortgage and construction loans and notes	1,180,202	1,547	324	17,841	1,753,774	303,477	76,612	51,151	3,384,928
Investments	18,648	2,328	594	156,250	3,322,674	140,696	65,770	11,751	3,718,711
Deferred costs of bond issuance	-	-	-	19,880	3,162,162	882,732	191,890	105,093	4,361,757
Deferred mortgage origination fees, net	-	-	-	-	2,019,368	-	-	-	2,019,368
Land	775,000	-	-	-	-	-	-	-	775,000
Building	1,000,834	-	-	-	-	-	-	-	1,000,834
Office furniture and fixtures	1,443,837	-	-	-	-	-	-	-	1,443,837
Accumulated depreciation	(1,582,103)	-	-	-	-	-	-	-	(1,582,103)
Other receivables and prepaid expenses	138,500	2,522	42	25,639	4,916,340	81,889	14,605	101,081	5,280,618
Interfund receivables (payables)	(1,476,126)	1,075,239	3,912	3,728,387	(899,453)	(149,863)	(721,052)	(1,561,044)	-
Other assets and REO	-	-	-	-	210,546	-	-	-	210,546
TOTAL ASSETS	$ 21,533,830	2,432,318	190,405	14,471,320	664,773,839	105,071,135	31,452,617	37,408,505	877,333,969
LIABILITIES:									
Deferred loan origination fees	464,904	-	-	-	-	-	-	-	464,904
Accounts payable	378,974	72	16	789	1,676,796	48,338	-	50,750	2,155,735
Escrowed cash deposits	2,650,883	-	-	-	-	-	-	-	2,650,883
Line of credit borrowings	3,195,000	-	-	-	-	-	-	-	3,195,000
Notes payable	6,648,053	-	-	-	65,000,000	-	-	20,367,252	92,015,305
Accrued interest payable	50,576	-	-	51,778	11,304,779	645,139	124,758	62,475	12,239,505
Bonds payable	563,082	-	-	2,085,000	556,280,000	92,605,000	16,330,000	16,316,434	684,179,516
Unamortized premium (discount) on bonds and notes	-	-	-	(79,376)	186,166	(999,959)	(463,168)	(31,925)	(1,388,262)
TOTAL LIABILITIES	13,951,472	72	16	2,058,191	634,447,741	92,298,518	15,991,590	36,764,986	795,512,586
NET ASSETS:									
Invested in capital assets	1,637,568	-	-	-	-	-	-	-	1,637,568
Restricted	-	2,432,246	190,389	12,413,129	30,326,098	12,772,617	15,461,027	643,519	74,239,025
Unrestricted	5,944,790	-	-	-	-	-	-	-	5,944,790
TOTAL NET ASSETS	$ 7,582,358	2,432,246	190,389	12,413,129	30,326,098	12,772,617	15,461,027	643,519	81,821,383

VERMONT HOUSING FINANCE AGENCY
Statement of Net Assets
March 31, 2007
(Unaudited)

		SINGLE FAMILY				MULTI-FAMILY			
	GENERAL FUND	INSURED MORTGAGE PROGRAM	MORTGAGE PURCHASE PROGRAM	HOME MTG PURCHASE PROGRAM	HOUSING PROGRAM	MORTGAGE PROGRAM	HOUSING PROGRAM	DIRECT PLACEMENT PROGRAM	COMBINED TOTAL
ASSETS:									
Cash and cash equivalents	7,352,724	550,285	144,838	8,947,453	134,806,292	20,322,464	6,127,523	4,698,944	182,950,523
Investments	100,000	542,771	-	-	63,310,026	5,042,746	2,750,868	-	71,746,411
Mortgage and const loans receivable	15,252,070	257,626	40,695	1,580,439	452,264,423	78,446,994	25,240,737	34,001,529	607,084,513
Less: Reserve for loan losses	(2,669,756)	-	-	(4,569)	(92,313)	-	(1,500,000)	-	(4,266,638)
Accrued interest receivable:									
Mortgage and construction loans and notes	1,180,202	1,547	324	17,841	1,753,774	303,477	76,612	51,151	3,384,928
Investments	18,648	2,328	594	156,250	3,322,674	140,696	65,770	11,751	3,718,711
Deferred costs of bond issuance	-	-	-	19,880	3,162,162	882,732	191,890	105,093	4,361,757
Deferred mortgage origination fees, net	-	-	-	-	2,019,368	-	-	-	2,019,368
Land	775,000	-	-	-	-	-	-	-	775,000
Building	1,000,834	-	-	-	-	-	-	-	1,000,834
Office furniture and fixtures	1,443,837	-	-	-	-	-	-	-	1,443,837
Accumulated depreciation	(1,582,103)	-	-	-	-	-	-	-	(1,582,103)
Other receivables and prepaid expenses	138,500	2,522	42	25,639	4,916,340	81,889	14,605	101,081	5,280,618
Interfund receivables (payables)	(1,476,126)	1,075,239	3,912	3,728,387	(899,453)	(149,863)	(721,052)	(1,561,044)	-
Other assets and REO	-	-	-	-	210,546	-	-	-	210,546
TOTAL ASSETS	$ 21,533,830	2,432,318	190,405	14,471,320	664,773,839	105,071,135	32,246,953	37,408,505	878,128,305
LIABILITIES:									
Deferred loan origination fees	464,904	-	-	-	-	-	-	-	464,904
Accounts payable	378,974	72	16	789	1,676,796	48,338	-	50,750	2,155,735
Escrowed cash deposits	2,650,883	-	-	-	-	-	-	-	2,650,883
Line of credit borrowings	3,195,000	-	-	-	-	-	-	-	3,195,000
Notes payable	6,648,053	-	-	-	65,000,000	-	-	20,367,252	92,015,305
Accrued interest payable	50,576	-	-	51,778	11,304,779	645,139	124,758	62,475	12,239,505
Bonds payable	563,082	-	-	2,085,000	556,280,000	92,605,000	16,330,000	16,316,434	684,179,516
Unamortized premium (discount) on bonds and notes	-	-	-	(79,376)	186,166	(999,959)	(463,168)	(31,925)	(1,388,262)
TOTAL LIABILITIES	13,951,472	72	16	2,058,191	634,447,741	92,298,518	15,991,590	36,764,986	795,512,586
NET ASSETS:									
Invested in capital assets	1,637,568	-	-	-	-	-	-	-	1,637,568
Restricted	-	2,432,246	190,389	12,413,129	30,326,098	12,772,617	16,255,363	643,519	75,033,361
Unrestricted	5,944,790	-	-	-	-	-	-	-	5,944,790
TOTAL NET ASSETS	$ 7,582,358	2,432,246	190,389	12,413,129	30,326,098	12,772,617	16,255,363	643,519	82,615,719

VERMONT HOUSING FINANCE AGENCY

Statement of Revenues, Expenses, and Changes in Net Assets

For the Nine Months Ended March 31, 2007

(Unaudited)

Pro forma example showing forgiveness of $794,336 of 0% multifamily loans

Net of $794,336 of zero % loans forgiven

		SINGLE FAMILY				MULTI-FAMILY			
	GENERAL FUND	INSURED MORTGAGE PROGRAM	MORTGAGE PURCHASE PROGRAM	HOME MTG PURCHASE PROGRAM	HOUSING PROGRAM	MORTGAGE PROGRAM	HOUSING PROGRAM	DIRECT PLACEMENT PROGRAM	COMBINED TOTAL
OPERATING REVENUES:									
Interest Income:									
Mortgage and construction loans receivable	$ 614,559	14,368	3,230	124,643	19,133,659	4,167,779	1,118,322	1,414,433	26,590,993
Investments	91,717	34,515	5,036	434,604	6,271,523	1,030,889	399,159	102,859	8,370,302
Fee Income:									
Multi-Family Mortgage Programs	491,765	-	-	-	-	-	108,166	-	599,931
Single Family Mortgage Programs	11,069	-	-	-	3,153	-	-	-	14,222
Miscellaneous income	43,762	-	-	-	-	-	-	-	43,762
Total operating revenues	1,252,872	48,883	8,266	559,247	25,408,335	5,198,668	1,625,647	1,517,292	35,619,210
OPERATING EXPENSES:									
Financing costs, including interest and amortization of premium, discount and costs of issuance	547,172	278	25	141,049	21,423,172	3,929,887	852,434	1,141,953	28,035,970
Mortgage service and contract administration fees	-	659	144	5,536	845,309	47,817	-	-	899,465
Salaries and benefits	2,182,252	-	-	-	-	-	-	-	2,182,252
Operating expenses	855,085	-	-	-	-	-	-	-	855,085
Professional fees	93,913	-	-	-	-	-	-	-	93,913
Trustee and assignee fees	99,126	-	-	-	-	-	-	-	99,126
Loss on bond redemptions	-	-	-	-	(21,633)	-	-	-	(21,633)
Property disposition and loan loss expenses (recoveries)	-	420	-	8	(31,925)	-	***804,336***	-	772,839
Total operating expenses	3,777,548	1,357	169	146,593	22,214,923	3,977,704	1,656,770	1,141,953	32,917,017
Operating income (loss)	(2,524,676)	47,526	8,097	412,654	3,193,412	1,220,964	(31,123)	375,339	2,702,193
NON-OPERATING REVENUES:									
Net appreciation (depreciation) in fair value of investments	-	(4,425)	-	-	529,071	14,100	(2,149)	-	536,597
Income (loss) before transfers	(2,524,676)	43,101	8,097	412,654	3,722,483	1,235,064	(33,272)	375,339	3,238,790
Net transfers to (from) programs	1,171,329	-	-	(1,654,703)	928,200	(220,000)	(240,000)	15,174	-
Increase (decrease) in net assets	(1,353,347)	43,101	8,097	(1,242,049)	4,650,683	1,015,064	***(273,272)***	***390,513***	***3,238,790***
Net assets at beginning of year	8,935,705	2,389,145	182,292	13,655,178	25,675,415	11,757,553	15,734,299	253,006	78,582,593
Net assets at end of period	$ 7,582,358	2,432,246	190,389	12,413,129	30,326,098	12,772,617	15,461,027	643,519	81,821,383

VERMONT HOUSING FINANCE AGENCY

Statement of Revenues, Expenses, and Changes in Net Assets
For the Nine Months Ended March 31, 2007
(Unaudited)

		SINGLE FAMILY				MULTI-FAMILY			
	GENERAL FUND	INSURED MORTGAGE PROGRAM	MORTGAGE PURCHASE PROGRAM	HOME MTG PURCHASE PROGRAM	HOUSING PROGRAM	MORTGAGE PROGRAM	HOUSING PROGRAM	DIRECT PLACEMENT PROGRAM	COMBINED TOTAL
OPERATING REVENUES:									
Interest Income:									
Mortgage and construction loans receivable	$ 614,559	14,368	3,230	124,643	19,133,659	4,167,779	1,118,322	1,414,433	26,590,993
Investments	91,717	34,515	5,036	434,604	6,271,523	1,030,889	399,159	102,859	8,370,302
Fee Income:									
Multi-Family Mortgage Programs	491,765	-	-	-	-	-	108,166	-	599,931
Single Family Mortgage Programs	11,069	-	-	-	3,153	-	-	-	14,222
Miscellaneous income	43,762	-	-	-	-	-	-	-	43,762
Total operating revenues	1,252,872	48,883	8,266	559,247	25,408,335	5,198,668	1,625,647	1,517,292	35,619,210
OPERATING EXPENSES:									
Financing costs, including interest and amortization of premium, discount and costs of issuance	547,172	278	25	141,049	21,423,172	3,929,887	852,434	1,141,953	28,035,970
Mortgage service and contract administration fees	-	659	144	5,536	845,309	47,817	-	-	899,465
Salaries and benefits	2,182,252	-	-	-	-	-	-	-	2,182,252
Operating expenses	855,085	-	-	-	-	-	-	-	855,085
Professional fees	93,913	-	-	-	-	-	-	-	93,913
Trustee and assignee fees	99,126	-	-	-	-	-	-	-	99,126
Loss on bond redemptions	-	-	-	-	(21,633)	-	-	-	(21,633)
Property disposition and loan loss expenses (recoveries)	-	420	-	8	(31,925)	-	10,000	-	(21,497)
Total operating expenses	3,777,548	1,357	169	146,593	22,214,923	3,977,704	862,434	1,141,953	32,122,681
Operating income (loss)	(2,524,676)	47,526	8,097	412,654	3,193,412	1,220,964	763,213	375,339	3,496,529
NON-OPERATING REVENUES:									
Net appreciation (depreciation) in fair value of investments	-	(4,425)	-	-	529,071	14,100	(2,149)	-	536,597
Income (loss) before transfers	(2,524,676)	43,101	8,097	412,654	3,722,483	1,235,064	761,064	375,339	4,033,126
Net transfers to (from) programs	1,171,329	-	-	(1,654,703)	928,200	(220,000)	(240,000)	15,174	-
Increase (decrease) in net assets	(1,353,347)	43,101	8,097	(1,242,049)	4,650,683	1,015,064	521,064	390,513	4,033,126
Net assets at beginning of year	8,935,705	2,389,145	182,292	13,655,178	25,675,415	11,757,553	15,734,299	253,006	78,582,593
Net assets at end of period	$ 7,582,358	2,432,246	190,389	12,413,129	30,326,098	12,772,617	16,255,363	643,519	82,615,719

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Tom Connors, Chief Financial Officer TRC

RE: **Approval of General Authorizing Resolution of up to $40 million in single family housing bonds**

DATE: August 3, 2007

Board Action Requested: Approve authority for staff to issue single family bonds up to $40 million

In order to meet expected funding demands for the rest of the year, staff is asking the Board to approve general authority for staff to issue single family bonds up to an additional $40 million.

The Board previously approved authority for $120 million at the June 2007 Board meeting. However, due to the volume of single family mortgage activity as well as the timing of upcoming bond issues, the Agency will need authority for an additional $40 million approved at the August Board meeting.

Below please find a short summary explaining the need for the additional $40 million in single family bonding authority:

General Authority approved at June Board Meeting	$120 mm
SF portion of Multiple Purpose Bond Resolution 2007	($ 54 mm)
Current Authority Available	$ 66 mm
Funds needed for new Single Family Mortgages	($ 65 mm)
Notes to be issued (same amount maturing November 2007)	($ 30 mm)
Series 8 Refunding	($ 5 mm)
Shortfall	($ 34 mm)
New authority requested (including contingency of $6 mm)	$ 40 mm

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EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

Resolution Authorizing the Issuance and Sale of a Maximum of $40,000,000 of Bonds and Notes In One or More Series to Finance Single Family Mortgages

Adopted August 6, 2007

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VERMONT HOUSING FINANCE AGENCY
SERIES RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF A MAXIMUM OF $40,000,000 OF BONDS AND NOTES IN ONE OR MORE SERIES TO FINANCE SINGLE FAMILY MORTGAGES

August 6, 2007

WHEREAS, the Vermont Housing Finance Agency (hereinafter referred to as the "Agency") is authorized to finance Mortgage Loans for single-family residential housing for persons and families of low and moderate income in the State of Vermont pursuant to the provisions of the Vermont Housing Finance Agency Act, being No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (hereinafter referred to as the "Act"), and to issue its bonds to obtain funds for such purpose and to refund the same; and

WHEREAS, in order to obtain funds with which to provide financing for mortgage loans to acquire, construct, rehabilitate or improve residential housing for persons and families of low and moderate income, it is deemed necessary and advisable to issue and sell one or more series of bonds and notes of the Agency, not to exceed $40,000,000 in the aggregate, all as hereinafter provided;

NOW, THEREFORE, BE IT RESOLVED BY THE VERMONT HOUSING FINANCE AGENCY and the Commissioners thereof, as follows:

ARTICLE I

DEFINITIONS AND AUTHORITY

Section 1.01. Definitions. As used in this Resolution, unless the context shall otherwise require, the following terms shall have the following respective meanings:

"*Bonds*" means the Bonds of the Agency of the Series authorized by this Resolution and a Series Certificate.

"*Code*" means the Internal Revenue Code of 1986, as amended.

"*DTC Eligible*" means Bonds and Notes issued in book-entry form through the facilities of a securities depository, to provide for the registration of such depository's nominee as owner thereof.

"*General Resolution*" means the resolution entitled "Single Family Housing Bond Resolution" adopted on September 20, 1990, as amended and supplemented, the general indenture entitled "Trust Indenture (Multiple Purpose Bonds)" approved on April 2, 2007, as amended and supplemented, or any other resolution or trust indenture adopted by the Agency which permits the issuance of one or more series of bonds and notes thereunder to finance mortgage loans for single-family residential housing for low- and moderate-income persons.

"*Mortgage Loan*" means any mortgage loan with respect to single-family residential housing for low- and moderate-income persons as authorized by the Act and may include not

only first mortgage loans but also down payment/closing costs assistance loans and home improvement loans to the extent authorized by resolution of the Agency and a General Resolution.

"Notes" means the Notes of the Agency of the Series authorized by this Resolution and a Series Certificate; provided, however, that as provided in Section 2.01 hereof and as may be provided in a Series Certificate, a portion of any Notes may be issued as a separate issue from any Bonds for federal tax purposes.

"*Program*" means the general program of the Agency under which it finances Mortgage Loans.

"*Offering Statement*" means the Official Statement, Private Placement Memorandum or similar offering document of the Agency describing the Bonds and Notes, and used in conjunction with the sale thereof.

"*Resolution*" means this Resolution Authorizing the Issuance and Sale of a Maximum of $40,000,000 of Bonds and Notes In One or More Series to Finance Single Family Mortgages.

"*Series Certificate*" means the Series Certificate or Certificates of the Agency dated on or before the date of issuance of the related Series of Bonds or Series of Notes, which Series Certificate shall establish certain terms and provisions of such Bonds and Notes as provided herein; a Series Certificate may also be and include a Supplemental Indenture which contains the provisions required hereby of a Series Certificate.

The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this Resolution, refer to this Resolution.

Section 1.02. Authority for Resolution. This Resolution is adopted pursuant to and in accordance with the provisions of the Act and any General Resolution that may be applicable as hereinafter set forth.

ARTICLE II

AUTHORIZATION, TERMS AND ISSUANCE OF BONDS

Section 2.01. Authorization of Bonds, Notes, Principal Amount and Series. In order to provide sufficient funds necessary for the Program, in accordance with and subject to the terms, conditions and limitations established in this Resolution and in any General Resolution applicable thereto, one or more series of Bonds and Notes are hereby authorized to be issued, from time to time, each by the execution and delivery of a Series Certificate, in an aggregate principal amount not to exceed $40,000,000; provided, however, that notes may be issued as short term obligations with a maturity of less than 3 years from the date of issuance thereof, the proceeds of which shall not be made available for the funding of mortgage loans until such obligations have been refunded with a series of long term Bonds, and may be issued as their own tax plan. Such Series Certificate shall be signed by at least two of the following—Chairman, Vice-Chairman, Executive Director, Chief Financial Officer or Chief of Program Operations; provided that one of the signatories thereto must be the Chairman or Vice-Chairman. The

Agency is of the opinion and hereby determines (a) that the issuance of Bonds and Notes in said amount is necessary to provide sufficient funds to be used and expended from time to time for the Program; (b) that the Mortgage Loans to be made or financed on behalf of the Agency with the proceeds of the Bonds can be issued bearing a rate or rates of interest which will be less than the prevailing rate of interest on comparable mortgage loans available in the State of Vermont without the assistance of the Agency; and (c) that the Agency will derive receipts, revenues and other income from the Mortgage Loans purchased or made with the proceeds of the Bonds sufficient to provide, together with any investment income derived from proceeds of such Bonds and Notes, and all other available receipts, revenues and income of the Agency, for the payment of the Bonds and Notes and the payment of all costs and expenses incurred by the Agency with respect to the Program or purpose for which the Bonds and Notes are issued.

Section 2.02. Purposes. The purposes for which the Bonds and Notes are being issued are to provide funds to make or finance Mortgage Loans, including making deposits in any funds or accounts of a General Resolution, and include refunding bonds of the Agency issued for such purpose, all as shall be specified in detail in one or more Series Certificates as hereinafter described; provided, however, the proceeds of any Notes shall not be made available for the funding of Mortgage Loans until such obligations have been refunded with a series of long term Bonds. Only Mortgage Loans meeting the requirements of the Program, as approved by the Agency, may be financed by the proceeds of Bonds authorized hereby.

Section 2.03. Bond and Note Provisions; Series Certificate. A Series of Bonds or Notes shall be issued hereunder only upon the delivery of a Series Certificate which shall specify the terms and conditions of such Bonds or Notes, and the sale and delivery thereof, including without limitation the following:

(a) the principal amount of Bonds and Notes to be issued pursuant thereto;

(b) the Series or sub-Series designation and title;

(c) the maturity or maturities of the Bonds and Notes, which in no event shall exceed 40 years, subject in any case to limitations imposed by the Act;

(d) the interest rate or rates on the Bonds and Notes or the method of determining the same, provided that the interest rate or rates on the Bonds (or the initial rate or rates if the rates are not fixed rates) shall not exceed 7½% if the interest on the Bonds and Notes is to be exempt from federal income taxation or 9% otherwise, and provided further that if the initial rate or rates are not fixed rates the maximum permitted rate in any case may not exceed 12%;

(e) the date or dates on which interest on the Bonds and Notes are payable;

(f) the dated date or dates of the Bonds and Notes, or the method of determining the same;

(g) the redemption provisions for the Bonds and Notes, which may include optional, mandatory and/or sinking fund redemptions, provided that the Bonds shall be

optionally redeemable no later than 15 years after their date of issuance and at a redemption premium not exceeding 3% and reducing by at least 1% annually thereafter;

(h) the minimum and authorized denominations of the Bonds and Notes;

(i) whether or not the interest on the Bonds and Notes is to be exempt from federal income taxation;

(j) whether or not the Bonds and Notes are to be DTC Eligible;

(k) the form or forms of the Bonds and Notes, the manner of numbering and lettering such Bonds and Notes, and the Agency commissioners or officers authorized to execute and deliver the same;

(l) whether or not the Bonds and Notes are to be general obligations of the Agency and in any event the source of revenues to be pledged and used to pay the same, which pledge shall be immediately effective as provided by the Act;

(m) that the Agency will derive receipts, revenues and other income from the Mortgage Loan(s) made or purchased with the proceeds of such Series of Bonds sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of such Series of Bonds and the payment of all costs and expenses incurred by the Agency with respect to the Program or for the purpose for which such Series of Bonds are issued;

(n) the reserve fund or funds, any requirements with respect to the Bonds or Notes, and the method of funding the same;

(o) whether the Bonds shall be insured or guaranteed by a third party, and the premium or fee therefor, provided that such premium or fee shall be less than the present value of the interest rate savings on the Bonds occasioned by such insurance or guaranty;

(p) the specific use of the proceeds of the sale of the Bonds and Notes, the type of Mortgage Loans to be financed or refinanced by the Bonds, and any bonds of the Agency to be refunded the Bonds or Notes;

(q) the manner in which the Bonds and Notes are to be sold, the purchaser or purchasers of the Bonds and Notes, the form of the agreement used to sell the Bonds and Notes (which form shall be comparable to the forms previously used by the Agency in similar sales of bonds and notes) and the sale price of the Bonds and Notes, which may include a sale discount or fee paid to the purchaser not to exceed 1.5% of the principal amount of the Bonds and Notes;

(r) if the Bonds are to be remarketed, the remarketing agent therefor and the remarketing agent fee (which shall not exceed 0.50% per annum);

(s) if the Bonds are to be auctioned, the auction agent therefor and the auction agent fee (which shall not exceed 0.30% per annum);

(t) if the Bonds are subject to tender by the owners thereof, the tender agent therefor and any liquidity facility therefor, provided that any liquidity facility fee shall not exceed 0.50% per annum;

(u) the form of the documents pursuant to which the Bonds and Notes are to be issued, and any and all documents in connection therewith;

(v) the form of the Offering Statement, if any used to sell or market the Bonds and Notes (which form shall be comparable to the forms previously used by the Agency in similar sales of bonds and notes);

(w) the form of continuing disclosure agreement, if any, required to satisfy the federal securities laws (which form shall be comparable to the forms previously used by the Agency in similar sales of bonds and notes);

(x) the trustee and/or paying agent, if any for the Bonds and Notes, provided that if the Bonds and Notes are issued under a General Resolution the trustee and/or paying agent thereunder shall be the trustee or paying agent, as the case may be, for such Bonds and Notes;

(y) whether or not any investment agreements, repurchase agreements or similar instruments are to be used for the investment of all or any Bond or Note proceeds, and any conditions thereto or limitations thereon;

(z) if the Bonds do not pay interest at a fixed rate, whether or not any third party agreements will be used to reduce the risks to the Agency of possible interest rate fluctuations and, if so, any conditions thereto or limitations thereon, provided that any interest rate swap, cap or similar hedging agreement shall be consistent with any swap management plan adopted by the Agency; and

(aa) any other matters not inconsistent herewith deemed appropriate and necessary and authorized by the Act.

A Series Certificate may specify that this Resolution and the Bonds and Notes authorized hereby and thereby shall be considered a "Series Resolution" under a General Resolution or a "Supplemental Indenture" under a general Trust Indenture or Indenture of Trust, and thereupon this Resolution (as applicable to such Series, Series of Bonds or Series of Notes) and such Series Certificate shall be so treated for all purposes with respect to the Bonds and Notes authorized and issued thereby, provided that to the extent such General Resolution permits modification by a "Series Resolution" thereunder or such general Trust Indenture or Indenture of Trust permits modification by a "Supplemental Indenture" thereunder, the Series Certificate may specify such modifications even though the same are not set forth herein.

ARTICLE III

SPECIAL COVENANTS FOR TAX-EXEMPT BONDS

Section 3.01. Covenants as to Code. If and to the extent a Series or sub-Series of Bonds or Notes is designated as Bonds or Notes the interest on which is not to be subject to federal income taxation, the Agency shall not permit at any time or times any moneys made available to purchase Mortgage Loans in accordance herewith or any proceeds of the Bonds to be used, directly or indirectly, in a manner which would result in such bonds being qualified for the exclusion of any such Bond from the treatment afforded by subsection (a) of Section 103 of the Code by reason of such bond being classified as an "arbitrage bond" within the meaning of Section 148 of the Code, and, without limiting the generality of the foregoing, the Agency shall:

(a) Include restrictions in all agreements relating to the purchase or making of Mortgage Loans with the moneys made available to purchase or make Mortgage Loans so as to permit the financing of Mortgage Loans only in compliance with the Code, and establish and maintain reasonable procedures to ensure compliance with the requirements of the Code, if applicable. Any failure to meet such requirements shall be corrected by the Agency within a reasonable period after failure is discovered;

(b) Continuously monitor the nonmortgage investments made directly or indirectly with the proceeds of such Bonds and Notes, and shall take immediate and appropriate action to reduce the amount invested in nonmortgage investments with a yield materially higher than the yield on such Bonds and Notes, as may be required by the Code; and

(c) Take such other action as may be necessary or desirable to maintain the exclusion of interest on such Bonds and Notes in accordance with Section 103(a) of the Code.

Section 3.02. Rebate. If and to the extent a Series or sub-Series of Bonds and Notes is designated as Bonds and Notes the interest on which is not to be subject to federal income taxation:

(a) The Agency hereby covenants to establish such separate accounts or subaccounts as may be necessary or desirable to adequately trace and account for the direct and indirect proceeds of such Bonds and Notes in order to comply with the rebate or yield reduction payment requirements of Section 148 of the Code. Such accounts or subaccounts may be established at any time upon the written direction of an authorized officer of the Agency.

(b) At least annually, the Agency shall compute and certify in reasonable detail the amount required to be rebated to the United States pursuant to Section 148 of the Code.

(c) As required by Section 148 of the Code, the Agency or any Bond or Note trustee as directed by the Agency shall pay to the United States on behalf of the Agency the amount then required to be paid under Section 148 of the Code. If for any reason

funds are not otherwise available for such payment, the Agency covenants to transfer moneys from its own funds for such payment.

(d) The Agency or any Bond or Note trustee as directed by the Agency shall keep such records as will enable them to fulfill their responsibilities under this Section and shall retain such records for at least six years following final payment of the related Bonds and Notes.

Section 3.03. Governmental Program Requirement. If and to the extent a Series or sub-Series of Bonds or Notes is designated as Bonds and Notes the interest on which is not to be subject to federal income taxation, the Agency shall not make any arrangement, formal or informal, pursuant to which any mortgagor, mortgage lender or other person (or any related person as defined in Section 147 of the Code) who may receive a Mortgage Loan under the Program shall purchase Bonds of the Series or issue which financed such Mortgage Loan in an amount related to the amount of such Mortgage Loan.

Section 3.04. Compliance With Article III. If and to the extent a Series or sub-Series of Bonds or Notes is designated as Bonds and Notes the interest on which is not to be subject to federal income taxation, the provisions of this Article III shall be complied with by the Agency in order to meet the requirements of the Code such that interest on such Bonds and Notes shall be and remain exempt from federal income taxes; provided, however, that the Agency shall not be required to comply with any such provision with respect to such Bonds and Notes in the event the Agency receives a Counsel's Opinion from a nationally recognized bond counsel firm that compliance with such provision is no longer required to satisfy the requirements of the Code or that compliance with some other provision in lieu of a provision specified in this Article III will satisfy said requirements, in which case compliance with such other provision specified in the Counsel's Opinion shall constitute compliance with the provisions specified in this Article III.

ARTICLE IV

MISCELLANEOUS

Section 4.01. Amendments. This Resolution may be amended from time to time prior to the issuance of any Series of Bonds or Series of Notes, which right shall be in addition to any other rights to amend. To the extent a Series of Bonds or a Series of Notes is issued under and pursuant to a General Resolution, this Resolution and any Series Certificate with respect to such Bonds and Notes may be amended under the conditions and to the extent permitted by such General Resolution.

Section 4.02. General. The Agency may adopt, and specify in an Officer's Certificate, any additional covenants as to Mortgage Loans, mortgagors or lenders.

Section 4.03. Authorization of Officers. The Chairman, Vice Chairman or any other Commissioner of the Agency, Executive Director, Treasurer, Chief Financial Officer, Chief of Program Operations and Secretary of the Agency are hereby authorized and directed to do all acts and things (including the conduct of any public hearings required by federal tax laws) and to execute and deliver any and all documents, filings, certificates and other instruments necessary

or desirable to effectuate the transactions contemplated by this Resolution or any Series Certificate.

Section 4.04. Effective Date. This resolution shall take effect immediately.

vhfa

Vermont Housing Finance Agency

Memorandum

To: VHFA Board of Commissioners
From: Maura Collins, Policy and Planning Coordinator MC
Date: July 26, 2007
Re: Strategic Planning Summary of FY07

As VHFA finishes up another Fiscal Year, we can reflect back on the accomplishments staff made last year and plan for the coming year's activities. In Fiscal Year 2007 staff completed 29 items from the Strategic Plan. A full list of completed items is attached, and a few are highlighted below:

Administration:

- ☆ Modify the current appraisal forms to include a section for staff development goals. Train supervisors on its use.

Public Affairs and Planning:

- ☆ Work with the Agency of Human Services and other housing partners on Supportive Housing Proposals.
- ☆ Review Agency agreements to ensure adequate inclusion of Fair Housing protections. Targeted projects are tax credit only deals where there is no other federal monitoring.

Finance:

- ☆ Evaluate multi-class structure of bonds to save cost of bond insurance. If so, achieve the highest quality of rating compared to investment.
- ☆ Expand Extranet to include the Loan Accounting and Reporting Guide.

Homeownership:

- ☆ Have discussion about expanding acquisition/repair loan program beyond current system.
- ☆ Staff is working hard to reduce the number of forms originators must complete. This will consolidate the number of borrower signatures.

Multifamily Development & Asset Management:

- ☆ Develop purchase price policy to address year 15 LIHTC issues, and in conjunction present the 15 year compliance policy, which is completed.
- ☆ Model how VHFA can work efficiently with other state agencies in underwriting projects applying for multiple funding streams.

Also attached is the current Strategic Plan with the items staff will be working on over the next year. Considering FY08 will be a year of two major core application software conversions, the agency has purposefully been conservative with the list of things that can be accomplished in the near future. At the Board meeting we will have some time to review the document and ensure that Board priorities are included in the coming year's plan.

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Completed Tasks FY2007

Completed Item Description	Completion Notes
Administration:	
Modify the current appraisal forms to include a section for staff development goals. Train supervisors on its use.	A revised form was distributed in August and staff's annual retreat was focused on performance indicators and management.
Develop a plan for evaluating the replacement of the Mitas system. Develop requirements, remit RFPs and perform due diligence. Finalize recommendation for the Board.	Staff sent out an RFP in July, with responses due mid August. Staff did due diligence with dozens of meetings including demonstrations, and recommendations are being sent to the Board in February 2007. Pending Board approval, implementation and roll out would be decided in early 2007.
Research feasibility of establishing Agency Intranet.	Imaging software has replaced the need for a separate intranet.
Develop and plan for evaluating the replacement of the Mitas system. Develop requirements, remit RFPs and perform due diligence. Finalize recommendation for the Board	Completed Feb 2007
Implement TRACS program	This program was researched then implemented and has run successfully for the past 3 months.
Public Affairs and Planning:	
Work with the Agency of Human Services and other housing partners in Hard to House proposals	This has become an ongoing project for the Policy and Planning Department, under the work done for homeless groups. More information is posted online at www.helpingtohouse.org.
Study Employer Assisted Housing	A study was completed with ACCD, the Tax Department, VT Affordable Housing Coalition and VHFA.
Research housing's "multiplier effect" of bringing in school-aged children, and the costs or benefits to local schools as a result.	A final draft of this issue paper was released in early January. A copy of the report is available at http://www.vhfa.org/documents/housing_education.pdf.
Review Agency programs, practices, and agreements to ensure inclusion of Fair Housing protections. Targeted projects are tax credit only deals where the there is no other federal monitoring taking place.	The MF department took the lead on proposing a series of questions (based on existing HUD monitoring on this topic) for owners and managers to respond to during their usual monitoring. This will be included in the Monitoring Guide available online.
Determine the feasibility of conducting an annual statewide rental survey.	A memo with recommendations is finalized and will be given to Executive Management the first week of August. It recommends further research of this topic for potential adoption in FY09.
Research potential costs and benefits of offering housing data research work for a fee. This includes conducting local housing needs assessments.	A memo with recommendations is finalized and will be given to Executive Management the first week of August. It does not recommend action on this item at this time.

Completed Tasks FY2007

Completed Item Description	Completion Notes
Research cost and potential benefits of internally conducting Market Studies for multifamily applicants.	A memo with recommendations is finalized and will be given to Executive Management the first week of August. It does not recommend action on this item at this time.
Write an issue paper on the connection our aging population will have on housing demographics and need.	This was completed by our Summer Intern and will be published in August 2007.
Finance:	
Discuss the potential to sell multifamily loans directly to Fannie Mae. These would need to be serviced, and VHFA could take a servicing fee.	The Keybank Line of Credit has given the same result. This may also be accomplished through the multipurpose bond resolution. Instead of using the GSE's the Agency has gone these other routes.
Draft an RFP for trustees.	Depending on the results, a new trustee may be selected only for the new resolution or for all trustee work.
Evaluate multi-class structure of bonds to save cost of bond insurance. If so, achieve the highest quality of rating compared to investment.	After several months of hard work by the VHFA Bond Working Group, the 2007 Multiple Purpose Bonds Series AB was closed on July 24, 2007.
Expand Extranet to include the Loan Accounting and Reporting Guide.	Finance and Homeownership worked together and determined that it made more sense to combine the Accounting Guide with the Servicing Guide and publish one document. Sue Joachim worked with Jacklyn Santerre and the combined Servicing Document was completed in mid-May 2007.
Homeownership:	
Have discussion about expanding acquisition/repair loan program beyond current system	Staff has taken the interim step to buy loans before construction is completed with oversight by the lenders. We are not expecting a large increase in volume due to this because of the marginal benefit to lenders. Staff does not currently have capacity to monitor escrows or construction oversight. One potential outcome might be to encourage Homeownership Centers to provide that in conjunction with existing rehab programs.
Research 1031 exchanges and compare pros and cons of REITs to these. Is there a potential market for investing in housing development?	Sam will draft a memo to the Board based on the recent VHMA conference and other things learned from Boston expert. As for using 1031s for Homeownership purposes, it is very rarely done and does not offer a new business opportunity for VHFA.

Completed Tasks FY2007

Completed Item Description	Completion Notes
Find a funding source to possibly provide funding for HOCs to participate in national HECM counselor trainings.	Pat C talked with the HOCs and there's little interest in expanding their counseling because these positions have high turnover and so training is sometimes wasted. Staff would like to encourage HOCs to work on public education through web, etc and suggest the AAoAs take the lead on training counselors.
Finalize the 0% program for the Middlebury cottages	An agreement with Neighborworks of Western VT is finalized. A meeting was held so they fully understand Agency expectations.
Staff is working hard to reduce the number of forms originators must complete. This will consolidate the number of borrower signatures.	5 or 6 forms were eliminated. Origination forms were cut by 50%.
Multifamily Development & Asset Mgmt	
Work with Efficiency Vermont to flag multifamily projects in need of energy upgrades to maximize cost savings.	233 properties were surveyed as to their needs, and 14 projects were selected for Efficiency VT to work with.
Explore and decide on a new software product for HUD TRACS processing of HAP payments. VSHA has decided to use the IPS TRACS system.	Staff held meetings with several vendors and selected HDS as the new software. This implementation is complete.
Explore ways to import audit/budget data.	This will change with the new core software to be implemented. If a new software is not implemented, then this task will return to the list of items to work on.
Develop purchase price policy to address year 15 LIHTC issues, and in conjunction present the 15 year compliance policy, which is completed.	Cindy wrote a draft - went to Board Mtg for approval 4/2/07.
Develop minimum standards for capital needs assessments.	VHCB and DHCA have approved the joint Agency policy memo and it will be brought to the VHFA Board at the August meeting
Model how VHFA can work efficiently with other state agencies in underwriting projects applying for multiple funding streams.	After months of working in partnership with the other state housing agencies, a common application for the housing funding is complete. It will be posted online by DHCA by September 2007.
Risk Management:	
Create policies on how to preserve housing while not limiting the agency and losing loans.	A workshop at the VT Housing Managers Association conference in November 2006 explored owner's options of "buy, swap, or sell."

Vermont Housing Finance Agency Strategic Plan

#	Item Description	Date Due	Comments and Updates
1	**Administration:**		
2	**Employee Relations:** Create and sustain a workplace conductive to attracting and retaining a quality staff. Secure benefits that meet staff needs and are financially feasible for the Agency. Encourage and provide for staff's professional development		
3	Conduct formal review and update of employee manual.	Mar-08	The Review of the handbook has started. We have received several copies of handbooks from other HFAs to assist with the process.
4	Identify key staff positions and ensure adequate planning for key staff turnover and retirement.	Dec-07	This process is more of an ongoing initiative. The first step will be to identify key positions - which will occur first at Exec Mgmt meetings. This can be accomplished by Sept 30th. Steps to address adequate backup should occur by the end of the year.
5	**Technology:** Ensure that adequate network and software systems are in place to support the business requirements of the Agency and maintain integrity and security. These systems will support the needs of the staff, be secure from internal and external security threats and will be efficiently maintained. Also, the Agency will ensure maximization of the Mitas system and ensure training of staff to maximize the use of technology appropriate to their position.		
6	Upgrade the Mitas Loan Accounting, Loan Servicing and Finance modules to the most current release - Release 2007.	Dec-07	Process Review meetings with Mitas staff occurred onsite in May and June. Staff continues to test the newest release, working with Mitas to resolve issues as we go. The upgrade implementation is scheduled for the week of October 1st.
7	Implement HDS software for the Multifamily modules	Dec-08	Staff completed due diligence in July 2007. The Requirements document has been reevaluated for customizations. Contract negotiations s/b complete by mid - to late August, and with it a tentative schedule for implementation of the various modules. The Section 8 module (TRACS portion) was successfully implemented in June 2007.
8	**Legal:** Provide competent legal services that maximize efficiency to all departments to ensure compliance and appropriate risk management while ensuring that the Agency's interests are adequately protected in all its endeavors. This includes acting as a resource to each department for evaluating policies and new initiatives, as well as a means for implementation. Also will ensure adequate resources for timely and efficient loan closings and modifications, and review and recommend changes to VHFA statutes and rules as needed.		
9	Create a formal document retention policy (including discussion of when document destruction is appropriate).	Jun-07	

Vermont Housing Finance Agency Strategic Plan

#	Item Description	Date Due	Comments and Updates
10	**Office Management:** Provide support services and coordinate Agency initiatives that support Agency goals and objectives. This includes ensuring facilities are well maintained and space is efficiently utilized.		
11	Develop and implement an Agency Business Continuity Plan to include short-term and long-term department plans, documentation of entire process and testing at the Agency's backup facility. This includes developing a process for recovering all computer systems required to continue VHFA business processes.	Mar-08	Staff successfully completed an onsite test of restoring the Mitas system, which was unsuccessful in the two offsite tests completed earlier in 2007. The next offsite test is scheduled for November 2007. With regard to the completion and distribution of a plan - This date continues to move due to other operational priorities, though substantial work has been completed. We are now looking at March 2008 for completion
12	**Public Affairs and Planning:**		
13	**Build Partnerships:** Strengthen partnerships and participate with other agencies and organizations, both public and private, to promote housing opportunities and to maintain housing policies and programs across the State. This includes continuing leading the Housing Awareness Campaign, supporting the Responsible Lending Initiative and working with partners to promote housing development in community forums and in the media, and producing the annual Housing and Wages report. As well as being a leader for the VT Housing Managers Association and New England Regional Service Coordinators.		
14	No activities at this time.		
15	**Advocacy:** Work with our congressional delegation, state agencies and state and local elected officials, HUD, NCSHA, and other local, state and national housing organizations on the development of housing policies and the passage of legislation and regulations affecting housing.		
16	VHFA will advocate for permit reform/smart growth development incentives legislation to be passed next session. As a part of this we will continue to support a homeownership development tax credit and an increase in the VHFA Property Transfer Tax exemption.	Jun-08	
17	AHS invited many partners to participate in a new work group to look at the ESD General Assistance rules around housing.	Jun-08	The workgroup will be proposing to the Douglas Administration and the Legislature to support expanding the Back Rent program to individuals and couples without minor children, as well as possibly other GA housing benefit flexibility.
18	**Seek New Opportunities:** Maintain the Agency's flexibility in responding to emerging topics that are core to VHFA's mission. Integral to this is efficiently managing resources needed to ensure continuity of core business activities while pursuing new opportunities.		

#	Item Description	Date Due	Comments and Updates
19	VHFA is leading an effort to target 10% of units in all Tax Credit projects for supportive housing. We have the support of the other state housing agencies and are working with the Interagency Council on Homelessness for endorsement.	Dec-07	
20	VHFA will support the work of the DAIL Housing Group, offering information, assistance, and respond to recommendations from that group accordingly.	Dec-07	In process / ongoing
21	Require developers to include broadband internet access in housing projects going forward and work with managers of existing housing to help them offer high speed internet that is easy to maintain and inexpensive for tenants.	Mar-08	The Consolidated Plan and QAP have been amended to encouraging wiring of high speed Internet in all future projects. Staff is partnering with ACCD to launch a pilot project to create different models of agreements between managers and ISPs to offer low-cost Internet service.
22	**Information Resource:** Promote the Agency as the primary source for housing data/information. This includes ongoing management of the Housing Data Website and regular enhancements.		
23	No activities at this time.		
24	**Communication and Education:** Raise the profile of VHFA and housing issues in the public mind; "brand" VHFA with the media, community leaders, businesspeople, policymakers, elected officials and others in the housing industry as a primary source for information and a leading advocate on housing. This includes media outreach, producing Housing Matters regularly, utilizing paid media, hosting occasional public forums, mini-conferences and similar events with community leaders, develop and implement annual strategic communications plan, and organize and manage the biannual statewide housing conference.		
25	Complete a report outlining the unique needs of children who are homeless and what policies can help them.	Dec-07	
26	Work with an academic partner (Carsey Institute?) on quantifying the cost of homelessness compared with the costs offset by providing permanent supportive housing. This will be a two-phased report with the first being a summary of other studies' findings, and the second will be a VT-specific analysis.	Mar-08	First phase to be completed early in the Legislative session. Second phase may take an additional year.
27	**Finance:**		
28	**Stewardship:** Safeguard financial assets and provide ongoing education to staff and Board, including regularly conducted financial studies. Benchmark 1% of loan balances to fund surplus – and maximize fund balances/net assets to provide program support.		

Vermont Housing Finance Agency Strategic Plan

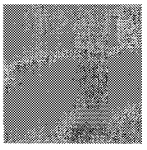
#	Item Description	Date Due	Comments and Updates
29	Examine the cost structures of Multifamily and Homeownership departments including examining the economies of large vs. small projects for Multifamily. This will include an analysis of the agency's cost per loan and per bond issuance. This should also include an analysis of construction v. permanent loans.	Dec-07	This doesn't include staff time but cost of issuance.
30	Better understand the cost of origination and overhead including the % of the Agency that's non-revenue producing vs. revenue producing.	Dec-07	
31	The Agency needs to approach the Legislature on raising the limit we are allowed to carry in total debt. The limit sanctioned by the Legislature years ago was $900 million. We are in jeopardy of bumping up against that limit in the next year or so.	Jun-08	
32	**Financial Business Development:** Seek to provide housing services through new loan products and initiatives while utilizing Agency resources to generate new revenue sources.		
33	No activities at this time.		
34	**Capital Generation Capacity:** Create additional capital generation capacity while continuing to work with financial institutions to utilize additional sources of capital for loan programs. This includes partnering with Freddie Mac and Fannie Mae and other institutions on bond purchase and other credit facilities.		
35	No activities at this time.		
36	**Automation and Electronic Integration:** Automate financial reporting and servicing processes. Transfer data from our mortgage servicers for reporting, remitting, and reconciliation processes.		
37	No activities at this time.		
38	**Operations:** Coordinate evaluation and implementation with production departments		
39	No activities at this time.		
40	**Homeownership:**		

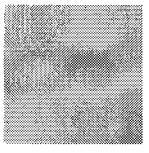
#	Item Description	Date Due	Comments and Updates
41	**Origination:** The Agency will offer homeownership products and services designed to meet the intent of the Agency's Mission and Vision while maintaining a balance with our financial objectives that insure the long-term financial viability of the Agency. VHFA will continue its reliance on outside lending partners for production, until such time as this no longer delivers our products effectively. We will continually evaluate alternative methods for originating VHFA loans for future consideration with primary focus given to underserved areas of the state. The Agency will increase its potential market by maximizing purchase price limits in accordance with income limits. Also, VHFA will continue to rely on and support Homeownership Centers (HOC) for homebuyer education and credit counseling while also evaluating their effectiveness. The Agency will work to facilitate partnerships between VHFA origination lenders and the HOCs to improve access to VHFA financing.		
42	Consider other financing models for Homeownership loans, including Mortgage Backed Securities	Sep-07	Preliminary proposal to Board in April 2007. Discuss with Audit/Risk in July 2007; Full Board Proposal in August 2007.
43	**Servicing:** VHFA will manage its single family mortgage portfolio to ensure the Agency's long-term financial viability, to minimize loan losses, create efficiencies wherever possible while working with customers to find ways to keep them in their homes. The Agency will look to consolidate servicers whenever appropriate as well as facilitate partnerships with the HOCs and VHFA's servicers to provide delinquency intervention counseling for VHFA borrowers.		
44	Conduct some research around VHFA's loans: How long loans need to stay in VHFA's portfolio before the Agency breaks even; what are the prepay rates of servicing released loans vs. servicing retained.	Dec-07	This will depend on the results of the MBS research. If VHFA does not go with MBS then this item will be revisited.
45	Explore costs of reducing the servicing fee from .375% to .25% as well as increasing the service release premium. This would encourage more lenders to sell the Agency its servicing, which is financially beneficial to VHFA although it might impact the number of loans VHFA purchases from community banks and/or credit unions.	Dec-07	This will depend on the results of the MBS research. If VHFA does not go with MBS then this item will be revisited.
46	**Outreach:** VHFA will proactively seek out customer needs and demands and provide delivery mechanisms which deliver products, programs and services to meet those needs effectively and efficiently. The Agency will actively partner with HOCs, lenders, VBA, VMBA, sister funding agencies, and others as appropriate to keep in touch with their needs and the needs of their customers that can be met by VHFA.		
47	Evaluate the impact of new water and wastewater septic requirements on homeowners and developers. Develop strategies to work with other agencies.	Dec-07	Staff has been participating in ongoing meetings with ANR and other partners to design a program for homeowners affected. VHFA's role in this is still under development.

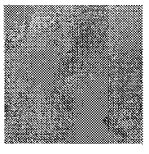
Vermont Housing Finance Agency Strategic Plan

#	Item Description	Date Due	Comments and Updates
48	Work with current HECM counselors and HUD to find a source of funding for the counseling provided. Originating lenders can pay for this counseling, but borrowers themselves are not allowed to under HUD rules.	Dec-07	This will be completed after we know which agencies (HOCs or AAAs) will be conducting this counseling.
49	**Multifamily Development & Asset Mgmt**		
50	**Program Development:** VHFA will strive to be the lender of choice for customers.		
51	No activities at this time.		
52	**Underwriting:** Balance sound underwriting standards and long-term financial feasibility while staying flexible to customer needs. We will be prepared to take on new/additional underwriting and program administration as opportunities come up.		
53	Create and implement appraisal standards.	Sep-07	Josh has done initial draft. Final draft hopefully completed by September.
54	Model how VHFA can work efficiently with other state agencies in underwriting projects applying for multiple funding streams.	Mar-08	Now that there is a common application between state housing funding programs, VHFA will work with partners on creating common underwriting criteria.
55	**Tax Credits:** Efficiently administer the State and Federal Housing Credit programs in a manner that is usable by the development community and which results in the creation of housing consistent with the State's Consolidated Plan priorities.		
56	No activities at this time.		
57	**Asset Management:** Stabilize, preserve and pursue new lending opportunities with current multifamily clients or new ownership structures. This includes proactively seeking financing opportunities for tax credit projects approaching the end of their 15-year compliance period. It also requires ongoing management of portfolio to ensure program compliance and securing preservation lock-in agreements. This work assumes an ongoing review of monitoring responsibilities and coordination of responsibilities among other agencies.		
58	Like the common application and common underwriting work, VHFA will work with state and federal partners for ways to compliance monitor projects most efficiently.	Dec-07	VHFA, VHCB, VSHA, RD, DHCA have met and agreed to share and use each other's property inspections to improve efficiency and coordination. The first task of setting up a matrix of all affordable housing monitoring currently being done by these agencies is nearly complete.
59	**Operations/Systems:** Improve overall operating efficiencies and access to data using internal and external systems on the website, proprietary software and through the design of programs, services and reports. Increase utilization of the Mitas software features and options.		
60	Explore opportunities for the Agency's extranet website for MF/Dev products, programs and/or services.	Jun-08	This will be part of the core application software work.
61	**Risk Management:**		

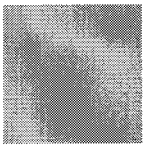
#	Item Description	Date Due	Comments and Updates
62	**Multifamily:** Monitor and mange our multifamily loan portfolio to identify areas of risk and take actions to minimize risk of financial loss while preserving and enhancing the stock of affordable housing projects financed by the Agency consistent with the mission and vision of the Agency.		
63	No activities at this time.		
64	**Finance:** Review and access, on an ongoing basis, the various financial risks that the Agency faces and to promote a process of cost justified internal controls that will minimize the occurrence of loss.		
65	Assist Risk/Audit Committee in determining a direction and approach for an internal audit function.	Dec-07	Clarify the approach VHFA takes to internal audits. The end product would be a written policy on internal audits.

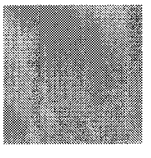


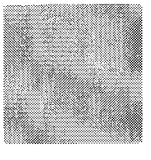




COMMON APPLICATION







Vermont Housing Finance Agency

Vermont Housing & Conservation Board

Vermont Community Development Program

Part 1 Tab 1

Table of Contents

I. Instructions

1. Overview and Directions for Common Application format

II. Common Application

2. Common Application Form- **ALL APPLICANTS MUST COMPLETE**
3. Checklist of Required Attachments

Supplemental Application Materials:

III. Vermont Housing and Conservation Board (VHCB)/HOME

4. Program Overview
5. Application Supplement
6. Checklist of Required Attachments

IV. Vermont Community Development Program (VCDP)

7. Program Overview
8. Application Supplement
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V. Vermont Housing Finance Agency (VHFA)

10. Program Overview-Federal & State Housing Credit
11. Application Supplement
12. Checklist of Required Attachments

VI. VHFA Financing

13. Application Supplement

VII. VHFA Single Family Construction Financing

14. Program Overview & Application

Part II Tab 2

Instructions

This is a consolidated application for the Vermont Housing Finance Agency, the Vermont Community Development Program, and the Vermont Housing & Conservation Board. Use it to apply to one or all of the programs administered by these agencies. This application has been separated into sections, starting with the 'Common Application' form, which consolidates all the common information that existed in previous program-specific applications. Following that are informational 'Program Overviews' and 'Application Supplements' that collect data for each specific agency's program. Complete these sections only as necessary. This new consolidated application reduces many redundancies and should save considerable time.

Note: *When you see this icon, it is a reminder that there may be additional attachments required that are not listed on the Checklist(s) of Required Attachments.*

How do I fill out this new application?

1) ALL APPLICANTS must fill out the "Common Application" (Part II, tab 2) and submit the Common Application "Required Attachments" that follow (tab 3).

2) Applicants must also complete the "Application Supplements" and "Required Attachments" for each agency to which they are applying for funds. For instance, if you would like to apply for a VHCB HOME loan, VHFA 4% tax credits, and VHFA tax-exempt financing, you will complete all tabs in Parts II, III, V and VI.

3) Application packets should be formatted and organized as similarly to the application Table of Contents as possible (it is acceptable to attach large attachments separately and out of order.)

Submitting the Application:

Each funding source that you submit to will want a completed Common Application with its requisite attachments, as well as its specific Application Supplement. You do not need to submit all sections to each agency. However, all sections of the application should present the project consistently. Please submit finished applications to:

VHFA:
Vermont Housing Finance Agency
164 St. Paul St.
Burlington VT 05401-4634
(802) 652-6432

VHCB:
Vermont Housing and Conservation Board
149 State Street
Montpelier, VT 05602
(802) 828-3250
Send one original and five copies. Include 20 copies of the following attachments: photos, site plan, floor plan, elevations, and site location map.

VCDP:
Agency of Commerce and Community Development
Department of Housing and Community Affairs
National Life Office Building, 6th Floor
Drawer 20
Montpelier, VT 05620-0501
(802) 828-3211
Complete on-line application and, if done first, send copy to other funders as their applications.

Part II Tab 2

COMMON APPLICATION - COVER SHEET
for VCDP, VHCB, HOME, and VHFA

Project Name: _____ Date: _____

Sponsor/Developer Name(s): _____
_____

Sponsor Address (s): _____
_____

Telephone Number: _____ Fax: _____

Contact Person: _____ E-mail: _____

Sponsor Status - please check all that apply:

☐ non-profit ☐ 501(c)(3) ☐ 501(c)(4) ☐ public entity ☐ for-profit ☐ individual ☐ limited partnership ☐ other _____

Project Address (street number, town/city, county, zip):_____

Municipality: _____

For VCDP Applicants: Municipal Applicant Info (name, address, phone #, e-mail address): _____
_____

Project Information (Check all appropriate)

_____Row House/ Townhouse _____Detached Single Family _____Detached Two-family

_____Apartment Building _____Condominium

_____Elevator _____Slab on Grade
_____# of Stories

_____Full Basement _____Partial Basement _____Crawl Space

List Accessory Buildings (e.g. parking)_____
List Recreation and/or Common Area Facilities_____
List Commercial Facilities_____
Total Number of Parking Spaces _____
Other Amenities or Important Design Elements _____

Project Type (e.g. multi-family rental, mobile home park, special needs, SRO, Transient Housing, homeownership [describe]): _____

Total Units _____ Total Residential Square Footage _____
Affordable Units _____ # Accessible Units _____ # Adaptable Units _____
Buildings _____ # Family _____ # Elderly _____

Part II Tab 2

Proposed Funding (List All Sources & Specify Payment Terms for Each Source):

	$ Amount	Terms (Years, Deferred/Amortizing)	Approved?	Rate	Grant or Loan
VHCB	$_____	_____	Y / N	_____	_____
Lead Paint Reduction	$_____	_____	Y / N	_____	_____
HOME	$_____	_____	Y / N	_____	_____
VHFA-Permanent Debt	$_____	_____	Y / N	_____	_____
VCDP	$_____	_____	Y / N	_____	_____
Tax Credit Equity	$_____	_____	Y / N	_____	_____
FHLB - AHP	$_____	_____	Y / N	_____	_____
Rural Development	$_____	_____	Y / N	_____	_____
Other _____	$_____	_____	Y / N	_____	_____
TOTAL SOURCES	$_____	_____	Y / N	_____	_____

Total Development Cost of Project $_____ (should equal "TOTAL SOURCES" listed above)

Total Development Cost without cash accounts and reserves: $_____

Construction Financing Needed (source, amount, term, rate): _____
_____

Funds Previously Received for this Project:

VHCB Feasibility $_____ VHCB Project Related Capacity $_____

VHFA Ventures $_____ VCDP Planning Grant $_____

Other Previous VHCB/HOME/VHFA/VCDP Funding $_____

For Acquisition of Existing Subsidized Developments:

HUD 221(d) ..... ☐ Yes ☐ No
HUD 236..... ☐ Yes ☐ No
USDA RD 515 ..... ☐ Yes ☐ No
HUD Section 8 Rent Supplement or PBRA..... ☐ Yes ☐ No
Is HUD Transfer of Physical Assets Required..... ☐ Yes ☐ No

Part II Tab 2

NARRATIVE SUMMARY SHEET
for VCDP, VHCB, HOME , and VHFA
Project Name: _____ Date: _____

Please provide a brief summary of the project. Limit your description to one page whenever possible. Name the entity(s) that will be involved and describe their roles in the project. State when the project will begin and when the project will be completed. Summarize the important goals of the project. Describe how the goals of the Consolidated Plan priorities will be met

Include a description of the type of housing, any special populations to be served, the number of buildings and the number of units. If this is a service-supported housing development, please describe the services to be provided and the entity that will provide them. Detail the affordability levels of projected rents or purchase price (# of units < 30% of median, # of units < 50% of median, # of units < 60% of median, # of units < 80% of median, number of units <100% of median, and number of units > 100% of median.)

For homeownership projects include number and type of units and buildings to be created, and projected sales price. Indicate if the proposed units are part of a larger housing or community development project, and if so, describe the entire project. (If so, narrative need not be limited to one page).

Part II Tab 2

DEVELOPMENT TEAM INFORMATION
for VCDP, VHCB, HOME, and VHFA

PROJECT SPONSOR(S):		
Contact Person:	Phone:	Fax:
Street:	State/City/Zip:	E-mail:
PROJECT SPONSOR(S):		
Contact Person:	Phone:	Fax:
Street:	State/City/Zip:	E-mail:
ARCHITECT:		
Contact Person:	Phone:	Fax:
Street:	State/City/Zip:	E-mail:
REAL ESTATE ATTORNEY:		
Contact Person:	Phone:	Fax:
Street:	State/City/Zip:	E-mail:
DEVELOPMENT CONSULTANT:		
Contact Person:	Phone:	Fax:
Street:	State/City/Zip:	E-mail:
GENERAL CONTRACTOR / CONSTRUCTION MANAGER:		
Contact Person:	Phone:	Fax:
Street:	State/City/Zip:	E-mail:
PROPERTY MANAGER:		
Contact Person:	Phone:	Fax:
Street:	State/City/Zip:	E-mail:
Municipality Name:		
Contact Person: (VCDP applicants only)	Phone:	Fax:
Street:	State/City/Zip:	E-mail:
VCDP GRANT ADMINISTRATOR:		
Contact Person:	Phone:	Fax:
Street:	State/City/Zip:	E-mail:
VCDP PROGRAM MANAGER:		
Contact Person:	Phone:	Fax:
Street:	State/City/Zip:	E-mail:
Other Vendors/Professionals (i.e., tax attorney, engineers, homebuyer education/selection entity, service provider, etc.):		

Please attach resumes and describe any affordable housing experience for the development team members listed above who have not, in the last two years, worked on any developments funded by these agencies. For homeownership applications, describe the organization's experience with developing for-sale homes, stewarding homeownership units, and educating potential homebuyers.

Part II Tab 2

If this is a turnkey project, please describe the agreement between your organization and the developer. _____

_____

_____

Are there any direct or indirect financial or other interests whom a member of the development team may have with any other member of the development team? ☐ Yes ☐ No

If "Yes," please describe: _____

_____

_____

Part II Tab 2

BUILDING, APARTMENT AND UTILITY INFORMATION
for VCDP, VHCB, HOME, and VHFA

Appliances/ Equipment included with Unit

☐ Range ☐ Refrigerator ☐ Dishwasher
☐ Laundry Facilities (On site) ☐ Washer & Dryer Hook-up ☐ Other _____

If there are any differences between the appliances or amenities between the income restricted units and any other units, please describe: _____

Monthly Utility Allowance Calculations (complete for rental housing applications only):

Utilities	Utility Type (Gas, Oil Electric, other)	Utilities paid by:	Utility Allowance for each BR size (only for utilities paid by tenants)				
			0-BR	1-BR	2-BR	3-BR	_-BR
Heating	_____	☐ Owner ☐ Tenant	———	———	———	———	———
Hot Water	_____	☐ Owner ☐ Tenant	———	———	———	———	———
Cooking	_____	☐ Owner ☐ Tenant	———	———	———	———	———
Lighting		☐ Owner ☐ Tenant	———	———	———	———	———
Other (_____)	_____	☐ Owner ☐ Tenant	———	———	———	———	———
Water		☐ Owner ☐ Tenant	———	———	———	———	———
Sewer		☐ Owner ☐ Tenant	———	———	———	———	———
Trash		☐ Owner ☐ Tenant	———	———	———	———	———
		Total Utility Allowance for units	———	———	———	———	———

Source of data for Utility Allowance Calculation (check as appropriate):

☐ Vermont State Housing Authority
☐ Local Public Housing Authority (identify) _____
☐ Utility Company _____
☐ Other _____

Adequacy of Utility Systems (Existing Developments Only):

Are the following utility systems currently available and adequate for the project for the duration of the loan?
(For new construction, check "N/A.")

Municipal Sanitary Sewer	☐ Yes	☐ No	☐ TBD	☐ N/A
On-Site Storm Sewer (if appl., e.g. MHPs)	☐ Yes	☐ No	☐ TBD	☐ N/A
Municipal Water System	☐ Yes	☐ No	☐ TBD	☐ N/A
Electricity	☐ Yes	☐ No	☐ TBD	☐ N/A
Gas	☐ Yes	☐ No	☐ TBD	☐ N/A
On-site Septic	☐ Yes	☐ No	☐ TBD	☐ N/A
On-site Well	☐ Yes	☐ No	☐ TBD	☐ N/A

How and when was the assessment of the system adequacy done, and by whom? _____
Please refer to the Energy Standards adopted by VHFA, VHCB, and DHCA. Are you doing anything unique that exceeds the funders' energy standards that bears special explanation? _____

Part II Tab 2

(Complete for rental developments only)

	Check all Applicable									A				B						C					
Building #	Unit #	HOME Unit	Project Based Assistance	Tax Credit Unit	VHCB Restricted	Accessible	Adaptable	Unrestricted	Number of Bedrooms	Proposed Square Footage (Interior)	Proposed Rent	Utility Allowance for Tenant-paid Utilities	Gross Rent (Rent + Tenant-paid Utilities)	OCCUPIED BY Income level of residents to be served:						AFFORDABLE TO: Units affordable to residents at:					
														<30%	<50%	<60%	<80%	<100%	>100%	30%	50%	60%	65%	80%	100%+
Total # Units:									Totals:			Total # Units:													

Common Area Sq. Ft. (halls, stairs, laundry, etc.)	
Subtotal – Residential Sq. Footage	
Commercial Space Square Footage, if any	
Unfinished (e.g. Basement/Crawlspace) Square Footage	
Covered Parking Square Footage	
Total Square Footage	

Part II Tab 2

TRENDING ASSUMPTIONS

(Complete this page for rental housing developments only)

Estimated annual percentage increase in operating expenses?_____ %

Residential Vacancy Allowance _____% Commercial Vacancy / Other Income Loss Allowance _____%

INCOME:

		Average Annual Percentage Increase:
Income from Rents[1]:	$_____	_____ %
Other Income:		
Laundry Income:	$_____	_____ %
Commercial Income:	$_____	_____ %
Other Income:	$_____	_____ %
Source(s) of Other Income:	_____	(e.g., HUD 202 PRAC, etc.)
Total Income:	$_____	

ANNUAL OPERATING EXPENSES:

Administrative	annual / per unit
Management Fee	_____
Supportive Services[2]	_____
Audit/Accounting	_____
Legal	_____
Compliance Mon. Fee	_____
Marketing	_____
Other	_____
Total Admin. Cost	_____

Utilities	
Electricity	_____
Fuel	_____
Water and Sewer	_____
Fire Alarm/Emerg	_____
Other	_____
Total Utilities Cost	_____

Maintenance	annual / per unit
Maint. /Janitor Payroll	_____
Janitor Supplies	_____
Exterminating	_____
Trash Removal	_____
Snow Removal	_____
Grounds	_____
Repairs Material	_____
Repairs Contract	_____
HVAC Repairs/Maint.	_____
Elevator Contract/Repairs	_____
Painting and Decorating	_____
Other	_____
Total Maintenance Cost	_____

Other	
Real Estate Taxes	_____
Property Insurance	_____
Replacement Reserves[3]	_____
Primary Debt Service	_____
Other "must pay" debt service	_____
Other	_____
Total Other Cost	_____
Total Operating Expense	_____

Note:

1. This should equal the total of the "Proposed Rent" column of the Rent Chart

2. Service enriched housing will have a separate itemized budget for supportive services. Please attach.

3.Replacement Reserves amount should be based on Capital Needs Assessment and not less than $420 per unit per year.

Part II Tab 2

Cash Flow

(rental housing developments only)

Project Name: _____

Date: _____

Cash Flow Budget: Show projection for the term of the loan if the project has amortizing debt (the reviewers understand the longer the projection, the less reliable the projections will be). For all other projects without amortizing debt, show the projection for 20 years. Indicate any changes in trending assumptions during the period. Please provide numbers in this format, using these categories. A fillable spreadsheet is available upon request.

	Year					
Operating Income	1	2	3	4	5	. . . .
Gross Residential Rent						
Gross Commercial Rent						
Other Income						
Residential Vacancy						
Commercial Vacancy						
Other losses						
Total Operating Income						
Operating Expenses						
Total Expenses (excluding Reserves)						
Reserves						
Total Operating Expense						
Net Operating Income						
Debt Service:						
Loan One:						
Loan Two:						
(etc.)						
Annual Cash Flow						
Operating Subsidies/Sinking Fund						
Cumulative Cash Flow						
Cumulative Reserves						

Note: Please include all cost categories relevant to your project whether or not they are listed above. Please provide a separate detail of all loan repayment schedules or amortization tables and distinguish between "must pay" debt and debt that is paid out of available cash flow.

Part II Tab 2

Note: Please provide the numbers in this format, using these categories. A fillable spreadsheet is available upon request.

DEVELOPMENT BUDGET

(Complete for rental developments only)
for VCDP, VHCB , HOME, & VHFA

Project Name: _____

Date: _____

	Itemized Costs	Total Development Costs (Residential Only)	Cost per Unit	Cost per Square Foot	Allocation of Sources: VHCB Terms:	HOME Terms:	VCDP Terms:	Debt Source & Terms:	Equity Source & Terms:	Other Source & Terms:	Mixed-Use Only: Commercial Space Only:	Mixed-Use Only: Combined Commercial and Residential:
	ACQUISITION											
1	Land											
2	Purchase of Building(s)											
3	Demolition (without replacement)											
4	Property Appraisal											
5	Legal - Title and Recording											
	SUBTOTAL - ACQUISITION											
	CONSTRUCTION HARD COSTS											
6	Rehabilitation											
7	New Building(s)											
8	Accessory Building(s)											
9	Site work											
10	Commercial Space Costs (if any)											
11	General Requirements											
12	Contractor Overhead											
13	Contractor Profit											
14	Construction Contingency											
15	Construction Management											
16	Construction Bond Fee											
17	Hazardous Materials Abatement											
18	Off-site Improvements											
19	Furnishings, Fixtures, & Equipment											
20	Other ( )											
	SUBTOTAL – HARD COSTS											

Part II Tab 2

DEVELOPMENT BUDGET
(Complete for rental developments only)
for VCDP, VHCB , HOME, & VHFA

Project Name: _____
Date: _____

	Itemized Costs	Total Residential Development Costs	Cost per Unit	Cost per Square Foot	Allocation of Sources						Mixed-Use Only:	
					VHCB	HOME	VCDP	Debt	Equity	Other		
					Terms:	Terms:	Terms:	Source & Terms:	Source & Terms:	Source & Terms:	Commercial Space Only:	Combined Commercial and Residential:
	SOFT COSTS											
21	Architectural											
22	Engineering											
23	Legal/Accounting											
24	Relocation											
25	Environmental Assessment											
26	Energy Assessment											
27	Permits/Fees											
28	Independent Market Study											
29	Construction Period Insurance											
30	Construction Interest											
31	Construction Loan Origination Fee											
32	Taxes During Construction											
33	Clerk of the Works											
34	Marketing											
35	Housing credit Fees											
36	Soft Cost Contingency											
37	Permanent Loan Origination Fee											
38	Lender's Counsel's Fee											
39	Other (_____)											

Part II Tab 2

DEVELOPMENT BUDGET

(Complete for rental developments only)
for VCDP, VHCB , HOME, & VHFA

Project Name: _____
Date: _____

	Itemized Costs	Total Residential Development Costs	Cost per Unit	Cost per Square Foot	Allocation of Sources: VHCB Terms:	HOME Terms:	VCDP Terms:	Debt Source & Terms:	Equity Source & Terms:	Other Source & Terms:	Mixed-Use Only: Commercial Space Only:	Mixed-Use Only: Combined Commercial and Residential:
	SYNDICATION COSTS											
40	Organizational (Partnership)											
41	Bridge Loan Fees & Expenses											
42	Syndication Consultant											
43	Tax Opinion											
	DEVELOPER'S FEES											
44	Developer's Fees											
45	Other Partnership Fees											
46	Consultant Fees											
	TOTALS EXCLUDING CASH ACCOUNTS AND RESERVES											
	RESERVES											
47	Working Capital											
48	Rent-up (Deficit Escrow) Reserve											
49	Other Operating Reserves											
50	Sinking Fund											
51	Replacement Reserve											
	SUBTOTAL - SOFT COSTS											
	TOTALS											
							VCDP – GENERAL ADMIN					
							VCDP - TOTAL					

Part II Tab 2

Sources and Uses
(complete for Homeownership Developments only)

Total Residential Units:

Total Development Cost:	$
Total Development Cost per Unit:	$
Total Development Cost Per SF:	$

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
VHFA Construction Loan		%	%		
Project-wide Subsidy (e.g. VHCB, VCDP, etc.)		%			
Developer's Equity		%			
		%			
Seller Financing		%			
		%			
Seller Donation		%			
		%			
		%			
Sales Proceeds from Units	see const cash flow		N/A	N/A	
TOTAL SOURCES		%			

USES

Acquisition		%
Construction Hard Costs		%
Soft Costs		%
TOTAL USES		%

Gap

Pay off for Construction period Debt

Sales Proceeds from Condos	$
Less: VHFA construction loan	$
Excess sales proceeds	$

Part II Tab 2

Development Budget

(Homeownership developments only)

			Cost Per Square Foot	Cost Per Unit
Acquisition		% of Total		
Land	$	%	$	$
Building (s) (if any)	$	%	$	$
Demolition (if any)	$	%	$	$
Appraisal	$	%	$	$
Legal- Title & Recording	$	%	$	$
Other	$	%	$	$
Transfer Tax	$	%	$	$
Sub-total Acquisition	**$**	**%**	**$**	**$**
Hard Costs				
Sitework	$	%	$	$
Utilities	$	%	$	$
Landscaping	$	%	$	$
Hazardous Materials Abatement	$	%	$	$
Off Site Improvements	$	%	$	$
Bond	$	%	$	$
Site Contingency	$	%	$	$
Subtotal Site Construction	**$**	**%**	**$**	**$**
Building Construction - New	$	%	$	$
Building Construction - Rehabilitation	$	%	$	$
Accessory Buildings	$	%	$	$
Furnishings, Fixtures & Equipment	$	%	$	$
FFE - Model	$	%	$	$
Construction Contingency	$	%	$	$
Sub-total Building Construction	**$**	**%**	**$**	**$**
Construction Management	$	%	$	$
General Conditions	$	%	$	$
Contractor Overhead & Profit	$	%	$	$
Bond	$	%	$	$
Builders Risk Insurance	$	%	$	$
Subtotal Construction Fees	**$**	**%**	**$**	**$**
Sub-total Hard Costs	**$**	**%**	**$**	**$**
Soft Costs	$	%	$	$
Architect & Engineering - buildings	$	%	$	$
Site Planning, Civil Engineering & Prof. fees thru Permits	$	%	$	$
Environmental Site Assessment	$	%	$	$

Sub-total Arch & Eng.	**$**	**%**	**$**	**$**
Permit Fees:	$	%	$	$
Labor and Industry	$	%	$	$
Act 250	$	%	$	$
Local zoning, planning	$	%	$	$
Local water impact & sewer	$	%	$	$
Water Supply	$	%	$	$
Wastewater	$	%	$	$
Health Department	$	%	$	$
Sub-total Permits	**$**	**%**	**$**	**$**
Professional Fees:	$	%	$	$
Legal - real estate, permits & finance	$	%	$	$
Legal - organization & sales	$	%	$	$
Accounting - organization	$	%	$	$
Clerk of Works	$	%	$	$
Project Management--HVT	$	%	$	$
Sub-total Prof. Fees	$	**%**	**$**	**$**
Marketing:	$	%	$	$
Market Study	$	%	$	$
Advertising/Marketing	$	%	$	$
Model/Office Fit Up & Maint	$	%	$	$
Commissions/Sales Staff	$	%	$	$
Sub-total Marketing	**$**	**%**	**$**	**$**
Financing:	$	%	$	$
Construction Loan Fee	$	%	$	$
Construction Loan Expenses	$	%	$	$
Construction Period Interest	$	%	$	$
Other Financing Costs	$	%	$	$
Sub-total Financing	**$**	**%**	**$**	**$**
Carrying Costs:	$	%	$	$
Property Taxes	$	%	$	$
Liability Insurance	$	%	$	$
Acq Bridge Loan--one year	$	%	$	$
Maintenance/Utilities	$	%	$	$
Sub-total Carrying Costs	**$**	**%**	**$**	**$**
Developer's Fees	$	%	$	$
Working Capital (Owner's Association, if any)	$	%	$	$
Contingency	$	%	$	$
Sub-total Soft Costs	**$**	**%**		
TOTAL PROJECTED COST	**$**	**%**	**$**	**$**

Part II Tab 2

Square Foot Analysis and Unit Sales Schedule
(Homeownership developments only)

Construction Plans dated :					
# Residential Units	Type (single family detached, duplex, flat, townhouse)	# of Bedrooms	stories	square feet	Total
	A				
	B				
	C				
	D				
	E				
	F				
Accessory Buildings					
	common				
	laundry				
	storage & mechanical				
	parking				
	office				
			total common area		

Unit #	Unit Type	Square Feet	# Bdrms	#Baths	Sales Price	Net Sales Price
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
	Totals					

Part II Tab 2

Homeowner's Association Operating Budget
(homeownership developments only)

			Notes:
ADMINISTRATIVE			
Telephone		$	$ /month
Postage and delivery		$	$ /month
Legal & Accounting		$	allowance
Management			
Subtotal	$		
UTILITIES			
Heat & hot water		$	accessory buildings
Electricity		$	site lights and accessory buildings
Water & Sewer		$	allowance for maintenance & operation of pump, etc.
Other			
Subtotal	$		
MAINTENANCE			
Custodial Supplies & Labor		$	
Contract Repairs/Maintenance		$	allowance for water and sewer maintenance
Painting/Decorating		$	allowance
Trash Removal		$	by homeowners
Landscaping		$	__ months @ $___/month
Snow Removal		$	__ weeks @ $___/week
Repair Materials		$	allowance
Sprinkler Maintenance		$	
Subtotal	$		
FINANCIAL			
Property Taxes		$	paid by individual owners
Insurance - Building		$	
Insurance - Liability		$	
Subtotal	$		
TOTAL OPERATIONS	$		
RESERVES			
Replacement - Building & FFE	$		allowance
TOTAL RESERVES	$		
Total Annual Operating Expense		$	

Part II Tab 2

HOMEOWNERSHIP AFFORDABILITY ANALYSIS

(FOR HOMEOWNERSHIP PROJECTS ONLY)

INSTRUCTIONS FOR MANUAL ENTRY

1. Fill in price of proposed units (use the gross price, before any grants have been deducted).
2. Fill in Source and Amount for each subsidy.
3. Fill in assumption for interest rate and term. If you want to show examples using more than one interest rate or term, please make another copy of this sheet to demonstrate that. **Get these from proposed/ possible mortgage lender.**
4. Calculate the monthly principal and interest.
5. Enter in assumption for taxes and insurance.
6. Add the P and I and taxes and insurance payments together and enter in the "total payment" row.
7. Enter in the assumed housing ratio. **Get this from proposed/possible mortgage lender.**
8. Divide the "total payment" by the housing ratio and enter in the "gross monthly income required" column.
9. Multiply by 12 and enter that into the "annual income" row. REPEAT THIS PROCESS FOR ALL POTENTIAL PRICE TIERS IN THE DEVELOPMENT.
10. Enter in the levels of median income for the geographic area the project is based in.
11. To determine the affordability levels for each sales price in the project, enter the "annual income needed" for each price and divide it by the 100% median income for each family size.
12. **For a unit that might have difference household sizes in it, show the affordability based on all household sizes (for example, a two-bedroom condo might be occupied by a one person, two person or three person household).**

	SALE PRICE #1				SALE PRICE #2			
GROSS SALES PRICES (COST)								
LESS: OTHER SUBSIDY								
LESS: OTHER SUBSIDY								
LESS: OTHER SUBSIDY								
NET PRICE OF HOME (TO BUYER)								
INTEREST RATE								
MORTGAGE TERM								
MONTHLY PRINCIPAL & INTEREST								
TAXES & INSURANCE								
CONDO, LAND TRUST MEMBERSHIP FEE								
TOTAL PAYMENT								
HOUSING RATIO								
GROSS MONTHLY INCOME REQUIRED								
ANNUAL INCOME NEEDED								
	HH OF 1	HH OF 2	HH OF 3	HH OF 4	HH OF 1	HH OF 2	HH OF 3	HH OF 4
100% MEDIAN FOR COUNTY								
AFFORDABILITY FOR FIRST PRICE								
AFFORDABILITY FOR SECOND PRICE								

Part II Tab 2

	SALE PRICE #3				SALE PRICE #4			
GROSS SALES PRICES (COST)								
LESS: OTHER SUBSIDY								
LESS: OTHER SUBSIDY								
LESS: OTHER SUBSIDY								
NET PRICE OF HOME (TO BUYER)								
INTEREST RATE								
MORTGAGE TERM								
MONTHLY PRINCIPAL & INTEREST								
TAXES & INSURANCE								
CONDO, LAND TRUST MEMBERSHIP FEE								
TOTAL PAYMENT								
HOUSING RATIO								
GROSS MONTHLY INCOME REQUIRED								
ANNUAL INCOME NEEDED								
	HH OF 1	HH OF 2	HH OF 3	HH OF 4	HH OF 1	HH OF 2	HH OF 3	HH OF 4
100% MEDIAN FOR COUNTY								
AFFORDABILITY FOR THIRD PRICE								
AFFORDABILITY FOR FOURTH PRICE								

Part II Tab 2

SITE INFORMATION
for VCDP, VHCB, HOME, & VHFA

Site Control
Please complete for *each* property:

Form of site control (check one):

☐ Deed (Date acquired __/__/__)	☐ Purchase & Sale Contract (Expires __/__/__)
Acquisition Price:	Contract Price:

Please attach evidence of site control.

Appraised Value _____ Date of Appraisal ____/____/____

Please attach copy of appraisal.

Are there any special circumstances that surround the purchase of the property, including but not limited to: deed restrictions on the use of the property, impediments to clear title, or the necessity to acquire easements or voter approval?

_____

_____

Site Information

Briefly describe the site including size, adjacent uses, existing buildings, archeological sites, the presence of prime agricultural soils or soils of statewide significance, and other significant features.

_____

_____

Please describe the proximity to services (e.g. grocery store, health services, schools, etc.).

_____

_____

Is the site located in or within walking distance to a designated downtown or village center as determined by the Downtown Development Board? ____yes ____no

(If yes please attach documentation)

Is the site located in or within walking distance to a growth center as determined by the Downtown Development Board? ____yes ____no

(If yes please attach documentation)

Is the proposed development planned to maintain the historic settlement pattern of the town/city? (See VHFA Qualified Allocation Plan for definition.) _____ yes _____ no

Is the site ___ eligible for or ___on the National Register of Historic Places? (check either if applicable)
Is it within a National Register historic district? ____yes ____no

Is the site ___ eligible for or ___on the State Register of Historic Sites? (check either if applicable)

Part II Tab 2
Is it within a State historic district? ____yes ____no

Is any portion of the site in the floodplain? ____yes ____no.

(If yes, please submit a floodplain map and identify site location on it.)

(for VCDP Applicants only: If yes, also see the Environmental Review Guide "8 Step Process for Flood Plain Management" on the VCDP website www.dhca.state.vt.us/vcdp under Environmental Review or contact a CD Specialist.)

Please describe the water and wastewater disposal system of this project including the distribution system? Are there any deficiencies that have been identified with either of these systems? For on site systems and distribution systems, please describe the age and condition. For public systems, please state who owns the on-site distribution system.

_____

_____

For sites with existing roads please describe the condition, ownership, and any plans to upgrade. If new roads will be constructed, to what standard will they be built and who will be the ultimate owner?

_____

_____

For sites with other existing infrastructure (e.g., stormwater, electrical distribution systems in a mobile home park) please describe the condition, ownership, and any plans to upgrade.

_____

_____

Please submit site plans indicating planned housing sites, open space, and significant natural resource and archeological features.

Please submit a site location map clearly indicating the location of the building(s).

Part II Tab 2

PERMITS INFORMATION
for VCDP, VHCB, HOME, and VHFA

Local permits and approvals required:

__ Yes __No

If yes, please list the names of the permits and approvals required and the dates you expect these to be issued by the municipality.

_____

_____

Please identify any issues and/or obstacles you foresee in obtaining the local permits and approvals and strategies for resolution.

_____

_____

Is the proposed project in conformance with adopted or proposed local and regional plans and zoning?

If yes: please attach documentation. (Either copy at attach relevant pages from local and regional plans, or copy excerpts of the relevant language into the explanation.)

If no: what is being done to assure conformance?

_____

_____

If applicable, how is the site zoned and what density does it allow?

_____

_____

State permits required (including but not limited to Act 250):

__ Yes __No

Attach a completed Project Review Sheet from the Department of Environmental Conservation (DEC). Download the most current form from the following address: www.anr.state.vt.us/dec/permit_hb/prs699gen.pdf. A list of contact information for the regional DEC offices can be found at www.nrb.state.vt.us/lup/commission_members.htm

Please identify any issues and/or obstacles you foresee in obtaining the state permits and strategies for resolution and the dates you expect these to be issued.

_____

_____

Part II Tab 2

TARGET POPULATION, MARKET, AND REGIONAL DATA
for VCDP, VHCB , HOME, and VHFA

Please describe the target population, the need for the project, the urgency of that need, and how the need was determined. Please cite specific demographic data and submit any market studies and/or waiting list information.

1. If applying for Housing Credits, please refer to VHFA's Market Study Standards at www.vhfa.org/documents/developers/market_study_standards.pdf

2. If applying for VCDP funds, please refer to the Regional Housing Needs Chart from Consolidated Plan Housing Needs Assessment: www.dhca.state.vt.us/VCDP/Application/GuideAppendices.htm

Describe why this proposal is the best approach to meet the need described above, and how the proposal will meet this need. Identify other approaches that were considered and explain why they were not pursued.

Describe the project's marketing plan.

For homeownership developments: How are pre-sales estimates or sales projections derived?

Note: For all homeownership applications a market study *is* required.

Part II Tab 2

TIMETABLE
for VCDP, VHCB , HOME, and VHFA

What is the timetable anticipated for development of the project? Please fill out the following:

	Month/Year
Receipt of funding commitments necessary for completion of the project.	(fill out table below)
Acquisition of the property	
Closing date with funding sources (if different from above)	
Construction start date	
Construction completion date	
Date of initial sale or occupancy	
Provision of supportive services (if applicable)	
Any other relevant development milestones	
Project closeout (for VCDP)	

Please describe, if applicable, any particular issues which make funding of this project time sensitive.

_____

_____

Funding Commitments (Rental Developments):

	$ Amount	Anticipated date of approval	Contact name / #
VHCB	$_____	_____	_____
Lead Paint Reduction	$_____	_____	_____
HOME	$_____	_____	_____
VHFA-Permanent Debt	$_____	_____	_____
VCDP	$_____	_____	_____
Tax Credit Equity	$_____	_____	_____
FHLB - AHP	$_____	_____	_____
Other _____	$_____	_____	_____

Funding Commitments (Homeownership Developments):

	$ Amount	Anticipated date of approval	Contact name / #
Proceeds from home sales	$_____	_____	_____
VHCB	$_____	_____	_____
Lead Paint Reduction	$_____	_____	_____
VCDP	$_____	_____	_____
FHLB - AHP	$_____	_____	_____
Other _____	$_____	_____	_____

Part II Tab 2

MUNICIPAL AND COMMUNITY SUPPORT
for VCDP, VHCB , HOME, and VHFA

Describe how the municipality and broader community has supported the project. Were both public and private community members and groups contacted about the project and involved in planning it?

Part II Tab 3

COMMON APPLICATION

Checklist of Required Attachments

Please attach copies of all the following documents listed to the left as required for your project type (either Homeownership or Rental Development). VDCP needs thirteen copies of the application with all attachments. VHCB needs six copies of the application with all attachments plus an additional 20 copies to VHCB of the following: site plans, floor plans, elevations, photos, and a site location map.

Requirements:

H.O.	Rental	
☐Yes	☐Yes	Site Plans
☐Yes	☐Yes	Site Location Map
☐Yes	☐Yes	Floodplain Map
☐Yes	☐Yes	Preliminary Floor Plans
☐Yes	☐Yes	Building Elevations
☐Yes	☐Yes	One Original Set of Color Photographs (or color photocopies)
☐Yes	☐Yes	Current Appraisal (include sample unit appraisals with for-sale housing developments)
☐Yes	☐Yes	Purchase and Sales Agreement (or other form of site control)
☐Yes	☐Yes	ANR / Act 250 Project Review Sheet (if applicable)
☐Yes	☐Yes	Completed Energy Efficiency Checklist
☐Yes	☐Yes	Resumes of Development Team (for team members who have done no affordable housing projects in the last two years)
☐Yes	☐Yes	Market Demand Data (full independent market study if units are being added)
☐Yes	☐Yes	Evidence of Other Funding Commitments
☐Yes	☐Yes	Results of Any Tests for Lead-Based Paint or Other Hazardous Materials
❖No	☐Yes	Capital Needs Assessment (for moderate rehab projects; this may be waived if the scope of work incorporates an assessment of capital needs by the architect)
☐Yes	❖No	Unit Price Schedule, Including Unit Types and Designs
☐Yes	❖No	Homeownership Development Budget (including month-by-month sources and uses / construction draw schedule for Single-Family Developments)

Part III Tab 4

VHCB/HOME PROGRAM
PROGRAM OVERVIEW

General Information for Applicants Seeking VHCB Funds for Affordable Housing Development

A schedule of application deadlines and Board meeting dates is available on the VHCB website. Funds for housing will be awarded in three competitive rounds of funding, with the possibility of additional rounds subject to the availability of funds. Prior to submission of an application, grantees must inform VHCB staff of intent to submit an application and schedule a site visit with VHCB staff. Call with any questions, and be aware that:

1. Feasibility Funds, if needed, should be requested and feasibility work completed prior to submission of this application.

2. The Board will not fund projects in which the purchase price of a property exceeds the appraised value except under extremely special circumstances. The appraisal should be ordered by the prospective purchaser and must be acceptable to VHCB staff.

3. Applications should not be submitted prior to the applicant obtaining site control (Purchase and Sale Agreement or Option). Applicants are strongly discouraged from purchasing the property prior to commitment of funds from all sources.

4. Applicants should not expect to receive VHCB funds sooner than 45 days after the Board meeting at which an application is approved. Please consult with VHCB legal staff in setting a closing date.

5. The Board reserves the right to recapture VHCB funds with a penalty if a project does not remain perpetually affordable. HOME funds must be repaid if a project is not completed.

6. In general, at least one-third (1/3) of the units in rental housing projects should be affordable to and occupied by households earning 50% or less of median income.

7. All projects should be consistent with applicable VHCB policies listed below.

8. VHCB awards are a matter of public record. Following the Board's decision, VHCB may describe this project in a press release, identifying your organization as a contact point. Please contact Pam Boyd at 828-5075 with any suggestions regarding coverage of your project.

The following policies, guidelines, standards and specifications should be reviewed as applicable and are available upon request:

VHCB Housing Policies, Guidelines, Standards and Specifications

Affordable Housing Projects
Development Fees
Elderly Housing Priorities
Energy and Water Conservation
Procurement Guidelines
Habitat/Voc. School-Built Housing
Income Verification
Lead-Based Paint & Other Hazardous Materials
Development on Prime Agricultural Soils
Limited Equity Cooperatives
Mobile Home Parks
New Construction Guidelines
Supplemental Standard for Appraisals of Multi-Family Properties
Supplementary Standards for Mobile Home Park Appraisals
Transitional Housing Fund
Homeownership Policies and Guidelines

Part III Tab 4

Federal Program Policies

HOME Program Initial Income Verification

ADDITIONAL INFORMATION FOR APPLICANTS SEEKING HOME PROGRAM FUNDS

HOME Program Guidelines

Please note that an award and acceptance of HOME funds will result in your agreement to comply with a series of federal regulations and requirements. You should be familiar with and understand the complexity of these requirements and be prepared to demonstrate compliance. The information provided here is not intended to cover all requirements, but rather to provide you with sufficient information to complete an application for funds. Please consult the HOME Program Manual (updated 4/06) or contact the HOME staff at VHCB with any questions.

To be considered for HOME funds for rental housing or Mobile Home Park projects, your project must meet HOME Program income targeting and rent limitation requirements which differ from VHCB requirements. Contact VHCB for the most recent HOME Rent Chart and HOME Program Income Limits.

A. Multi-family Rental Projects

Income Targeting Refer to the most recent HOME Program Income Limits to determine income limits for HOME units.

- To be eligible for HOME funds, tenants must have income at or below 60% of county median income.
- 20% of HOME units in each project with 5 or more HOME units must be occupied by tenants with income at or below 50% of county median income.

HOME Rents Refer to the most recent HOME Rent Chart for the High and Low HOME Rents to determine the maximum rents for your project.

- All HOME units in a project must have rents that are at or below the lessor of the HUD Fair Market Rent or the High HOME Rent.
- In projects with 5 or more HOME units, 20% of HOME units must have rents that are at or below the lessor of the HUD Fair Market Rent or the Low HOME Rent.

B. Mobile Home Parks

HOME funds may be used for acquisition and infrastructure rehabilitation of mobile home parks where the lots are rented to low income homeowners (80% of median income). HOME funds may also be used to complete renovations to owner-occupied mobile homes on HOME lots.

Part III Tab 4
C. Consolidated Plan Priorities

A mechanism of perpetual affordability will be required for all projects receiving HOME funds. In addition, HOME Program funds will be distributed to projects that meet at least one of the Consolidated Plan Housing Priorities, as follows:

1. Serve households with very low incomes with special preference to projects housing families and individuals at or below 30% of median income, including persons with special needs;

2. Address the preservation and production of mobile home parks, including infrastructure improvements and new site development;

3. Preserve and rehabilitate existing units, including acquisition, with priority to lead hazard reduction and with an emphasis on downtown preservation and revitalization;

4. Accomplish mixed income developments, including shared housing, to create integrated communities;

5. Demonstrate leverage of resources and cost-effectiveness, including building weatherization, energy efficiency, and fuel switching available from private and public programs;

6. Address the current and potential need for accessibility modifications and adaptable units to serve Vermonters with physical disabilities; and

7. Enhance opportunities to sustain and increase homeownership, including limited equity cooperatives among very-low and low-income households and households headed by individuals with special needs.

D. Minimum HOME Affordability Period

Throughout the affordability period, income must be verified annually, rents and utility allowances must be recalculated annually, and Housing Quality Inspections must be conducted every one, two, or three years based upon the number of units within the project.

Per Unit HOME $	Minimum Affordability Period
<$15,000	5 years
$15,000 - $40,000	10 years
>$40,000	15 years
new construction	20 years

E. Maximum HOME Contribution Per Unit

0BR	1BR	2BR	3BR	4BR
$35,106	$40,242	$45,734	$59,163	$64,943

Part III Tab 5

VHCB / HOME APPLICATION SUPPLEMENT

Please answer all the following questions as completely as possible. Please be sure to refer to the question number in your response (i.e. "VHCB Application Supplement Question 1.").

1. Describe the importance of the resource in question to the community, region or state. Will the project result in the perpetual use of the resource in the manner described?

2. Provide a narrative summary of the construction scope of work.

3. Which of the VHCB policies listed in the instructions apply to the project? Concisely describe how the project meets (or doesn't) the applicable policies. In the case of new construction projects, discuss in detail how the project qualifies under the VHCB New Construction guidelines.

4. Does this project or the community in which it is located address the dual goals of housing and conservation? If it does, explain how the project furthers the VHCB goals of "creating affordable housing for Vermonters" and "conserving and protecting agricultural land, historic properties, important natural areas and recreational lands."

5. VHCB requires applicants to make the following contacts in writing to inform appropriate parties of the project: 1) regional planning commission; 2) appropriate municipal officials; 3) Vt. Division for Historic Preservation (unless you are applying for HOME or Lead Paint funding in which case VHCB will contact its historic preservation consultant); 4) Residential Energy Efficiency Program at Vermont Energy Investment Corp.. Please make these contacts sufficiently in advance to allow for a timely response. Please submit copies of any comments received.

6. How can the Housing and Conservation Board be assured that its investment will be protected and its goals accomplished in perpetuity? How will you meet your stewardship responsibilities?

Part III Tab 6

VHCB/HOME APPLICANTS

Checklist of Required Attachments

Please attach copies of all the following documents listed to the left as required for your project type (either Homeownership or Rental Development).

Requirements:

H.O.	Rental	
☐Yes	☐Yes	Construction Cost Estimates (prepared by independent architect or cost estimator following AIA categories, including contingency)
☐Yes	☐Yes	Environmental Site Review Checklist
☐Yes	☐Yes	Copies of Local/State/Regional contact letters and any responses
❖No	☐Yes	HOME Program Income Verification Form and Third Party Verification (occupied units)
❖No	☐Yes	URA General Info Notices and Return Receipts (for existing tenants)
☐Yes	☐Yes	Current List of Board of Directors, Addresses and Affiliations
		For NEW Nonprofit Applicants:
☐Yes	☐Yes	IRS 501(c) Designation
☐Yes	☐Yes	Most Recent Audited Financial Statement
☐Yes	☐Yes	Articles of Association
☐Yes	☐Yes	Bylaws
☐Yes	☐Yes	Most Recent 990 Filing
		For ALL Nonprofit Applicants:
☐Yes	☐Yes	Most Recent Audited Financial Statement

Part III Tab 6

Process Checklist for HOME Program Projects

Name of Project_____ Project Number_____

Underwriting Phase

___Receipt of Application

Site Information

___Site Control
___Pre-rehab Appraisal
___Income Verification Forms and 3rd Party Verification for Tenant's in HOME Units
Uniform Relocation Act
- ___Relocation Plan and Budget
- ___List of existing tenants and incomes
- ___List of pre-rehab rents & utility allowances and proposed post-rehab rents & utility allowances
- Signed or Returned Receipts:
  - ___General Information Notice
  - ___Notice of Voluntary Acquisition
  - ___Notice of Non-Displacement
  - ___Notice of Temporary Relocation

___Environmental Site Review Checklist
___Environmental Review - Approval of release of funds from HUD
___Environmental Review - 2nd tier review
___Initial Review by Historic Consultant for compliance with Sec. 106
___Historic Preservation Final Sign off

Project Financial

___Development Budget including Sources and Uses
___Operating Budget (Rents meet HOME and URA Requirements)
___20 year Budget Proforma
___Commitment Letters from all Funding Sources (if applicable)
___Plans and Specs
___Estimated Cost of Rehab
___Project Timetable

Closing Phase

___Signed HOME Grant Agreement
___All Special and Standard Conditions Met

Part III Tab 6

Construction Phase

___Compliance w/ Procurement Policy:
- ___HOME Program Bid Selection and Contract Award Summary
- ___Minority Business Enterprises (MBE) and Women Business Enterprises (WBE)
- ___Construction Contracts with HOME Attachment to Contract
- ___Contractor's Certification re: Debarment
- ___Contractor's Disclosure of Lobbying Activities
- ___Contractor's Certification for Contracts, Grants, Loans, Cooperative Agreements
- ___Certificate of Insurance
- ___Performance and Payment Bonds or Letters of Credit

___Davis Bacon Compliance (if applicable)
- ___Pre-Construction Meeting
- ___Weekly Payroll sheets
- ___Random interview
- ___Wage Poster

___Change Orders
___Lien Waivers
___Certificate of Completion/Certificate of Occupancy
___Energy Star Certification (all new construction and most substantial rehab)

Tenant Selection

___Tenant Selection Policy
___Affirmative Marketing Plan
___Tenant Lease (Include HOME Addendum)
___"Protect Your Family From Lead In Your Home" letter for tenants with children under 6 years

Project Completion

___Tenant Income Verifications (w/ 3rd party back-up) for HOME units
___Rent Schedule w/ HOME units
___Final Sources & Uses Budget

Revised 3/07

Part IV Tab 7

VCDP

PROGRAM OVERVIEW

PLACEHOLDER ONLY

Part IV Tab 8

VCDP APPLICATION SUPPLEMENT

Note: Applicants should thoroughly read the VCDP Application Guide and Instructions and refer to it while completing these additional sections. The Application Guide can be accessed on the website www.dhca.state.vt.us/vcdp or by calling 828-5219.

National Objective (check one):

[ ]LMI [ ]Slums & Blight [ ] Urgent Need

Total Beneficiaries[1]: _____ LMI Beneficiaries _____

Basis of LMI determination:
[ ] L/M area benefit, [ ] L/M limited clientele,
[ ] L/M Housing Survey [ ] Other (Please identify method)_____

State Objective: Housing

Is the project located in a floodplain? IF yes, for further information see Environmental Review Guide – Eight Step Process for Floodplain Management on the website www.dhca.state.vt.us/vcdp under Environmental Review, or contact your CD specialist.

Additional Narrative Questions:

All appropriate funding sources have been sought.

1. Describe the effort to obtain other funding (including municipal government financial support) and, why particular funding sources were considered but not pursued.

2. Does the municipality (ies) control a revolving loan fund capitalized with VCDP or other HUD funds? If such an RLF is not a funding source for this project, please explain.

How well the project meets a Consolidated Plan priority.

3.

(a) Describe how your project meets the priorities of the Consolidated Plan (See Appendix J in Application Guide for a current list of priorities). Cover all that apply since it is possible to address several with one project.

(b) Which regional housing need(s) is the project meeting? See chart in Appendix L of Application Guide or website (www.dhca.vt.us/vcdp/application/guideAppendices.htm) for breakdown of housing needs by region

How well the project meets priorities in local plan.

4.

(a) Describe how this project meets a priority(s) of the local plan.

(b) Please provide a statement documenting the municipal applicants past performance, current activities, and/or future plans to facilitate the provisions of affordable housing in the community.

Part IV Tab 8

How well the project meets priorities in the regional plan.

5. Describe how this project meets a priority(s) of the regional plan.

6. If proposed project is located in region with a completed Comprehensive Economic Development Strategy (CEDS), is the project identified as a priority? If yes, please provide applicable page from CEDS listing project as a priority. See Appendix M of Application Guide for list of regions with completed CEDS.

Degree of health/safety risks to beneficiaries.

7. If applicable, describe how this project directly addresses a health or safety issue for the intended beneficiaries.

Number of people directly benefiting.

(See Appendix F of the VCDP Grant Application Guide and Instructions.)

8. Provide the following:
   - Number of persons less than 30% of medium income benefiting
   - Number of persons between 30% and 50% of medium income benefiting
   - Number of persons between 50% and 60% of medium income benefiting
   - Number of persons between 60% and 80% of medium income benefiting
     - Sub-total of LMI persons directly benefiting
   - Number of persons over 80% of medium income directly benefiting
     - Total persons directly benefiting

   NOTE: If your project is funded there will be additional outcome information required. For more information please review Appendix N in the Application Guide; it lists the additional information that will need to be reported.

9. Explain how the benefit numbers were determined/projected.

The longevity of the benefit.

10. Describe how long the benefit can be sustained and provide the basis for this determination. How will the beneficiaries be involved over the life of the project? Describe the commitment for carrying on the proposed programs and services once the grant program is completed.

11. Describe how persons of low- and moderate- income were involved in the development of this project. How have they shown support?

How well the project indirectly impacts the community and/or additional LMI people.

12. Describe the indirect impact to the community and other LMI beneficiaries that may be indirectly served by the project.

Cost estimates are reasonably supported

If applicable, applicants must complete Form H (attached) regarding enhancement options.

13. Please explain how project cost overruns will be addressed.

14.

(a) Please explain how project will be sustainable over time i.e. plan for capital and operating reserves, debt coverage etc.

(b) For housing projects intending to provide for perpetual affordability, please describe the financial mechanism that will be employed to guarantee affordability of the units in perpetuity. Be sure to describe, support, and quantify the mechanism.

Certification: I certify, on behalf of the Applicant(s) that the information presented in this Application is correct and the submission thereof has been authorized by resolution(s) adopted by the legislative body(ies).

Signature of CEO of Applicant or Lead Applicant

Date Signed

Part IV Tab 8

RESOLUTION FOR VCDP GRANT APPLICATION AUTHORITY

Single Applicant

WHEREAS, the _____ of _____(hereinafter "Applicant") is applying for an Implementation Grant under the Vermont Community Development Program; and
WHEREAS, it is necessary that an application be made and agreements be entered into with the State of Vermont.

Now, THEREFORE, BE IT RESOLVED as follows:

1. that Applicant possesses legal authority as defined in the State Act [10 VSA Ch. 29] to apply for the grant and to administer the program; and
2. that Applicant apply for a grant under the terms and conditions of said program and agree hereby to enter into Certifications and Assurances there of; and
3. the Applicant has a duly adopted and current Municipal Plan _____ (Date Adopted) and that the project is consistent with said plan; and

   OR

   the Applicant has a duly adopted Community Development Plan _____ (Date Adopted) and that the project is consistent with said plan; and
4. the Applicant has received documentation from the Regional Planning Commission that the project is consistent with the "Regional Plan; and
5. that _____ is hereby authorized to be Contact Person and as such to provide, on behalf of Applicant, all documents and information necessary for the completion of said application and to provide such coordination as may be necessary for said application; and
6. that it is understood that, if the application is funded, the receipt of VCDP funds, as federal funds passed through the State of Vermont, may require that an audit of the Applicant be conducted under the provisions of the Single Audit Act, as amended, and that VCDP funds may be used to fund only a limited portion of the audit cost.

Passed this _____ day of _____, _____.

LEGISLATIVE BODY

_____ _____

_____ _____

_____ _____

_____ _____

_____ _____

The above resolution is a true and correct copy of the resolution as adopted at a meeting of the Legislative Body held on the ____day of _____, ____, and duly filed in my office.

IN WITNESS WHEREOF, I hereunto set my hand this _____ day of _____, _____.

_____ _____

Clerk Signature

Part IV Tab 8

RESOLUTION FOR VCDP GRANT APPLICATION AUTHORITY
Lead Applicant of Consortium

WHEREAS, the _____ of _____ (hereinafter "Lead Applicant") does join with the [list all other consortium members] _____ to apply for an Implementation Grant under the Vermont Community Development Program; and
WHEREAS, it is necessary that an application be made and agreements be entered into with the State of Vermont.

Now, THEREFORE, BE IT RESOLVED as follows:

1. that Lead Applicant possesses legal authority as defined in the State Act [10 VSA Ch. 29] to apply for the grant and to administer the program; and
2. that Lead Applicant joins with the above named municipalities to apply for a grant under the terms and conditions of said program and agrees hereby to enter into Certifications and Assurances there of; and
3. the Lead Applicant has a duly adopted and current Municipal Plan _____ (Date Adopted) and that the project is consistent with said plan; and

   OR

   the Lead Applicant has a duly adopted Community Development Plan _____ (Date Adopted) and that the project is consistent with said plan; and
4. the Applicant has received documentation from the Regional Planning Commission that the project is consistent with the "Regional Plan; and
5. that _____ is hereby authorized to be Contact Person and as such to provide, on behalf of all Applicants, all documents and information necessary for the completion of said application and to provide such coordination as may be necessary for said application; and
6. that Lead Applicant, in so applying, consents to act in the capacity of Lead Applicant.
7. that it is understood that, if the application is funded, the receipt of VCDP funds, as federal funds passed through the State of Vermont, may require that an audit of the Lead Applicant be conducted under the provisions of the Single Audit Act, as amended, and that VCDP funds may be used to fund only a limited portion of the audit cost.

Passed this _____ day of _____, _____.

LEGISLATIVE BODY

_____ _____
_____ _____
_____ _____
_____ _____
_____ _____

The above resolution is a true and correct copy of the resolution as adopted at a meeting of the Legislative Body held on the ____day of _____, ____, and duly filed in my office.

IN WITNESS WHEREOF, I hereunto set my hand this _____ day of _____, _____.

_____ _____
Clerk Signature

Part IV Tab 8

RESOLUTION FOR VCDP GRANT APPLICATION AUTHORITY
Participating Applicant of a Consortium

WHEREAS, the _____ of _____ (hereinafter "Joint Applicant") does join with the _[list all other consortium members including the lead applicant]_ to apply for an Implementation Grant under the Vermont Community Development Program; and
WHEREAS, it is necessary that an application be made and agreements be entered into with the State of Vermont.

Now, THEREFORE, BE IT RESOLVED as follows:

1. that Joint Applicant possesses legal authority as defined in the State Act [10 VSA Ch. 29] to apply for the grant and to administer the program; and
2. that Joint Applicant joins with the above named municipalities to apply for a grant under the terms and conditions of said program and agrees hereby to enter into Certifications and Assurances there of; and
3. the Joint Applicant has a duly adopted and current Municipal Plan _____ (Date Adopted) and that the project is consistent with said plan; and

   OR

   the Joint Applicant has a duly adopted Community Development Plan _____ (Date Adopted) and that the project is consistent with said plan; and
4. the Applicant has received documentation from the Regional Planning Commission that the project is consistent with the "Regional Plan; and
5. that Joint Applicant, in so applying, consents to the _____ of _____acting in the capacity of Lead Applicant; and
6. that it is understood that, if the application is funded, the receipt of VCDP funds, as federal funds passed through the State of Vermont, may require that an audit of the Lead Applicant be conducted under the provisions of the Single Audit Act, as amended, and that VCDP funds may be used to fund only a limited portion of the audit cost.

Passed this _____ day of _____, _____.

LEGISLATIVE BODY

_____ _____
_____ _____
_____ _____
_____ _____
_____ _____

The above resolution is a true and correct copy of the resolution as adopted at a meeting of the Legislative Body held on the ____day of _____, ____, and duly filed in my office.

IN WITNESS WHEREOF, I hereunto set my hand this _____ day of _____, _____.

_____ _____
Clerk Signature

Part IV Tab 8

PUBLIC HEARING NOTICE

For publication on or before _____
Tear Sheet Requested.

Notice of Public Hearing

The City(ies)/Town(s)/Village(s) of _____ is/are considering making application to the State of Vermont for an Implementation Grant under the Vermont Community Development Program. A public hearing will be held at _____ on _____ , _____ at to obtain the views of citizens on community development, to furnish information concerning the amount of funds available and the range of community development activities that may be undertaken under this program, the impact to any historic and archaeological resources that may be affected by the proposed project, and to give affected citizens the opportunity to examine the proposed statement of projected use of these funds. The proposal is to apply for $_____ in VCDP Funds which will be used to accomplish the following activities:

Copies of the proposed application are available at _____ and may be viewed during the hours of _____ on _____.

Legislative Body for the _____

(30)

Copy submitted by: _____ Phone: _____

Send tear sheet to: _____

_____

_____

Thank you

Minutes of the Public Meeting

Attach a copy of the minutes kept at the hearing(s). These should indicate the date, time, and place of the hearing, the approximate number of attendees, a brief description of what was presented and of any discussion that took place. If any written comments were received, this should be noted and copies attached. The minutes should be dated and signed by the recorder.

It is vital that the notice show that the hearing is being warned by the Legislative Body (of the lead applicant, in the case of a consortium).

Part IV Tab 8

Copy of the Notice

Attach a copy of the notice as it was published in the newspaper. This should be either the tear sheet provided by the newspaper office or a copy of the paper showing both the notice and the date of publication.

Attach a copy of the tear sheet from the newspaper

Part IV Tab 8

Be sure to read directions in the Application Guide and Instructions before completing form.

CERTIFICATION OF PROGRAM INCOME/UNRESTRICTED REVENUE AVAILABLE

Municipality _____ Reporting Date _____

Project Title _____

Check appropriate box [ ] Applicant consortium [ ] Lead Applicant [ ] Participating Applicant

Income/Revenue Generated From VCDP or HUD Funded Grants

Schedule 1 Establishment of the Current Cash Balance

	Third Previous Fiscal Year FY_____	Second Previous Fiscal Year FY_____	First Previous Fiscal Year FY_____	Current Fiscal Year FY_____
Opening balance	$	$	$	$
Plus total receipts during fiscal year				
Less total outlay during fiscal year				
Ending balance (becomes the opening balance in next FY)	$	$	$	
Current balance as of _____ (date)				$

Schedule 2 Establishment of the amount of Current Cash Balance that is Obligated[2]

Explanation of Obligation (attach additional sheets if necessary)	Amount Obligated
	$
Total of all Obligations	$

Determination of what should be considered for use in this application:

Current balance from Schedule 1 ..... $ _____
Less total of all Obligations from Schedule 2 ..... _____
Equals the amount potentially available ..... _____
Amount of this that is committed to the proposed project .....$ _____

---

[2] [2]: "Obligated" - A legally committed liability to a third party through a purchase order, executed contract or a loan commitment letter; but not funds reserved or designated for a specific purpose. **(re-number footnotes?)**

Part IV Tab 8

Narrative (Explain the information displayed on this form)

Describe how the funds were used during the past three years. Give the purpose and amounts for each loan or grant.

Describe the process used to "Obligate" in Schedule 1 from the amounts listed in Schedule 2. Include a copy of loan policies that govern the expenditure of revolving loan funds.

Explain what loan payments are expected during the term of the proposed project(s), whether there will be balloon payments or other receipts of funds.

Indicate whether or not there has been any consideration given to selling the loan portfolio on the secondary market. If so, when would that happen?

Provide an explanation of any portion of the amount potentially available that is <u>not</u> being committed to the proposed project(s).

Housing Enhancement Options Cost Chart

Instructions: Complete this form for housing projects that include increased costs due to components in addition to the creation and/or rehabilitation of housing units. These other components might include the following options: historic preservation, downtown revitalization, accessibility, community facilities, etc.

A.	B.	C.	D.	E.	
Enhancement Option Category	**Cost**	**Amount of Offsetting Funding Source**	**Name of Offsetting Source**	**Balance (B-C)**	**cost info on page**
Historic Preservation					
Downtown Revitalization					
Handicapped Accessibility					
Blight Elimination					
Hazardous Materials					
Lead Abatement					
Special Services					
Community Facilities					
Other					
Totals					

VCDP APPLICANTS

List of Required Attachments

Please attach copies of all the following documents listed to the left as required for your project type (either Homeownership or Rental Development).

Requirements:

H.O.	Rental	
☐Yes	☐Yes	Construction Cost Estimates (prepared by independent architect or cost estimator following AIA categories, including contingency)
☐Yes	☐Yes	VCDP Additional Narrative Questions
☐Yes	☐Yes	Resolution for VCDP Grant Application Authority (Form E or E-2)
☐Yes	☐Yes	Notice of Public Hearing (Form F)
☐Yes	☐Yes	Certification of Program Income / Unrestricted Revenue Available (Form G)
☐Yes	☐Yes	Housing Enhancements Options Cost Chart (Form H)

FEDERAL (LIHTC) HOUSING CREDIT & VERMONT STATE HOUSING CREDIT

PROGRAM OVERVIEW

A. Introduction

The Federal Housing Credit ("HC") is a "tax vehicle" designed by Congress to assist in the creation and preservation of affordable rental housing for low-income households. It provides a direct cost-based reduction in federal tax liability over a 10-year period for owners of qualifying rental housing who agree to conform to certain operating restrictions for at least a 15-year period. The Tax Reform Act of 1986 (and succeeding revisions of that law) set a maximum Housing Credit allocation for each state based on population. Vermont's 2007 credit authority is $2,275,000.

The Vermont Affordable Housing Tax Credit, or State Credit, was established in 2000. It is utilized with the Federal Housing Credit and is taken over a five-year period. The annual amount of State Credit is $400,000. The Allocation Plan governs the allocation of State Credits as well as federal Housing Credits. This application is used to apply for both types of credit.

B. Caveats

The HC program has become increasingly complex. While VHFA has been given certain programmatic authority and responsibility by Congress and the Governor's Office, **knowledge of and compliance with the HC program is ultimately the responsibility of the applicant/taxpayer. Primary enforcement responsibilities lie with the Internal Revenue Service**. The IRS also requires that VHFA implement fairly rigorous compliance monitoring procedures. **Applicants are strongly encouraged to seek competent legal and/or accounting assistance in fulfilling their responsibilities under this program**.

VHFA is charged with allocating Housing Credits, in compliance with an adopted Allocation Plan, to eligible projects in only those amounts necessary to make the selected developments economically feasible. These decisions shall be made solely at the discretion of VHFA, but VHFA in no way represents or warrants to any sponsor, investor, lender, or others that the project is in fact eligible, feasible, viable, or in compliance either before or after the final allocation decision. **VHFA makes no representations to the owner or anyone else as to compliance with the Internal Revenue Code, Treasury regulations, or any other laws or regulations governing the HC program**.

VHFA's review of documents submitted in connection with this allocation is for its own purposes. However, applicants should understand that **any information submitted to VHFA as part of an HC application is public information under Vermont law**.

No member, officer, agent, or employee of VHFA shall be personally liable concerning any matters arising out of, or in relation to, the allocation of the Housing Credits.

C. Program Requirements

Regulations require VHFA to have a compliance monitoring process for all Housing Credit projects for at least 15 years. Additional information about VHFA's compliance monitoring procedures is included in Appendix K.

The Federal Department of Housing and Urban Development (HUD) also issued Subsidy Layering Review rules in 1991 which affect HC applications in cases where HUD is being asked to contribute project-based Section 8 certificates, HUD mortgage insurance, or some other direct HUD based subsidy. Congress has now given state credit agencies authority to administer these rules.

Other aspects of the Code include:

1. Developments in "Qualified Census Tracts" ("QCTs") and "Difficult Development Areas" ("DDAs") can increase their Housing Credit eligible basis by up to 130% of that otherwise possible. (See maps of QCTs and DDAs in Appendices A & B.)

2. In addition to the existing 15-year compliance period for the rent-restricted units, owners must sign a recordable extended use covenant that extends the restrictions in perpetuity. Also, the owner must provide a Right of First Refusal to a qualified non-profit or VHFA (or its assignee) that can be exercised at year 15 of the compliance period. This Right of First Refusal must be for a price described in the Allocation Plan that will help assure long-term affordability for low-income tenants.

3. VHFA must adopt a formal statewide Allocation Plan, after a public hearing process. The Allocation Plan states the priorities and other evaluation criteria to be used by VHFA in judging applications. VHFA must make a good faith effort to ensure that the amount of any HC allocation does not exceed that necessary for the financial feasibility of the development and must consider the reasonableness of development costs and operating expenses in determining the amount of Housing Credits to issue. The result is that comprehensive financial and sponsor information must be submitted and evaluated by VHFA as part of the allocation process.

4. CDBG funds can be included in the eligible basis when using the 9% credit. HOME funds, however, are eligible for either the 4% credit or the 9% credit. An owner can receive the 9% credit for a project receiving HOME funds if the owner elects to restrict 40% of the units to occupancy by households earning 50% of area median income or less. If, however, a property is located in a Difficult Development Area and an owner elects to take the 9% credit, the project is not eligible for the 130% adjustment factor for Difficult Development Areas. However, if the HOME funds are lent to the project at the Applicable Federal Rate (AFR) or higher, the 130% adjustment may be taken.

5. If more than 50 percent of the development financing is tax-exempt, then the HC allocation may come from "outside the cap." This means that VHFA does not make the allocation (the owner files the relevant tax forms directly with the IRS) and the "out-of-cap" allocation does not reduce Vermont's allotted allocation authority. However, these projects must still satisfy the requirements of the Allocation Plan and must be reviewed by the Allocating Agency. These projects are required only to have a 15-year extended use period (a 30-year tax credit compliance period overall).

D. Housing Credit Options

There are two levels of Federal Housing Credits - generically known as the 9% credit and the 4% credit.[1] Selection of the applicable Housing Credit percentage (either 4% or 9%) depends on whether

[1] Note that the 4% and 9% Housing Credit figures are approximate. The U.S. Treasury Department is responsible for revising the Housing Credit figures monthly based on present value calculations using current interest rates. The rates are set to give the investor a credit yield equal to either 30% or 70% (depending on the type of credit requested) of the value of the qualified basis of the building, for a ten-year period. From an investor's perspective, the net effect of the monthly changes in the Housing Credit rate should be fairly minimal. As of March 2004, the two actual rates were 3.41%and 7.95%. Current rates are posted on VHFA's website under "Development".

a project is newly constructed or an existing building, the extent of rehabilitation involved, and whether the project is federally subsidized or not. An example of a federal subsidy is VHFA's tax-exempt bond financing.[2] In addition, there is the Vermont Affordable Housing Tax Credit.

The various Housing Credit options for 2004 - 2005 are:

1. New Construction or Substantial Rehabilitation (minimum of $3,000 per unit average as per C. 2. above) with no federal subsidy. [9% credit]

2. New Construction or Substantial Rehabilitation (minimum $3,000 per unit average with below market rate or tax-exempt federal subsidies)[3] [4% credit]

3. Acquisition Costs of Existing Housing (minimum rehabilitation cost of at least $3,000 per unit average must be undertaken to qualify for the acquisition credit). [4% credit]

4. State Credit: the lesser of 25% of the qualified basis of a project or $150,000. (The State Credit is used in combination with the 9% credit or the 4% credit described above).

E. Calculating the Housing Credit

The calculation of the dollar amount of credit available is determined in three steps:

1. Determine the eligible basis of a building or project. Eligible basis is generally any cost that is a depreciable or capital budget item for all other IRS purposes. Land and working capital are two common project costs that are generally excluded from the eligible basis.

2. Determine if the development is in a Difficult Development Area (see map in Appendix A). If so, multiply the eligible basis by up to 130%.

3. Determine the qualified basis of a project. The "qualified basis" of a rental building is that portion of the "eligible basis" of a building that will be rented to low-income households for the initial 15-year period. The minimum number of units in a building or project that must be rented to low-income households are described in Section I. The percentage used must be the lesser of: 1) The number of low-income units/total units; or 2) The floor space square footage of low-income units/total floor space.

4. Multiply the appropriate Housing Credit percentage (e.g. 4% or 9%) times the "qualified basis" of a rental building.

F. Eligible Project Types

Most residential rental properties are eligible for the HC Program, with the exception of owner-occupied properties containing 4 or fewer units, nursing homes, hospitals, sanitariums, life care facilities, retirement homes, and mobile home parks. An owner-occupant in a four-unit (or smaller) building may be eligible if he/she acquires or rehabilitates the building in accordance with a state or

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[2] Note that federal rental subsidies to individual renters through Section 8 certificates (or vouchers) do not affect the Housing Credit eligibility of those units. Thus, rental income from Section 8 units can exceed the HC rent limits, but the units are still considered HC rent restricted units. In these cases, the tenant contribution towards the contract rent cannot exceed the HC rent limits.

[3] As an alternative, an owner may subtract a federal subsidy loan (or grant) from basis (i.e. the cost of building) and take the higher 9% credit on the remaining qualified basis.

local government or qualified non-profit organization sponsored development plan of action. Transient housing (i.e. leases less than 6 months) is not permitted unless the facility is an SRO (Single Room Occupancy) or a homeless shelter.

For projects consisting of more than one property, all sites must be contiguous, except that a scattered site project is permitted if 100% of the units are rent restricted (i.e. in compliance with the Housing Credit maximum incomes and rents)[4]. Buildings used in part for rental purposes and in part for other purposes may qualify for the Housing Credit, but only for that portion of the building which constitutes the qualifying rental housing.
A building is generally not eligible for the acquisition credits under the HC Program if it has been acquired or substantially improved by any party in a 10-year period prior to the HC application. However, the building may still be eligible for rehabilitation credits.

G. Example of Housing Credit Calculation

The example below illustrates the value of the credit to a housing sponsor who acquires a 15-unit building for $120,000, expends $200,000 on substantial rehabilitation, and subsequently rents 6 of the units (i.e. 40%) to low-income households.

Description	Rehabilitation Expenses	Acquisition Expenses	Total
Development Costs	$200,000	$120,000	
Less Land	- 0	- 20,000	
Eligible Basis	$200,000	$100,000	
Difficult Development Area? If yes, multiply eligible basis by up to 130%	No	No	
Percent of Low-Income Units	x 40%	x 40%	
Qualified Basis	$ 80,000	$ 40,000	
Annual Credit Percentage	x 9%	x 4%	
TOTAL ANNUAL CREDIT	$ 7,200	$ 1,600	$ 8,800
Period of Credit (years)	x 10	x 10	x 10
Value of Credit	$ 72,000	$ 16,000	$ 88,000

[4] A developer may choose to submit a scattered site proposal as one application with the understanding that, for purposes of the Housing Credit Program, each building or group of contiguous buildings will receive separate allocations and will not, in that regard, be treated as separate projects. The loss of any building, however, will mean that the entire reservation/allocation will be returned. Alternatively, a developer may submit a separate application for each building/group of adjacent buildings. Under this situation, the loss of a building would require only that building's reservation/allocation be returned and the developer could proceed with the remaining buildings.

H. Placed in Service

The term "Placed in Service" means that a building is completed and ready to be occupied. The Placed in Service date is typically when a municipality issues a certificate of occupancy. A building must generally be Placed in Service in the same year for which the HC is approved, unless a Carryover Allocation is granted by VHFA (See Section O - Carryover Allocations). Owners must receive an allocation of credits (either a Carryover Allocation or a Final Allocation - IRS Form 8609) for a project in the calendar year in which the last building in the project is Placed in Service. Prior to being able to claim the credit, owners must receive the final allocation of credits (IRS Form 8609). The credit may be claimed either in the year the project is Placed in Service or in the subsequent year.

I. Tenant Income and Rental Restrictions

In order to qualify for the program, owners must agree to certain tenant income and rental restrictions, which must be continuously maintained for a 30-year compliance period. Tables showing the current income and gross rent limits for each county are located in the Appendix of this application packet. Income limits (and, thus, gross rent limits) are typically adjusted on an annual basis by HUD.

1. Income Restrictions: The owner must irrevocably elect to reserve a minimum of either:

   a. 20% of the building units for occupancy by households at or below 50% of the Area Median Income; or

   b. 40% of the units for occupancy by households at or below 60% of the Area Median Income; or

   c. Deep Skewing - 15% of the building units for occupancy by households below 40% of Area Median Income. In addition, the market rents cannot exceed the deep skewing rents by more than 300%.

2. Rent Restrictions: The gross rent (including an allowance for utilities) paid by residents in the qualifying units cannot exceed 30% of the maximum qualifying income for a family of an assumed size given the number of bedrooms in the unit. Congress has mandated that there shall be an assumed 1.5 persons per bedroom for this purpose.

   The rent limitation applies only to payments made directly by tenants and not to rental assistance payments (e.g. Section 8 certificate) paid on a tenant's behalf.

   An increase in a tenant's income may result in a unit ceasing to qualify as occupied by a low-income household. A tenant who initially qualifies will continue to qualify so long as the tenant's income does not increase to more than 140% of the maximum qualifying income, adjusted for family size. If the tenant's income increases to over 140% of the maximum qualifying income, or the family size decreases so that a lower maximum family income applies, that unit is not in compliance as part of the "qualifying basis." However, no penalty is assessed as long as the next unit of comparable or smaller size that becomes vacant is occupied by qualifying tenants.

A household totally comprised of full-time students does not qualify as an eligible low-income household regardless of income level. However, there are exceptions for married students, TANF recipients, students involved in federal job training programs, and single parent households.

J. **Utility Allowances**

As indicated in the previous Section, utility allowances (shown in Appendix F) are subtracted from the maximum rents (shown Appendix E) that can be paid by residents in qualifying units. [5]
The IRS rules regarding utility allowances can be summarized as follows:

1. Owners of HUD regulated buildings must use HUD utility allowances.

2. If the building or any tenant is receiving U.S.D.A. Rural Development (RD) assistance, RD utility allowances must be used.

3. All other owners must use the utility allowances calculated by the Vermont State Housing Authority, unless the local Public Housing Authority has published its own utility allowances. However, any interested party (e.g. owner, tenant, local housing authority) can request a utility cost estimate from a local utility company and this estimate must be used, whether higher or lower. The estimate of the local utility will govern, except for individual units receiving assistance under the HUD Section 8 Certificate or Voucher Program. Units receiving such assistance shall use the utility allowances prepared by the local or state housing authority.

For information about the utility allowances for HUD regulated buildings, contact the HUD Office of Housing, Office of the Deputy Assistant Secretary for Multifamily Housing Programs at (202) 708-2495.

The Vermont State Housing Authority (VSHA) revises their utility allowances once per year, in November. A copy of the most current VSHA utility allowance figures is attached in Appendix F. For additional information, contact Holly Fancher at (802) 828-3020.

The Burlington, Winooski, Hartford, and Springfield Housing Authorities are the only local Public Housing Authorities known to VHFA which publish their own utility allowance figures. The Burlington Housing Authority publishes their utility allowances once a year in June. A copy of the most current Burlington Electric Department utility allowances is attached in Appendix F. For additional information about Burlington utility allowances, contact Claudia Donovan at (802) 864-4650 extension 207.

RD utility allowances are set on a project-by-project basis. Additional information can be secured from Sandra Mercier of Rural Development (RD) at (802) 828-6028.

K. **IRS Reporting Requirements**

The taxpayer must file certifications to the Secretary of the Treasury no later than the 90th day following the close of the first taxable year in the credit period. IRS Forms 8586 "Low-Income Housing Credit" and 8609 "Low-Income Housing Credit Allocation Certification" (including Schedule A) are the forms to be used for reporting purposes. VHFA will send a completed copy of Form 8609 to the taxpayer after the building is Placed in Service, all eligible costs have been certified by the owner (see Section Q), and a HC Housing Subsidy Covenant has been signed. The original signed Form 8609 is sent directly by VHFA to the IRS. It is the taxpayer's responsibility to obtain

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[5] Subtract utility allowances for those utility costs paid by the tenant. If the landlord pays a particular cost, no utility allowance needs to be deducted.

and file all the relevant IRS Forms and to seek appropriate accounting and tax advice for reporting and programmatic compliance.

L. **Compliance Monitoring**

VHFA is now required by law to perform program compliance monitoring on all developments that have received the benefit of Housing Credits. IRS regulations mandate that compliance monitoring procedures be set forth in the State Allocation Plan, which is attached. These procedures are found in Appendix K. VHFA charges additional fees to perform the monitoring. VHFA's monitoring fee will be $4 per restricted unit per month, charged annually throughout the compliance period. A compliance monitoring fee should be incorporated into the operating budget.

M. **Application Process and Fees**

The Allocation Plan includes a description of the Application Process. Before an application for ceiling credit is submitted, a pre-application meeting between VHFA staff and the developer is held. The purpose of the meeting is to discuss: the project concept; how compatible the project is with the evaluation criteria in the Plan; assumptions about other funding sources; the compatibility of the use with the proposed site.

Once the initial meeting has taken place, site control has been obtained, and the developer has met with other funding agency staff, the Application can be submitted. The following must be submitted with the application:

- Purchase & Sales Agreement, Option, Deed or other form of Site Control;
- Elevation drawings or computer-generated image of buildings on site, and Site Plan (if project includes new construction) and photographs of building (for rehabs);
- Evidence of meeting with town zoning administrator (for new construction, adaptive re-use, and rehab projects which add units);
- Market Study;
- Capital Needs Assessment (for any rehab project that is not a gut-rehab. For new construction projects and gut-rehab projects, the CNA can be submitted at completion);
- Other documentation (See Submission Timing Chart for detail);
- Application Fee (see detail below).

An Application for Reservation of the Housing Credits is made to VHFA, using the Project and Sponsor Information, the attached HC Submittal Letter along with completed HC Worksheet.

Each HC application must include a non-refundable application fee of $250 (due upon submission of the completed application). An additional reservation fee of 4% of the annual credit will be due upon issuance of the Reservation Certificate. The reservation fee will be refundable until the project receives either a Carryover Allocation or Final Allocation, whichever is earliest. These amounts do not include the fees discussed under Section L - Compliance Monitoring.

N. **Vermont Policy Priorities**

See the attached Allocation Plan for a listing of Vermont's Policy Priorities.

O. **Carryover Allocations**

If a project will not be completed (i.e. Placed in Service) before December 31, 2004, VHFA has the authority to grant a Carryover Allocation. The applicant must have spent at least 10% of the owner's

ultimate "reasonably expected basis" (depreciable real basis plus land) in the project by the end of 2004 and have a real ownership interest in the land and/or buildings. If a project receives a carryover allocation based on an award of credits that occurred in the second half of the calendar year (i.e. after July 1, 2004), the Sponsor has 6 months from the date of the carryover allocation to incur the 10% costs and document this to VHFA. A VHFA-approved cost certification will be required prior to the issuance of a Carryover Allocation. The project must be Placed in Service by December 31, 2006 at the latest.

P. **Binding Rate Election**

Federal regulations permit the applicant to elect the credit percentage rate in effect any time the Agency and the owner enter into a binding agreement pursuant to IRS Regulation 1.42-8. If no election to bind the Housing Credit percentage rate is made, the credit percentage that is applied is that rate in effect at the time the project is Placed in Service.

Q. **IRS Final Form 8609 and Final Cost Certification**

VHFA requires final cost certifications for all projects prior to issuance of IRS Form(s) 8609 which should be prepared based on the following guidelines:

For projects of fewer than 10 units, final cost certifications prepared by the owner will be accepted.

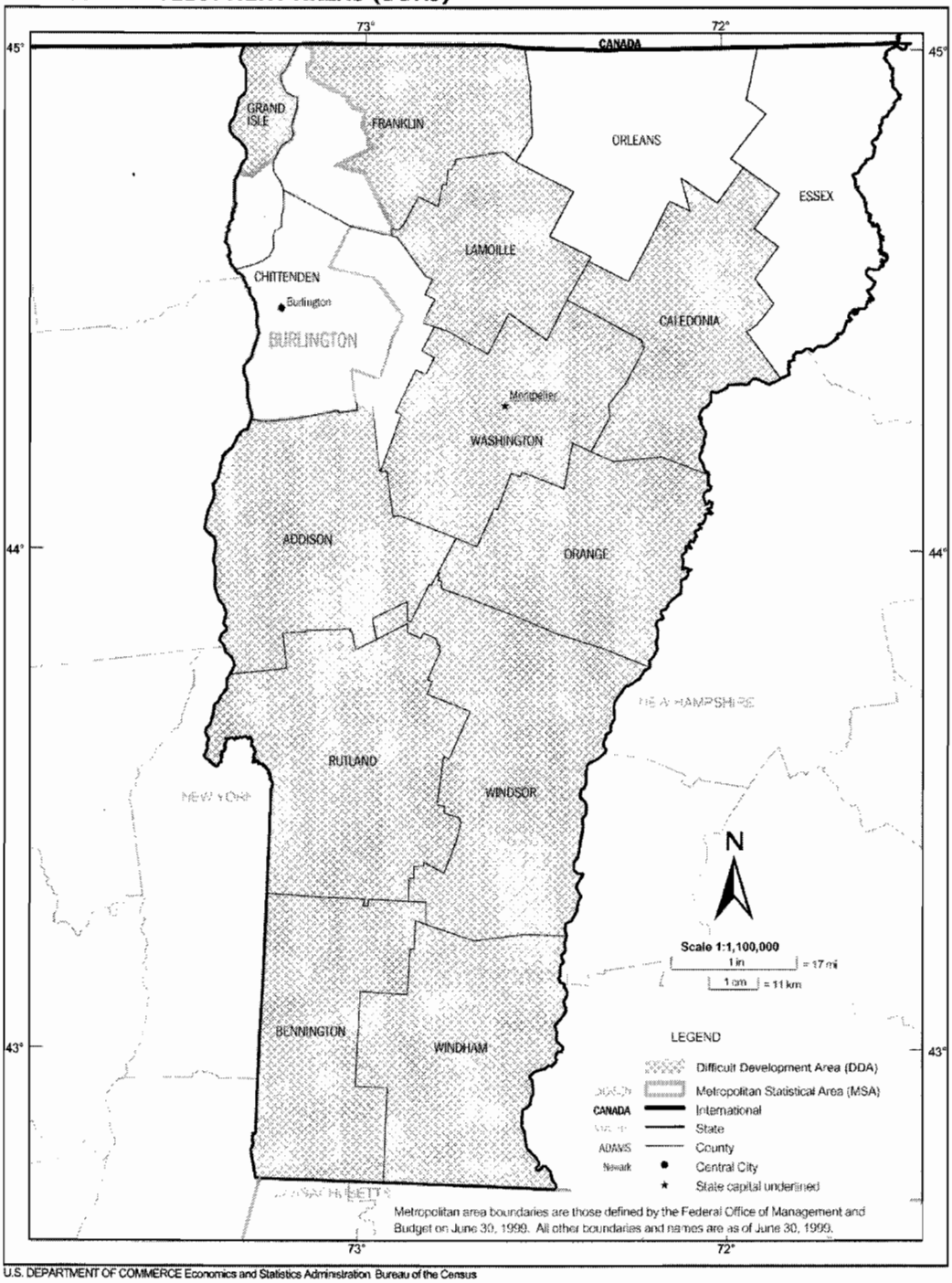
For projects of 10 units or more, an independent CPA must prepare the final cost certification. If this is not possible prior to the end of the calendar year in which the last building is Placed in Service, VHFA will issue the IRS Form 8609 on the basis of an owner's final cost certification and supporting documentation, but requires the CPA cost certification to be submitted as soon thereafter as possible.

HOUSING CREDIT APPENDICES

APPENDIX A

DIFFICULT DEVELOPMENT AREAS MAP

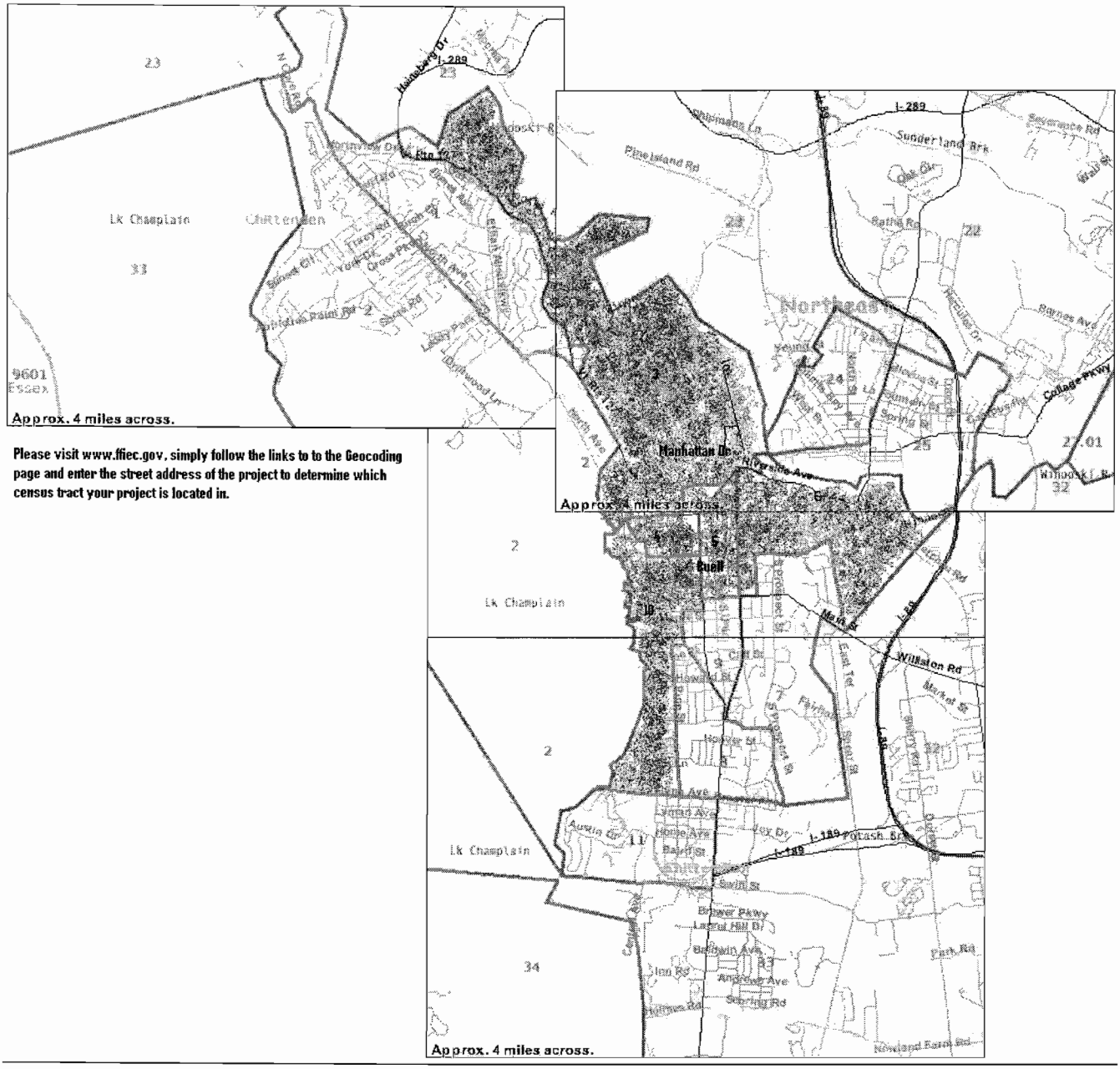
DIFFICULT DEVELOPMENT AREAS (DDAs)



U.S. DEPARTMENT OF COMMERCE Economics and Statistics Administration Bureau of the Census

APPENDIX B

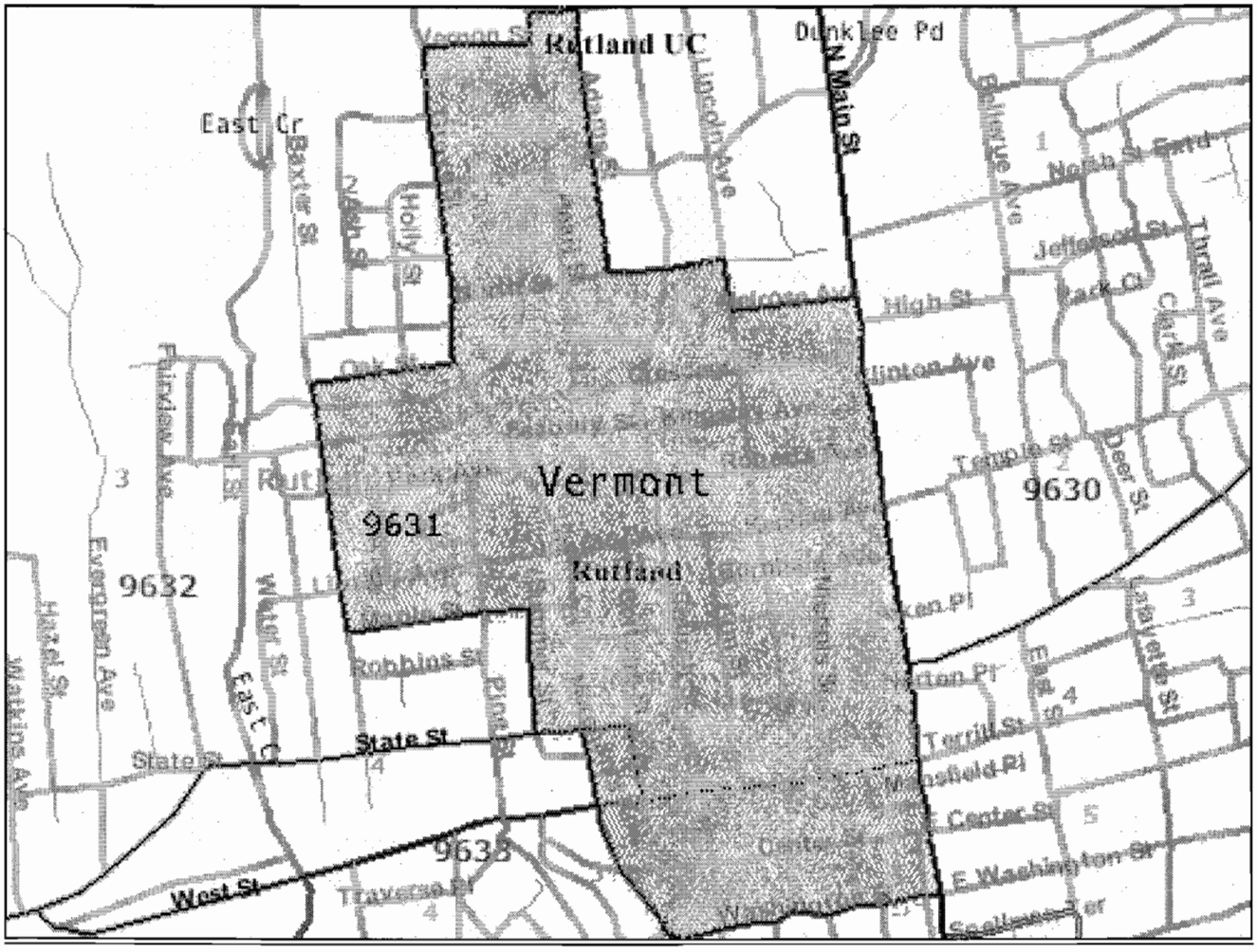
QUALIFIED CENSUS TRACTS
METROPOLITAN AREAS



Please visit www.ffiec.gov, simply follow the links to to the Geocoding page and enter the street address of the project to determine which census tract your project is located in.

APPENDIX B

QUALIFIED CENSUS TRACTS
NON-METROPOLITAN AREAS



2004-2005 Housing Credit Allocation Plan
Submission Timing

	Pre-Application Meeting with VHFA and Sponsor	Full Application	Board Approval & Letter of Intent to Provide Credits	Reservation Certificate or Binding Agreement to Allocate Credits	Carryover Allocation	8609
Site Control	-	Purchase & Sales (P & S) Agreement *or* other option *or* long-term land lease *or* deed			Deed or long-term land lease; Owner may be developer or affiliate or the taxpayer	Deed or long-term land lease; Owner must be the taxpayer, or lessee must be developer or affiliate or the taxpayer.
Plans & Specifications	Site location map	**For New Construction or Mixed New Construction/Rehab:** Elevation drawings or computer-generated image of buildings on the site, and site plan. **For Rehabilitation:** Photographs of building, and site plan.		Plans & specifications in a form sufficient to generate reliable cost estimates.	Plans & specs in final construction form	
Permits	-	**For New Construction or Mixed New Construction/Rehab:** Evidence of meeting with town zoning administrator; Letter from municipality finding the proposal's density conforms with current zoning. **For Rehabilitation with no change in housing density:** None		All local approvals required for construction have been issued and are past appeal period; Act 250 process has been started.	All permits to build issued.	Final certificate(s) of occupancy issued.
Financing Commitments	If VHCB- or VCDP-administered funds are an anticipated source, sponsor must have met with appropriate agency staff to discuss funding availability, and also funding compatibility with the proposed development. The sponsor will need to demonstrate the project's capacity for amortizing debt if any.			Conditional commitments from all sources $100,000 or greater	All permanent sources in or committed. Except for equity, no sources can pay in later than permanent closing.	All permanent sources in but equity holdback.
Market Study	-	Required				
Other Documentation*	-	Required				
Cost Certification	-	-	-	-	10% Cost Certification	Final Cost Certification
Housing Credit Program Fees	-	$250	4% of annual credit amount due upon receipt of Letter of Intent	Any increase in credits greater than 5%: $5,000 Any increase less than 5%: 10% of the increment		Compliance monitoring fees throughout the extended period

*Includes documentation of growth center, designated downtown, serving special needs populations, eventual tenant ownership, and serving Section 8 waiting list tenants.

18 months to turn Letter of Intent into Reservation Certificate or Carryover Allocation; six month lockout from re-applying for credits if not. Two years of per capita credit ceiling available for Letters of Intent ($4.15 million for 2004-2005)

APPENDIX D **2004 HC Sample Reservation Certificate**

Vermont Housing Finance Agency (VHFA) hereby grants a Reservation of Housing Credits in the amount of $_____ from Vermont's 2004 authority to _____ (Owner) for ___ (#) Building(s) of the _____ project, a residential rental housing development located in the City/Town of _____, _____ County, Vermont.

1. This Reservation is based on the following information:
   a. Credit Type(s): __4% and/or __9%

   b. Building Type: __ New Construction
   __ Substantial Rehabilitation
   __ Existing

   c. Anticipated Eligible Basis $_____

   d. High Cost Area Yes __ No _____
   If Yes, Adjusted Eligible Basis $_____

   e. Anticipated Applicable Fraction ___%

   f. Anticipated Qualified Basis $_____

   g. Anticipated Placed in Service Date _____

   h. Anticipated year in which the credit is first claimed _____

Pursuant to Section 42(b)(2)(A)(ii)(I), the Owner and VHFA may enter into an agreement as to the Housing Credit amount allocated to such Project.

[ ] If this box is checked, the Owner hereby irrevocably elects, pursuant to Section 42(b)(2)(A)(ii)(I) of the Code, to fix the applicable credit percentage(s) for each building in the Project as the percentage(s) prescribed by the Secretary of the Treasury for the month of _____ 2004, which is the month of this Reservation Certificate. VHFA and the Owner acknowledge that this Reservation Certificate constitutes an agreement binding upon VHFA, the Owner, and all successors in interest to the Owner as owners of the Project, as to the allocation of 2004 Housing Credit authority to the building(s) in the Project, subject to compliance by the Owner with the requirements of Section 42 of the Code and the additional requirements, if any, of VHFA.

[ ] If this box is checked, the Owner has irrevocably elected, pursuant to Section 42(b)(2)(A)(ii)(I) of the Code, in a separate binding agreement executed on _____, to fix the applicable credit percentage(s) for each building in the Project as the percentage(s) prescribed by the Secretary for the month of _____ 2004.

[ ] If this box is checked, the Owner has at this time made no election pursuant to Section 42(b)(2)(A)(i) of the Code, and accordingly, the applicable percentage for a building shall be set at the applicable percentage for the month in which the particular building is Placed in Service.

APPENDIX D

2. Pursuant to IRS regulations, an Owner of a Housing Credit project may declare the date that the gross rent floor takes effect prior to the date the building is Placed in Service. The owner can elect this date to be either the Placed in Service date or the date VHFA initially allocates Housing Credits to the building (the earlier of either a Carryover Allocation or a Final Allocation - IRS Form 8609). Once the Placed in Service date has passed, the Owner no longer has a choice in deciding between the two dates, the gross rent floor takes effect and, pursuant to IRS Revenue Ruling 94-57, the gross rent floor date will be the date VHFA initially allocates Housing Credits.

   [ ] If this box is checked, the Owner hereby irrevocably elects, pursuant to IRS Revenue Ruling 94-57, to fix the applicable gross rent floor defined in Section 42(g)(2)(A) of the code at the date of the building's Placed in Service date.

   [ ] If this box is checked, the Owner has made no election pursuant to IRS Revenue Ruling 94-57. If no declaration is made by the owner prior to the Placed in Service date, then pursuant to Revenue Ruling 94-57, the applicable gross rent floor for a building shall be set at the date VHFA initially allocates a Housing Credit dollar amount, which shall be the earlier of: 1) the date the project receives a Carryover Allocation, or 2) the date the project receives a Final Allocation (IRS Form 8609).

3. This Reservation is conditioned on the following:

   a. The Owner must receive either a Carryover Allocation or a Final Allocation of credits no later than December 31, 2004. If the project is a "carryover" into 2005, VHFA will require a formal Carryover Allocation by _____, 2004, and the Owner must provide detailed documentation to VHFA that at least 10% of reasonably expected basis (as defined in 26 CFR 1.42-6) has been spent by _____, 2004.

   b. VHFA will specifically review actual, documentable costs at the time of completion to ensure the proposed allocation does not exceed the amount necessary for the project's feasibility and the VHFA-approved qualified basis is at least as much as is necessary to substantiate the credit authority given as part of this Reservation Certificate. No additional development or consulting fees (beyond those set forth in the approved development budget of _____, 2004, attached) will be permitted as additions to qualified basis. A project must meet all of these tests or the final Housing Credit allocation amount will be adjusted accordingly.

   c. The sponsor will erect a highly visible sign on the site that shall acknowledge the "Housing Credit program, administered by Vermont Housing Finance Agency (VHFA)", as a source of financing for the development.

   d. VHFA makes this reservation contingent upon the timely completion of the actions listed below and, upon agreement by owner, achieved by countersigning this Reservation Certificate, acknowledging that all the terms, conditions, obligations and deadlines set forth herein constitute conditions precedent to this reservation, and that the owner's failure to comply with all such terms and conditions will entitle VHFA, at its discretion, to deem this reservation to be canceled. After any such cancellation, Owner acknowledges that neither it nor the Project will have any right to claim credits pursuant to this reservation. VHFA reserves the right, at its sole discretion, to modify and/or waive any such failed condition precedent.

APPENDIX D

CONDITIONS:

1.

2.

e. The sponsor may enter into a Right of First Refusal with a non-profit organization as described in the state's Allocation Plan. This Right of First Refusal would allow the non-profit to purchase the development at a price specified by formula in the plan and would be executed no later than at issuance of the Carryover Allocation.

f. VHFA reserves the right to change the amounts and terms of this Reservation Certificate in order to comply with Section 42 of the Internal Revenue Code, VHFA rules, U.S. Treasury and other associated regulations, as the same may be amended from time to time.

This Reservation Certificate can be revoked by VHFA, at any time, if, in the sole judgment of VHFA, these conditions will not or cannot be met.

In issuing this Reservation Certificate, VHFA has relied upon information provided and representations made by the Owner or the Owner's designee in connection with this allocation request and this reservation does not in any way constitute a representation, warranty, guaranty, advice or suggestion by VHFA as to the qualification of the Project for the Housing Credits or the feasibility or viability of the Project and may not be relied on as such by any owner, developer, investor, tenant, lender, or other person, for any reason. The owner and any investors are advised to consult an accountant or attorney regarding possible consequences concerning the Housing Credit Program.

Vermont Housing Finance Agency

By:_____ Date:_____

STATE OF VERMONT
CHITTENDEN COUNTY, SS:

At Burlington in said County and State this _____ day of _____ 2004, personally appeared _____, duly authorized agent of Vermont Housing Finance Agency, and s/he acknowledged the foregoing document to be his/her free act and deed and the free act and deed of the Vermont Housing Finance Agency.

Before me,

_____
Notary Public
Commission expires 2/10/07

Owner:_____
By:_____ Date:_____

STATE OF VERMONT

APPENDIX D

_____ COUNTY, SS:

At _____ in said County and State this _____ day of _____ 2004, personally appeared _____, general partner of _____ and s/he acknowledged the foregoing document to be his/her free act and deed and the free act and deed of the _____.

Before me,

_____
Notary Public
Commission expires 2/10/07

Part V Tab 10

APPENDIX E. 2004 MAXIMUM INCOMES AND RENTS BASED ON BEDROOM SIZE

2004 MAXIMUM RENTS BASED ON BEDROOM SIZE

	2004	% OF	MAXIMUM INCOME BY NUMBER OF PERSONS IN HOUSEHOLD								MAXIMUM RENT BY BEDROOM SIZE				
	MEDIAN	MEDIAN	ONE	TWO	THREE	FOUR	FIVE	SIX	SEVEN	EIGHT		ONE	TWO	THREE	FOUR
COUNTY	INCOME	INCOME	PERSON	PERSON	PERSON	PERSON	PERSON	PERSON	PERSON	PERSON	STUDIO	BDRM	BDRM	BDRM	BDRM
ADDISON	59,600	60%	25,020	28,620	32,160	35,760	38,640	41,460	44,340	47,220	625	670	804	930	1,036
		50%	20,850	23,850	26,800	29,800	32,200	34,550	36,950	39,350	521	558	670	775	863
BENNINGTON	56,400	60%	23,700	27,060	30,480	33,840	36,540	39,240	41,940	44,640	592	634	762	879	981
		50%	19,750	22,550	25,400	28,200	30,450	32,700	34,950	37,200	493	528	635	733	817
BURL MSA	68,800	60%	28,920	33,000	37,140	41,280	44,580	47,880	51,180	54,480	723	774	928	1,073	1,197
		50%	24,100	27,500	30,950	34,400	37,150	39,900	42,650	45,400	602	645	773	894	997
CALEDONIA	50,000	60%	23,400	26,760	30,060	33,420	36,120	38,760	41,460	44,100	585	627	751	869	969
		50%	19,500	22,300	25,050	27,850	30,100	32,300	34,550	36,750	487	522	626	724	807
CHITTENDEN	74,200	60%	31,140	35,640	40,080	44,520	48,060	51,660	55,200	58,740	778	834	1,002	1,157	1,291
		50%	25,950	29,700	33,400	37,100	40,050	43,050	46,000	48,950	648	695	835	964	1,076
ESSEX	39,600	60%	23,400	26,760	30,060	33,420	36,120	38,760	41,460	44,100	585	627	751	869	969
		50%	19,500	22,300	25,050	27,850	30,100	32,300	34,550	36,750	487	522	626	724	807
FRANKLIN	50,500	60%	23,400	26,760	30,060	33,420	36,120	38,760	41,460	44,100	585	627	751	869	969
		50%	19,500	22,300	25,050	27,850	30,100	32,300	34,550	36,750	488	523	626	724	808
GRAND ISLE	51,300	60%	23,400	26,760	30,060	33,420	36,120	38,760	41,460	44,100	585	627	751	869	969
		50%	19,500	22,300	25,050	27,850	30,100	32,300	34,550	36,750	487	522	626	724	807
LAMOILLE	55,600	60%	23,400	26,760	30,060	33,420	36,120	38,760	41,460	44,100	585	627	751	869	969
		50%	19,500	22,300	25,050	27,850	30,100	32,300	34,550	36,750	487	522	626	724	807
ORANGE	55,100	60%	23,400	26,760	30,060	33,420	36,120	38,760	41,460	44,100	585	627	751	869	969
		50%	19,500	22,300	25,050	27,850	30,100	32,300	34,550	36,750	487	522	626	724	807
ORLEANS	44,200	60%	23,400	26,760	30,060	33,420	36,120	38,760	41,460	44,100	585	627	751	869	969
		50%	19,500	22,300	25,050	27,850	30,100	32,300	34,550	36,750	487	522	626	724	807
RUTLAND	54,500	60%	23,400	26,760	30,060	33,420	36,120	38,760	41,460	44,100	585	627	751	869	969
		50%	19,500	22,300	25,050	27,850	30,100	32,300	34,550	36,750	487	522	626	724	807
WASHINGTON	62,600	60%	26,280	30,060	33,780	37,560	40,560	43,560	46,560	49,560	657	704	844	976	1,089
		50%	21,900	25,050	28,150	31,300	33,800	36,300	38,800	41,300	547	586	703	813	907
WINDHAM	56,900	60%	23,880	27,300	30,720	34,140	36,900	39,600	42,360	45,060	597	639	768	888	990
		50%	19,900	22,750	25,600	28,450	30,750	33,000	35,300	37,550	497	533	640	740	825
WINDSOR	58,700	60%	24,660	28,200	31,680	35,220	38,040	40,860	43,680	46,500	616	660	792	915	1,021
		50%	20,550	23,500	26,400	29,350	31,700	34,050	36,400	38,750	513	550	660	763	851

* Burlington MSA includes a large area around Burlington, including Burlington (city), Charlotte, Colchester, Essex, Fairfax, Georgia, Grand Isle, Hinesburg, Jericho, Milton, Richmond, St. Albans (city and town), St. George, Shelburne, South Burlington (city), South Hero, Swanton, Williston and Winooski (city).

VSHA Utility Allowance Schedule (Effective 11/1/2003)

For more information, refer to the Section on " Utility Allowances" in Part I of the VHFA HC Program Summary.

UNIT TYPE: MULTIFAMILY EFFECTIVE DATE: 11/1/2003

	0 BED	1 BED	2 BED	3 BED	4 BED	5 BED
HEATING						
AVERAGE EFFICIENCY						
NATURAL GAS	32	43	53	63	74	74
BOTTLE GAS	17	38	59	80	101	101
OIL	39	59	79	98	118	118
KEROSENE						
ELECTRICITY	63	70	77	84	90	90
WOOD	25	38	50	63	75	88
HIGH EFFICIENCY						
NATURAL GAS						
BOTTLE GAS						
OIL						
KEROSENE						
ELECTRICITY						
WOOD						
COOKING						
NATURAL GAS	2	2	3	3	3	3
ELECTRICITY	6	7	8	9	11	11
BOTTLE GAS	3	3	4	4	5	5
OTHER						
ELECTRICITY	7	22	36	50	65	65
WATER HEATING						
NATURAL GAS	6	11	15	20	24	24
ELECTRICITY	7	22	36	50	65	65
BOTTLE GAS	10	17	24	30	37	37
OIL	11	19	27	35	44	44
WATER/SEWER						
OTHER						
TRASH	30/9 (PICK UP / DROP OFF)	30/9	30/18	30/18	30/18	30/18

Part V Tab 10

APPENDIX F

Montpelier Housing Authority Utility Allowance Schedule Effec. April 2004

UNIT TYPE: ALL SECTION 8 UNITS EFFECTIVE DATE: 4/2004

	0 BED	1 BED	2 BED	3 BED	4 BED	5 BED
HEATING						
AVERAGE EFFICIENCY						
NATURAL GAS	-	-	-	-	-	-
BOTTLE GAS	53	75	93	115	148	-
OIL	45	62	78	97	124	-
KEROSENE	-	-	-	-	-	-
ELECTRICITY	45	60	89	115	130	-
WOOD	-	-	-	-	-	-
HIGH EFFICIENCY						
NATURAL GAS	-	-	-	-	-	-
BOTTLE GAS	-	-	-	-	-	-
OIL	-	-	-	-	-	-
KEROSENE	-	-	-	-	-	-
ELECTRICITY	-	-	-	-	-	-
WOOD	-	-	-	-	-	-
COOKING						
NATURAL GAS	-	-	-	-	-	-
ELECTRICITY	6	9	11	13	17	-
BOTTLE GAS	8	11	17	20	25	-
OTHER GAS	5	7	11	13	16	-
OTHER						
ELECTRICITY	27	32	42	47	50	-
WATER HEATING						
NATURAL GAS	-	-	-	-	-	-
ELECTRICITY	19	27	34	42	53	-
BOTTLE GAS	15	20	27	33	42	-
OIL	14	17	24	29	37	-
WATER/SEWER						
TRASH (ELD)	20	20	20	-	-	-
TRASH – picked up	-	-	30	30	30	-
TRASH – self hauled	9	9	18	18	18	-

APPENDIX F

Burlington Electric Department Utility Allowance Schedule (Effective 6/1/2003)

For more information, refer to the Section on " Utility Allowances" in Part I of the VHFA HC Program Summary.

UNIT TYPE: MULTIFAMILY EFFECTIVE DATE: 06/01/2003

	0 BED	1 BED	2 BED	3 BED	4 BED	5 BED
HEATING						
AVERAGE EFFICIENCY						
NATURAL GAS	32	45	58	71	85	98
BOTTLE GAS	52	79	106	131	158	185
OIL / ELECTRIC	47/22	57/36	67/49	75/63	85/76	95/90
KEROSENE	52	64	75	84	95	107
HIGH EFFICIENCY						
NATURAL GAS	25	35	43	53	63	71
BOTTLE GAS	36	55	74	92	111	130
OIL / ELECTRIC	33/16	40/25	47/35	53/44	60/53	67/63
KEROSENE	37	45	52	59	67	75
COOKING						
NATURAL GAS	3	3	4	5	6	7
ELECTRICITY	2	3	4	5	5	6
BOTTLE GAS	6	8	9	11	13	14
OTHER						
ELECTRICITY	14	21	28	33	38	42
WATER HEATING						
NATURAL GAS	12	15	17	20	23	25
ELECTRICITY	21	25	29	34	38	41
BOTTLE GAS	25	30	35	41	46	51
OIL	16	20	23	26	28	33
WATER/SEWER						
OTHER						
TRASH	18/30	18/30	18/30	18/30	18/30	18/30

APPENDIX F

Burlington Electric Department Utility Allowance Schedule (Effective 6/1/2004)

UNIT TYPE: MULTIFAMILY EFFECTIVE DATE: 06/01/2004

	0 BED	1 BED	2 BED	3 BED	4 BED	5 BED
HEATING						
AVERAGE EFFICIENCY						
NATURAL GAS	35	49	64	78	93	108
BOTTLE GAS	53	81	109	134	162	190
OIL	47	57	67	75	85	95
ELECTRICITY	24	39	53	67	82	96
KEROSENE	53	64	76	85	97	108
WOOD	26	38	50	63	75	88
HIGH EFFICIENCY						
NATURAL GAS	27	38	47	58	69	78
BOTTLE GAS	37	57	76	94	113	133
OIL	33	40	47	53	60	67
KEROSENE	37	45	53	60	68	76
ELECTRICITY	17	27	37	47	57	67
WOOD	25	25	38	50	50	63
COOKING						
NATURAL GAS	3	4	5	6	7	8
ELECTRICITY	2	3	4	5	6	7
BOTTLE GAS	6	8	10	11	13	15
OTHER						
ELECTRICITY	15	22	30	35	40	45
WATER HEATING						
NATURAL GAS	13	16	19	22	25	28
ELECTRICITY	22	26	31	36	40	44
BOTTLE GAS	26	31	36	42	47	52
OIL	16	20	23	26	28	33
WATER/SEWER	14.00 per person					
OTHER						
TRASH (PICKUP/DROPOFF)	18/30	18/30	18/30	18/30	18/30	18/30

APPENDIX F

Green Mountain Power Utility Allowance Schedule

UNIT TYPE: MULTIFAMILY EFFECTIVE DATE: 6/1/2003

	0 BED	1 BED	2 BED	3 BED	4 BED	5 BED
HEATING						
AVERAGE EFFICIENCY						
NATURAL GAS	32	45	58	71	85	98
BOTTLE GAS	52	79	106	131	158	185
OIL / ELECTRIC	47	57	67	75	85	95
KEROSENE	52	64	75	84	95	107
HIGH EFFICIENCY						
NATURAL GAS	25	35	43	53	63	71
BOTTLE GAS	36	55	74	92	111	130
OIL / ELECTRIC	33/18	40/29	47/40	53/50	60/61	67/72
KEROSENE	37	45	52	59	67	75
COOKING						
NATURAL GAS	3	3	4	5	6	7
ELECTRICITY	3	4	4	6	6	7
BOTTLE GAS	6	8	9	11	13	14
OTHER						
ELECTRICITY	28	36	45	50	56	61
WATER HEATING						
NATURAL GAS	12	15	17	20	23	25
ELECTRICITY	24	29	33	39	44	48
BOTTLE GAS	25	30	35	41	46	51
OIL	16	20	23	26	28	33
WATER/SEWER						
OTHER						
TRASH	18/30	18/30	18/30	18/30	18/30	18/30

APPENDIX G

Sample HC Housing Subsidy Covenant

This HC Housing Subsidy Covenant (the "Covenant"), dated as of this ___ day of_____, 2004, is declared, pursuant to 27 V.S.A. § 610, by _____("Owner"), a _____ _____ (type of entity), with its principal place of business at _____ _____ (complete mailing address) as a condition of the allocation of Housing Credits by the Vermont Housing Finance Agency, a public instrumentality of the State of Vermont, with its principal offices at 164 St. Paul Street, Burlington, Vermont 05401 ("VHFA" or the "Agency"). Housing Credits are made available pursuant to Section 42 of the Internal Revenue Code of 1986, as amended. The term "Section 42" shall mean Section 42, as the same may be amended, and shall include any pertinent regulations heretofore or hereafter enacted.

VHFA has been designated by the Governor of the State of Vermont as the State housing credit agency responsible for the issuance of Housing Credits. If VHFA is no longer the State housing credit agency, the term "Agency" will mean any successor to its rights, duties, and obligations.

The Owner holds good and marketable title to property located at _____(street address), in the Town/City of _____, County of _____, State of Vermont, more particularly described in the attached Schedule A and known as _____ (the "Project").

The Owner, in consideration of the receipt of the allocation of Housing Credits for the Project, in the approximate amount of _____ Dollars ($_____), (which amount is subject to change) in the taxable year ending on December 31, 2004, hereby agrees to the following restrictive covenants, which are made in satisfaction of the requirements contained in Section 42(h)(6). This allocation of Housing Credits **is/is not** from the 10% non-profit set-aside.

1. The Owner is and shall continue to be duly organized and qualified under the laws of the State of Vermont as a _____(type of entity), and is qualified to transact business under the laws of this state, has the power and authority to own its properties and assets and to carry on its business as now being conducted, and has the full legal right, power, and authority to execute and deliver this Covenant. If the Owner desires to change its form from that of a _____ _____ (type of entity) to some other form of entity, it shall provide the Agency with an opinion of Vermont counsel in a form satisfactory to the Agency, that the change in type of entity will not affect the enforceability of this Housing Subsidy Covenant.

2. The Project is and shall remain a qualified low-income housing project as defined in Section 42 for the term of this Covenant. Rental units in the Project intended to be rent restricted units

under Section 42 will be rented or available for rental on a continuous basis to members of the general public who qualify as Low Income Tenants under Section 42.

3. Pursuant to Section 42(h)(6)(D), the Owner shall be in compliance with the restrictions contained in this Housing Subsidy Covenant for an initial period of 15 years from the date the project is placed in service (the "Compliance Period"), and an extended use period beginning on the first day of the Compliance Period and **continuing for an additional 15 years from the end of the Compliance Period / extending in perpetuity** (the "Extended Use Period"), unless terminated sooner in accordance with the provisions of Section 42.

4. As a condition and in consideration of the allocation of the Housing Credit, Owner, for itself and all successors in interest to the Project (or the low income portion thereof) shall maintain the applicable fraction for each building of the Project. The term "applicable fraction," as defined in Section 42(c)(1), means the smaller of the unit fraction or the floor space fraction. The applicable fraction shall not be decreased during any taxable year of the Compliance Period or the Extended Use Period except in accordance with the provisions described herein or in Section 42. The applicable fraction for each building of the Project is equal to that shown on Schedule B (also known as Exhibit A from the Carryover Allocation), attached and incorporated into this Covenant by reference.

5. As provided in Section 42(h)(6)(E)(i), the Extended Use Period shall terminate only (i) on the date the building(s) is (are) acquired by foreclosure (or instrument given in lieu of foreclosure). [This subparagraph (ii) applies only to Projects with detached single-family units; or (ii) with respect to each low-income building in the Project, pursuant to IRS Revenue Ruling 95-49 and Section 42(i)(7), on the date that the tenant through a right of first refusal acquires a low-income building. To the extent that the Extended Use Period is terminated with respect to one or more low-income building(s) pursuant to subparagraph (ii) of this paragraph 5, Schedule A of the Covenant will be amended to release the real property associated with the purchased low-income building(s)]. Should the Extended Use Period terminate prior to its full term pursuant to subparagraph (i) of this Paragraph 5, for a three year period after such termination, no low income tenant may be evicted, for other than good cause, nor may the gross rents for low income units be increased beyond that permitted under Section 42.

6. This Covenant shall run with the land, shall be binding upon all successors of the Owner and all subsequent owners of the Project for the term stated, and shall be enforceable in the courts of the State of Vermont by the Agency or its assignees as described in Paragraphs 13 and 14, below, or by any individual(s), whether a prospective, present, or former occupant of a building in the Project, who meets the income limitation under Section 42(g)(1) that is applicable to the particular building in the Project. Said individual(s) are express beneficiaries of this Covenant.

7. If the Owner becomes aware of any situation, event, or condition that would result in the Project not being in compliance with Section 42, Owner shall immediately provide written notice thereof to the Agency.

8. This Covenant may, from time to time, be amended but only with the prior written consent of the Agency. Owner expressly agrees to enter into such amendments as may be necessary to maintain compliance with the provisions of Section 42.

9. In order to enable monitoring of Owner's compliance with the use and occupancy restrictions included in this Covenant, Owner covenants and agrees to maintain documentation sufficient to evidence compliance with the rent and occupancy restrictions of Section 42, and to allow agents and/or employees of the Agency or its assignee to enter Owner's premises during normal business hours and inspect, copy, and audit all books, records, and accounts pertaining to the Project. Owner also agrees to pay the Agency's fees for compliance monitoring, as established by the Agency.

10. Owner covenants and agrees to submit to the Agency a report in form and content acceptable to the Agency, annually or more frequently upon request by the Agency, which shall demonstrate ongoing compliance with this Covenant, specifically, that the income levels of tenants are at or below applicable limits and all low-income units are occupied by eligible tenants in accordance with Section 42. Of __ households in the development, _____ shall be at or below ___% of the Area Median Gross income as adjusted by household size ("AMGI"), and ___ shall be at or below 60% of the AMGI. The minimum set-aside election for the project under Section 42(g)(I) of the Internal Revenue Code is the **"20-50" / "40-60"** election.

11. Owner covenants and agrees that, in the event it sells or otherwise transfers ownership of the Project, it will notify in writing and obtain the written agreement of the purchaser or transferee to be bound by this Covenant and to the requirements of Section 42 of the Code and applicable regulations as they may be amended or supplemented. The Owner agrees to notify the Agency in writing of any sale, transfer, or exchange of the Project or any low-income portion thereof, and to supply the written agreement of the purchaser or transferee as required herein. No portion of any building to which this Covenant applies shall be disposed of to any person unless all of such building is disposed of to such person.

12. Owner shall not refuse to lease a dwelling unit in the Project on the basis of race, creed, color, gender, age (unless the Project is exempt as housing for elder persons as provided by the Fair Housing Act), handicap, possession of or application for rental assistance under the Section 8 Existing Certificate program or Housing Voucher program (or any other program), marital status, national origin, family status or religion, in the lease, sale, rental, use or occupancy of the Project or in connection with the employment or application for employment of persons for the operation and management of the Project or in connection with any improvements to be erected thereon or in connection with maintenance of the Project.

13. This Covenant may be enforced in accordance with its terms by VHFA, or upon assignment of the right of enforcement by a written instrument recorded in the land records of _____, by any other entity that is an assignee under the recorded assignment and is authorized to enforce the Covenant (the "Enforcing Entity"), or by an express beneficiary of the Covenant as defined in Paragraph 7 of this Covenant, under the provisions of 27 V.S.A. § 610, as the same may be

amended, or under any successor statute. At any given time, only one entity, which shall be the most recent assignee of record, in addition to such express beneficiaries, shall be entitled to enforce the provisions of this Covenant.

14. The Owner has executed or will execute a Right of First Refusal in favor of _____ (name). Such Right of First Refusal is recorded in the land records of _____.

15. Reserved (for Special Needs Conditions of Project, if applicable)/ The Owner shall rent ___ of the units of housing which are rent restricted under Section 42 to persons with a disability to be referred by _____. The Owner shall give priority for ___ of the units of housing restricted under Section 42 to clients referred by _____.

16. The Owner acknowledges that the Project is impressed with a public interest and that money damages to the Enforcing Entity or an express beneficiary in the event of a violation are likely to be difficult or impossible to calculate. Accordingly, but without limitation, this Covenant may be enforced in equity, including a decree of specific performance. No action for enforcement may be brought unless the Enforcing Entity or an express beneficiary has first delivered to the Owner a written notice of violation hereunder, and such violation has not been remedied, or a written plan for remedy satisfactory to the Enforcing Entity or such express beneficiary has not been provided by Owner to the Enforcing Entity and such express beneficiary within sixty days after the delivery of such notice.

17. Except for the more stringent termination requirements described in Paragraph 5 of this Covenant, in the event of any conflict between this Covenant and the requirements of Section 42 the Section 42 requirements shall prevail

18. The invalidity of any clause, part, or provision of this Covenant shall not affect the validity of the remaining portions of the Covenant.

19. This Covenant and all matters relating thereto shall be governed by and in accordance with the laws of the State of Vermont and, where applicable, the laws of the United States of America.

_____
Owner

_____ By: _____
Witness Its Duly Authorized Agent

STATE OF VERMONT
_____ COUNTY, SS:

At _____ in said County and State this ____ day of _____, 2004, personally appeared , _____duly authorized agent of _____ (owner), and h__ acknowledged the foregoing document to be h_ free act and deed and the free act and deed of the_____(owner).

Before me,

_____
Notary Public
Commission expires 2/10/07

APPENDIX H

HC CARRYOVER ALLOCATION COST CERTIFICATION FORM

I. OWNER'S CERTIFICATION

The information and certifications requested below are used for purposes of establishing that the Housing Credit requested for allocation does not exceed the amount necessary to assure project feasibility, as required by Section 42 of the Internal Revenue Code of 1986, as amended, and to demonstrate that the Owner has basis in the property and, pursuant to 42(h)(1)(E)(ii), that ten percent (10%) of the project's "reasonably expected basis" costs have been incurred. This document must be completed prior to Agency issuance of a Carryover Allocation.

To comply with the certification, please attach the following:

- a full and detailed listing of all known or projected permanent (as opposed to construction period) sources of funds;
- development budget, dated and detailed by line item, and including a breakdown of development costs that constitute the eligible basis for the Housing Credit allocation (this should be the same budget used by the accountant or attorney in reviewing the development);
- a budget which shows an allocation of sources to uses;
- invoices, closing statements, or other documentation that is necessary to document that the ten percent threshold has been met (note: this documentation need not be provided if the CPA/attorney certification has been signed).

If multiple buildings and/or different Housing Credit types are needed, the eligible basis for each building for each credit type should be separately detailed, with sources and uses detailed for each building. If the Owner elects to receive the Carryover Allocation on a project basis pursuant to Section 42(h)(1)(f), separate building by building detail need not be submitted.

PROJECT NAME: _____

LOCATION (Town/City):_____

NUMBER OF BUILDINGS: _____

CREDIT TYPE (4% OR 9%): _____

HIGH COST AREA ADJUSTMENT? (Yes or No): _____

MINIMUM APPLICABLE FRACTION (20% or 40% Election)?: _____

REASONABLY EXPECTED BASIS (Eligible Basis plus Land): _____

OWNER'S ACTUAL BASIS (Total costs incurred to date): _____

% OF OWNER'S ACTUAL BASIS / REASONABLY EXPECTED BASIS: _____%

APPENDIX H

AMOUNT OF CREDIT REQUESTED: $_____

I, _____, authorized agent for _____ (Owner), hereby certify, under pain and penalty of perjury, that the attached development costs, detailing eligible basis and applicable fractions by building or by project, constitute the Section 42 (LIHTC) qualified basis, incurred in 200__ to 200__ for the residential portion of the building(s) identified above. These basis numbers, using the credit type shown above, justify the requested annual allocation of $_____ of Vermont's 2004 Housing Credit authority.

I also certify, under pain and penalty of perjury, that the attached sources of funds (which must equal the total development costs, including non-depreciable and non-eligible costs) is accurate and that the full extent of all Federal, State, and local subsidies to the development have been disclosed to VHFA in the Housing Credit application or other material attached to this certification.

Name of Owner_____

Authorized Agent_____

Date_____

APPENDIX I

MODEL TEN PERCENT LETTER

Independent Auditors' Report

Date: XXXX XX, 2004

To: Vermont Housing Finance Agency (VHFA)
P.O. Box 408
Burlington, VT 05402-0408

and

XXXX (the "Owner")
Street
City, State Zip Code

Re: TCAA # XX-XXX

We have audited the accompanying Certification of Costs Incurred ("Exhibit XXX") of the Owner for XXXX (the "Project") as of XXXX, XX, 2004. Exhibit XXX is the responsibility of the Owner and the Owner's management. Our responsibility is to express an opinion on Exhibit XXX 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 Exhibit XXX is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in Exhibit XXX. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of Exhibit XXX. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Exhibit XXX was prepared in conformity with the accounting practices prescribed by the Internal Revenue Service under the accrual method of accounting and by the Tax Credit Allocation Agency ("TCAA"), which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, Exhibit XXX referred to above presents fairly, in all material respects, costs incurred for the Project as of XXXX XX, 2004, on the basis of accounting described above.

In addition to auditing Exhibit XXX, we have, at your request, performed certain agreed-upon procedures, as enumerated below, with respect to the Project. These procedures, which were agreed to by the Owner and TCAA, were performed to assist you in determining whether the Project has met the 10% test in accordance with Internal Revenue Code Section 42(h)(1)(E) and Treasury Regulation Section 1.42-6. These agreed-upon procedures were performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these .

APPENDIX I

procedures is solely the responsibility of the specified users of the report. Consequently, we make no representations regarding the sufficiency of the procedures below either for the purpose for which this report has been requested or for any other purpose.

We performed the following procedures:

- We calculated, based on estimates of total development costs provided by the Owner, the Project's total reasonably expected basis, as defined in Treasury Regulation Section 1.42-6, to be $XXXX as of XXXX XX, 2004.

- We calculated the reasonably expected basis incurred by the Owner as of XXXX XX, 2004 to be $XXXX.

- We calculated the percentage of the development fee incurred by the Owner based on the Owner's representation as of XXXX (date) to be XX% of the total development fee.

- We compared the reasonably expected basis of $XXXXX incurred as of XXXX XX, 200_ to the total reasonably expected basis of the Project, and calculated that XX% had been incurred as of XXXX XX, 2004.

- We determined that the Owner uses the accrual method of accounting, and has not included any construction costs in carryover allocation basis that have not been properly accrued.

- Based on the amount of total reasonably expected basis listed above, for the Owner to meet the 10% test in accordance with Internal Revenue Code Section 42(h)(1)(E) and Treasury Regulation Section 1.42-6, we calculated that the Project needed to incur at least $XXXX of costs prior to December 31, 2004.

We were not engaged to, and did not, perform an audit of the Owner's financial statements or of the Project's total reasonably expected basis. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Owner and the Owner's management and for filing with TCAA and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

City, State
XXXX XX, 2004

APPENDIX J

MODEL FINAL COST CERTIFICATION LETTER

Independent Auditors' Report

Owner's Name: XXXX

Project Name: XXXX

Project Number: TCAA # XX-XXX

We have audited the costs included in the accompanying Tax Credit Allocation Agency ("TCAA") Final Cost Certification (the "Final Cost Certification") of XXXX (the "Owner") for XXXX ("the Project") as of XXXX XX, 200_. The Final Cost Certification is the responsibility of the Owner and the Owner's management. Our responsibility is to express an opinion on the Final Cost Certification 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 Final Cost Certification is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Final Cost Certification. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Final Cost Certification presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Final Cost Certification was prepared in conformity with the accounting practices prescribed by the Internal Revenue Service, under the accrual method of accounting, and in conformity with the format and qualified allocation plan rules set by TCAA, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the Final Cost Certification presents fairly, in all material respects, the actual costs of $XXXX and eligible basis of $XXXX of the Owner for the Project as of XXXX XX, 200_, on the basis of accounting described above.

This report is intended solely for the information and use of the Owner and the Owner's management and for filing with TCAA and should not be used for any other purpose.

We have no financial interest in the Project other than in the practice of our profession.

City, State
XXXX XX, 2004

APPENDIX K

Compliance Monitoring Procedures

The Budget Reconciliation Act of 1990 adopted by Congress amended Section 42 of the IRS Code to require that state tax credit agencies provide a procedure for monitoring developments for compliance with the requirements of the law and for notifying the IRS of any non-compliance discovered.

In order to implement this responsibility, all HC recipients will be required to execute and record a HC Housing Subsidy Covenant (the Covenant). The Covenant must be approved by VHFA. The Covenant must be signed by the Owner and returned to VHFA for recording prior to VHFA issuing a Carryover Allocation or IRS Form 8609. The Covenant will, at a minimum, require conditions wherein the developer and the development must continuously comply with Section 42 and other applicable Sections of the Internal Revenue Code of 1986, as amended, and the Treasury regulations issued thereunder and will bind any successors' interest for the specified time period. In the event that a project's funding source requires its own Housing Subsidy Covenant, the provisions of the HC Housing Subsidy Covenant may be incorporated into such Covenant and the requirement of a separate HC Housing Subsidy Covenant may be waived by VHFA. In addition, owners are required to provide VHFA with a copy of the IRS Form 8609, with Part II, and IRS Form 8586 completed by the Owner, for the first year of the credit period. Finally, a copy of VHFA's LIHTC Compliance Manual is available from VHFA's website at www.vhfa.org.

a. VHFA is required to monitor compliance with the provisions of Section 42 and to notify the Internal Revenue Service of non-compliance and will charge fees to cover costs related to this monitoring. The fee structure is four dollars ($4.00) per housing credit unit per month.

   Housing Credit developments are very management-intensive and require a thorough understanding of the Section 42 regulations. The owner and/or management agent is required to attend compliance training or document that they have received training prior to lease up.

b. Record Keeping and Record Retention

   The owner of a Housing Credit-eligible development must keep records for each qualified tax credit-eligible building in the project showing:

   i. The total number of residential rental units in the building, including square footage;

   ii. The percentage of residential rental units in the building that are Housing Credit-eligible units (square footage fraction vs. unit fraction);

   iii. The rent charged on each residential rental unit in the building, including utility allowance;

   iv. The Housing Credit eligible unit vacancies in the building and the occupancy of the next available units;

   v. The income certification of each Housing Credit eligible tenant;

APPENDIX K

vi. Documentation to support each Housing Credit eligible tenant's income certification (for example, a copy of the tenant's federal income tax return, W-2 Forms, or verifications of income from third parties such as employers or state agencies paying unemployment compensation; owners should retain the right in their leases to obtain this documentation at any time, even after tenants have moved into the unit); and

vii. The character and use of the nonresidential portion of the building included in the building's eligible basis under Section 42(d) (*e.g.* tenant facilities that are available on a comparable basis to all tenants and for which no separate fee is charged for use of the facilities or facilities reasonably required by the project).

The owner of a Housing Credit eligible development must retain the records specified in this Section b (Record Keeping and Record Retention) for each building in the project for a period of at least 6 years beyond the end of the compliance period for each building.

Annually, the owner must provide a project status report that summarizes the activity of the development. The format for this report is included in this application in Appendix L.

c. Certification and Review Procedures

The Agency will utilize a certification procedure as set forth by the IRS under their monitoring regulations.

i. Certification Procedure

Under the certification procedures, the owner of a Housing Credit eligible development is required to certify to the Agency, under penalty of perjury, at least annually, that:

(a). The project meets the requirements of the 20-50 test under Section 42(g)(1)(A) or the 40-60 test under Section 42(g)(1)(B), according to the election made by the sponsor at the time of the allocation;

(b). There has been no change in the applicable fraction of any building in the project or, when there has been a change, a description of the change; and

(c). The owner has received an annual income certification from each Housing Credit eligible tenant and documentation to support that certification or, in the case of a tenant receiving Section 8 housing assistance payments, a statement from the appropriate public housing authority declaring that the tenant's income does not exceed the applicable income limit under Section 42(g);

(d). Each Housing Credit eligible unit in the project is rent-restricted under Section 42(g)(2);

(e). All units in the project are for use by the general public and are used on a non-transient basis;

APPENDIX K

(f). No finding of discrimination under the Fair Housing Act, 42 U.S.C 3601-3619 has occurred for this project. A finding of discrimination includes an adverse final decision by the Secretary of Housing and Urban Development (HUD), 24 CFR 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency, 42 U.S.C 3616a(a)(1), or an adverse judgment from a federal court;

(g). Each building in the project is suitable for occupancy, taking into account local health, safety, and building codes (or habitability standards), and the state or local government unit responsible for making building code inspections did not issue a report of a violation for any building or low-income unit in the project;

(h). There has been no change in the eligible basis (as defined in Section 42(d)) of any building in the project or, when there has been a change, a description regarding the nature of the change;

(i). All tenant facilities included in the eligible basis under Section 42(d) of any building in the project (such as swimming pools, other recreational facilities, and parking areas) are provided on a comparable basis without charge to all tenants in the building;

(j). If a Housing Credit eligible unit in the project became vacant during the year, reasonable attempts were or are being made to rent that unit or another available unit of comparable or smaller size to tenants having a qualifying income before any units in the project were or will be rented to tenants not having a qualifying income.

(k). If the income of tenants of a Housing Credit eligible unit in the project increases above the limit allowed in Section 42(g)(2)(D)(ii), the next available unit of comparable or smaller size in the project will be rented to tenants having a qualifying income.

(l). An extended Low-Income Housing Tax Credit (Subsidy Covenant) commitment was in effect, including the requirement under section 42(h)(6)(B)(iv) that an owner cannot refuse to lease a unit in the project to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, 42 U.S.C 1437s. Owner has not refused to lease a unit to an applicant based solely on their status as a holder of a Section 8 voucher and the project otherwise meets the provisions, including any special provisions, as outlined in the Subsidy Covenant. (This requirement is not applicable to buildings with credits from years 1987-1989.)

(m). The owner received its credit allocation from the portion of the state ceiling set-aside for a project involving "qualified non-profit organizations' under Section 42(h)(5) of the code and its non-profit entity materially participated in

the operation of the development within the meaning of Section 469(h) of the Code.

(n). There has been no change in the ownership or management of the project.

ii. Review Procedure

Under the review procedure, the Agency will review at least twenty percent (20%) of tax credit files at least once every three years.

iii. Exception for Certain Buildings

The review procedure outlined above may not apply to the following types of Housing Credit eligible buildings, which are subject to other monitoring programs:

(a). Buildings financed by the Rural Development (RD) under its Section 515 program; and

(b). Buildings in which 50 percent or more of the aggregate basis (taking into account the building and the land) is financed with the proceeds of obligations the interest on which is exempt from tax under Section 103 of the Internal Revenue Code.

iv. The certifications required under paragraph i. of this Section c. (Certifications and Review Procedures) must be made at least annually through the end of the 15-year compliance period under Section 42(i)(1) and be under penalty of perjury. Annually, the owner must provide an Owner's Certificate of Continuing Program Compliance. This form is included in this application as Appendix M.

d. Auditing Procedure

The Agency has the right to perform an audit of any eligible Housing Credit development at least through the end of the compliance period of the buildings in the project. An audit includes a physical inspection of any building or buildings in the project, as well as a review of the records described in Section b. The audit may be performed in addition to any inspection of income certifications and documentation under the review procedure. The regulations require the Agency to conduct an initial physical inspection by the end of the second calendar year following the year the last building in the project is placed in service. The physical inspection is performed every three years.

e. Notification of Non-compliance

i. If the Agency does not receive the certification described in paragraph i. of Section c. or discovers upon audit, inspection, review, or in some other manner that the project is not in compliance with the provisions of Section 42, the Agency will provide prompt written notice to the owner of the project.

APPENDIX K

ii. The Agency will file Form 8823, Low-Income Housing Credit Agencies Report of Non-compliance, with the Internal Revenue Service no later than 45 days after the end of the correction period described in paragraph c. of this Section, whether or not the non-compliance or failure to certify is corrected. The Agency must explain on Form 8823 the nature of the non-compliance or failure to certify and indicate whether the owner has corrected the non-compliance or failure to certify.

iii. The correction period shall be up to 90 days from the date of the notice to the owner under paragraph a. of this Section and, during that period, the owner must supply any missing certifications and bring the project into compliance with the requirements of Section 42. For good cause shown, the Agency may extend the correction period for up to six months.

f. Delegation of Authority

The Agency may retain an agent or other private contractor to perform compliance monitoring. VHFA will retain the responsibility to notify the Internal Revenue Service under paragraph ii. of Section e. (above).

g. Liability

Compliance with the requirements of Section 42 is the responsibility of the owner of the building for which the credit is allocated. The Agency's obligation to monitor for compliance does not make the Agency liable for an owner's non-compliance.

APPENDIX L

VHFA LIHTC COMPLIANCE MONITORING STATUS REPORT **FOR YEAR ENDING:**_____ PAGE #

PROJECT NAME _____ LOCATION _____ COUNTY _____ REPORT DATE __/__/__ BIN #

DATE BLDG PLACED IN SERVICE ____/____/____ ALLOCATION YR(S) _____ 1ST YR LIHTC CLAIMED

TOTAL # UNITS IN BLDG _____ # LIHTC UNITS IN BLDG _____ TOTAL SQ FOOTAGE IN BLDG _____ TOTAL SQ FOOTAGE FOR LIHTC UNITS

PROJECT OWNER _____ MANAGEMENT AGENT

UNIT # (1)	# OF BD (2)	TENANT NAME (3)	TTL # HSHLD (4)	MOVE-IN DATE (5)	MOVE-IN GR ANN INCOME (6)	RECERT DATE(S) (7)	RECERT INCOME (8)	TENANT RENT (9)	UTILITY ALLOW (10)	GROSS RENT (11)	SUB CODE (12)	MOVE-OUT DATE (13)	SQ FOOT PER UNIT (14)

FORM PREPARED BY _____ PHONE # _____

APPENDIX M

OWNER'S CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

To: *Vermont Housing Finance Agency P.O. Box 408 Burlington, VT 05402-0408*

Certification Dates:	**From:** January 1, 20_____	**To:** December 31, 20_____	
Project Name:		**Project No:**	
Project Address:		**City:**	**Zip:**
Tax ID # of Ownership Entity:			

☐ No buildings have been Placed in Service
☐ At least one building has been placed in Service but owner elects to begin credit period in the following year.
If either of the above applies, please check the appropriate box, and proceed to page 2 to sign and date this form.

The undersigned _____ on behalf of

_____ ("the Owner"), hereby certifies that:

1. The project meets the minimum requirements of: (check one)
   - ☐ 20-50 test under Section 42(g)(1)(A) of the Code
   - ☐ 40-60 test under Section 42(g)(1)(B) of the Code
   - ☐ 15-40 test for "deep rent-skewed" projects under Section 42(g)(4) and 142(d)(4)(B) of the Code

2. There has been **no change in the applicable fraction** (as defined in Section 42(c)(1)(B) of the Code) for any building in the project:
   ☐ **NO CHANGE** ☐ **CHANGE**
   If **"Change,"** list the applicable fraction to be reported to the IRS for each building in the project for the certification year on p. 3:

3. The owner has received annual Tenant Income Certification from each low-income resident and documentation to support that certification.
   ☐ **YES** ☐ **NO**

4. Each low-income unit in the project has been rent-restricted under Section 42(g)(2) of the Code:
   ☐ **YES** ☐ **NO**

5. All low-income units in the project are and have been for use by the general public and used on a non-transient basis (except for transitional housing for the homeless provided under Section 42(i)(3)(B)(iii) of the Code):
   ☐ **YES** ☐ **NO** ☐ **HOMELESS**

6. No finding of discrimination under the Fair Housing Act, 42 U.S.C 3601-3619, has occurred for this project. A finding of discrimination includes an adverse final decision by the Secretary of Housing and Urban Development (HUD), 24 CFR 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency, 42 U.S.C 3616a(a)(1), or an adverse judgment from a federal court:
   ☐ **NO FINDING** ☐ **FINDING**

7. Each building in the project is and has been suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards), and the state or local government unit responsible for making building code inspections did not issue a report of a violation for any building or low income unit in the project:
   ☐ **YES** ☐ **NO**
   If **"No,"** state nature of violation on page 3 and attach a copy of the violation report as required by 26 CFR 1.42-5 and any documentation of correction.

APPENDIX M

8. There has been **no change in the eligible basis** (as defined in Section 42(d) of the Code) of any building in the project since last certification submission:

☐ **NO CHANGE** ☐ **CHANGE**

If **"Change,"** state nature of change (e.g. a common area has become commercial space, a fee is now charged for a tenant facility formerly provided without charge, or the project owner has received federal subsidies with respect to the project which had not been disclosed to the allocating authority in writing) on page 3:

9. All tenant facilities included in the eligible basis under Section 42(d) of the Code of any building in the project, such as swimming pools, other recreational facilities, parking areas, washer/dryer hookups, and appliances were provided on a comparable basis without charge to all tenants in the buildings:

☐ **YES** ☐ **NO**

10. If a low-income unit in the project has been vacant during the year, reasonable attempts were or are being made to rent that unit or the next available unit of comparable or smaller size to tenants having a qualifying income before any units were or will be rented to tenants not having a qualifying income:

☐ **YES** ☐ **NO**

11. If the income of tenants of a low-income unit in any building increased above the limit allowed in Section 42(g)(2)(D)(ii) of the Code, the next available unit of comparable or smaller size in that building was or will be rented to residents having a qualifying income:

☐ **YES** ☐ **NO**

12. An extended low-income commitment as described in section 42(h)(6) was in effect, including the requirement under section 42(h)(6)(B)(iv) that an owner cannot refuse to lease a unit in the project to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, 42 U.S.C. 1437s. Owner has not refused to lease a unit to an applicant based solely on their status as a holder of a Section 8 voucher and the project otherwise meets the provisions, including any special provisions, as outlined in the extended low-income housing commitment (not applicable to buildings with tax credits from years 1987-1989):

☐ **YES** ☐ **NO** ☐ **N/A**

13. The owner received its credit allocation from the portion of the state ceiling set-aside for a project involving "qualified non-profit organizations" under Section 42(h)(5) of the code and its non-profit entity materially participated in the operation of the development within the meaning of Section 469(h) of the Code.

☐ **YES** ☐ **NO** ☐ **N/A**

14. There has been no change in the ownership or management of the project:

☐ **NO CHANGE** ☐ **CHANGE**

If **"Change,"** complete page 3 detailing the changes in ownership or management of the project.

Note: Failure to complete this form in its entirety will result in non-compliance with program requirements. In addition, any individual other than an owner or general partner of the project is not permitted to sign this form, unless permitted by the state agency.

The project is otherwise in compliance with the Code, including any Treasury Regulations, the applicable State Allocation Plan, and all other applicable laws, rules and regulations. This Certification and any attachments are made UNDER PENALTY OF PERJURY.

_____

(Ownership Entity)

By: _____

Title: _____

Date: _____

APPENDIX M

PLEASE EXPLAIN ANY ITEMS THAT WERE ANSWERED "NO", "CHANGE" OR "FINDING" ON QUESTIONS 1-14.

Question #	Explanation

CHANGES IN OWNERSHIP OR MANAGEMENT

(to be completed **ONLY if "CHANGE"** marked for question 14 above)

TRANSFER OF OWNERSHIP

Date of Change:	
Taxpayer ID Number:	
Legal Owner Name:	
General Partnership:	
Status of Partnership (LLC, etc):	

CHANGE IN OWNER CONTACT

Date of Change:	
Owner Contact:	
Owner Contact Phone:	
Owner Contact Fax:	
Owner Contact Email:	

CHANGE IN MANAGEMENT CONTACT

Date of Change:	
Management Co. Name:	
Management Address:	
Management city, state, zip:	
Management Contact:	
Management Contact Phone:	
Management Contact Fax:	
Management Contact Email:	

APPENDIX M

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 bicyclists.

(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.

APPENDIX M

The Process Goals:

(1) To establish a coordinated, comprehensive planning process and policy framework to guide decisions by municipalities, regional planning commissions and state agencies.

(2) To encourage citizen participation at all levels of the planning process, and to assure that decisions shall be made at the most local level possible commensurate with their impact.

(3) To consider the use of resources and the consequences of growth and development for the region and the state, as well as the community in which it takes place.

(4) To encourage and assist municipalities to work creatively together to develop and implement plans.

VHFA FEDERAL HOUSING CREDIT APPLICATION & VERMONT STATE AFFORDABLE HOUSING TAX CREDIT

APPLICATION SUPPLEMENT

Services

What services will the project provide (e.g. parking, laundry, storage, snow removal, air conditioning, electric surcharge, health/recreation club membership)? Please indicate in the following chart the specific service to be provided, whether it is optional or included, and if optional, what the monthly cost is (if services are required, they must be included in gross rent and cannot be charged for separately). For projects that meet the special needs definition as stated in the Allocation Plan, please instead submit a service plan (with cost information) with your application.

Type of Service (please be specific)	Optional (yes/no)	If optional, monthly cost per unit

Syndication Information

Provide information below concerning syndication and estimated proceeds from sale of Housing Credits.

Anticipated *equity* proceeds from:

Housing Credit $_____ Historic Credit $_____ State Credit $_____

When will the equity proceeds be invested?

	Date	Amount
1st Capital Contribution	_____	$_____
2nd Capital Contribution	_____	$_____
3rd Capital Contribution	_____	$_____
4th Capital Contribution	_____	$_____

Please describe the event that triggers the payment of each capital contribution.

(Provide additional attachments if more room is needed.)

_____

_____

Type of Offering (check one) _____ Public _____ Private

Part V Tab 11

Type of Investors (check one) _____ Individuals _____ Corporations

Name of Fund _____
Name of Syndicator _____Telephone (___)_____
Address _____State _____ Zip _____

Previous Experience of General Partner or Developer

List all projects in which the developer(s), general partner(s), or any parent subsidiaries, affiliates, or wholly-owned corporations have recently been involved (including all projects located in other states, if applicable):

Name of Project/Location Status of Project

_____
_____
_____

Indicate which, if any, of these projects have had **IRS Form 8823** (Low-Income Housing Credit Agencies Report of Non-compliance) issued and also indicate any projects that are, or have been, the subject of litigation regarding a reservation or allocation of Housing Credits.

Please indicate any instances in which the General Partner or developer have been the subject of any **Fair Housing complaints**, and any **Fair Housing judgments** that have been issued against the developer or General Partner.

_____
_____
_____

Has the project been presented at one or more local hearings or public meetings?

(Please attach documentation.)

_____ Yes _____ No

If yes, type of meeting: _____ Date: _____

Acquisition of Existing Buildings

How many buildings will be acquired for the project? _____

Are all the buildings currently under control for the project?

_____ Yes _____ No

If no, how many buildings are under control for the project? _____

Part V Tab 11

When will the rest of the buildings be under control for acquisition? _____

List Buildings Under Control Address(es) of Building	Type of Control (Option or Purchase Contact)	Exp. Date of Control Document	Number of Units	Cost of Building
1.				
2.				
3.				
4.				
5.				
6.				
7.				

Building(s) acquired or to be acquired from

_____ Related Party _____ Unrelated Party

Is the seller of the property a non-profit, governmental entity or quasi-governmental entity?

_____ Yes _____ No

Did the seller use state or federal subsidies or subsidized financing to acquire, build or rehabilitate the property?

_____ Yes _____ No

Building(s) acquired or to be acquired with Buyer's Basis

_____Determined with reference to Seller's Basis _____Not Determined with reference to Seller's Basis

List on the following chart for *each* building, the address, the date the building was placed-in-service, the date the building was or is planned for acquisition, and the number of years between the date the building was placed-in-service and date of acquisition.

Address(es) of Building	Placed-in-Service Date of Building by the most recent owner	Proposed Date of Acquisition by Applicant	# of years between PIS & Acquisition
1.			
2.			
3.			
4.			

Relocation Information

Provide information concerning any relocation of existing tenants as part of the project.

Does this project involve any relocation of tenants?

_____ Yes _____ No

If yes, please describe the proposed relocation assistance if any:

_____

_____

Source of Funds - Federally Subsidized

Is any portion of the Source of Funds for the project financed directly or indirectly with Federal, State, or Local Government Funds?

_____ Yes _____ No

If yes, cite the appropriate lines from the permanent financing sources table above.

_____

_____

_____

If tax-exempt financing is used, list the percentage of the tax-exempt financing to the total cost of project ____ %

Credit Enhancements

Will the permanent financing have any type of credit enhancement?

_____ Yes _____ No

If yes, list type of enhancement _____

_____

_____

_____

Application Fee

Total Amount of Annual Housing Credit Requested $_____

$250 Application Fee is due upon submission of Application. In addition, a Reservation Fee equal to 4% of the annual credit is due upon the issuance of the Reservation Certificate.

The Application Fee must be included with the Application. The corresponding Reservation Fee will be calculated and due upon issuance of the Reservation Certificate. Make all checks payable to: Vermont Housing Finance Agency, P.O. Box 408, Burlington, VT 05402-0408. For information about application fees and refunds, see Section M of the HC Program Summary.

Compliance monitoring fees will be collected starting in the first year the credits are claimed.

Minimum Set-Aside Election

The Owner must irrevocably elect **one** of the following Minimum Set-Aside Requirements.

_____ At Least 20% of the rental residential units in this development are rent-restricted and to be occupied by individuals whose income is 50% or less of area median income.

_____ At Least 40% of the rental residential units in this development are rent-restricted and to be occupied by individuals whose income is 60% or less of area median income.

_____ Deep Rent skewing option as defined in Section 42 of the IRS Code.

Part V Tab 11

Notification of Local Official

All proposed allocations must be reviewed by the chief executive officer of the appropriate political jurisdiction. Please provide the name of the local political jurisdiction (city, village or town) in which the project will be located and the name and address of the mayor or town board chairperson.

Name of Political Jurisdiction _____

Name of Chief Executive Officer _____

Title _____

Address _____ City _____

Zip Code _____ Telephone (____) _____

Type of Low-Income Housing Tax Credit Requested

1. Check appropriate box.

_____ New Construction _____ Rehabilitation

_____ Acquisition/ Rehabilitation _____ Acquisition with 10-year waiver from Federal Agency

2. Is the project financing being federally subsidized (e.g. Rural Development)?
_____ Yes _____ No

3. Is this project in a Qualified Census Tract or Difficult Development Area?[8]

_____ Yes _____ No

Does this project contribute to a concerted community revitalization plan?

_____ Yes _____ No

(If Yes, please provide documentation.

4. Is the project intended for eventual tenant ownership?
_____ Yes _____ No
If yes, please explain the ownership structure (e.g. cooperative, condominium, lease purchase program) and attach documentation that indicates what type of future tenant ownership will be incorporated into this project:

_____

_____

Part V Tab 11

Housing Credit Applicant's Submittal Letter

Applicant's Name: _____

Federal Housing Credit:

The undersigned (the Applicant) hereby applies to Vermont Housing Finance Agency (VHFA) for Reservation of the Housing Credit (HC) in the (annual) amount of $ _____ pursuant to Section 42 of the Internal Revenue Code of 1986, as amended, and the U.S. Department of Treasury Housing Credit Regulations. (IRC Section 1.42). Submitted with this completed Application is a check (or letter of credit) in the amount of $_____ in accordance with the fee schedule noted in the HC Application.

The applicant acknowledges that no allocation of Housing Credit authority (including Carryover Allocations) will be issued until the ownership entity has been legally created. Assignment Carryover Allocation or Reservation can only be made with the prior approval of VHFA.

The Applicant states that, based on current facts, circumstances and expectations, the proposed development will comply with all applicable requirements under Section 42 of the Internal Revenue Code of 1986, as amended, and U.S. Department of Treasury Regulations. The undersigned, being duly authorized, hereby certifies that the information set forth in this Application and the accompanying schedules and in any attachments in support hereof is true, correct, and complete to the best of his/her knowledge and belief. The Applicant hereby covenants to comply with all HC requirements imposed by federal and state law, rule, or regulation.

Allocation of HC Authority shall be issued only upon completion of all required HC applications, documents, and certifications, and upon verification that the proposed HC project has been Placed in Service. VHFA offers no advice or opinion as to the Applicant's compliance with said legal and financial requirements, and no guarantee that the applicant or the proposed HC project will ultimately qualify for a Housing Credit.

The undersigned agrees that VHFA and the State of Vermont will at all times be indemnified and held harmless against all losses, costs, damages, expenses and liabilities, whatsoever nature or kind (including, but not limited to attorney's fees, litigation and other court costs, amounts paid in settlement, amounts paid to discharge judgment, and any loss from judgment from Internal Revenue Service) directly or indirectly resulting from, arising out of, or related to acceptance, consideration and approval or disapproval of such Housing Credit allocation request.

State Affordable Housing Tax Credit:

The Applicant in addition hereby applies to VHFA for a Reservation of the Vermont Affordable Housing Tax Credit in the (annual) amount of $_____, pursuant to 32 V.S.A. Chapter 151, Subchapter 11 I, Section 5930 u.

In witness whereof this Applicant has caused this application to be executed in its name on this _____ day of _____ 200__.

By: _____

Its Duly Authorized Agent

_____

Title

VHFA APPLICANTS

Checklist of Required Attachments

Please attach copies of all the following documents listed to the left as required for your project type (either Homeownership or Rental Development).

Requirements:

H.O.	Rental	**All Applications:**
☐Yes	☐Yes	Construction Cost Estimate (by AIA Divisions, including contingency) including date prepared and name of estimator
☐Yes	☐Yes	Independently-prepared Market Study meeting VHFA Standards
☐Yes	☐Yes	Letter from Town Administrator re: zoning and permitted density
☐Yes	❖No	Full Plans and Specifications
☐Yes	❖No	Current Personal and Corporate Financial Statements
☐Yes	❖No	List of Developments Competed within the Last Five Years and In-Process Developments (That demonstrate experience and capacity to complete the proposed project)
☐Yes	❖No	Attach a Description of "Why this Loan is Being Requested from VHFA, and How the Project Will Benefit from this Loan"
☐Yes	❖No	Attach a Description of the "Specific Neighborhood and Community Benefits" of the Project
☐Yes	❖No	Construction Cost Estimate (by AIA Divisions, including contingency) including date prepared and name of estimator
☐Yes	☐Yes	Application Fee ($250)
		Credit Only Applications- also attach the following:
☐Yes	☐Yes	Documentation of location relative to designated downtown or village center, if applicable (all Housing Credit applicants)
❖No	☐Yes	Documentation of local public hearing / meeting (all Housing Credit applicants)
❖No	☐Yes	Documentation that project is part of a concerted Community Revitalization Plan, if applicable (all Housing Credit applicants)

Requirements:

H.O.	Rental	
❖No	☐Yes	Documentation that project serves tenants on Section 8 waiting lists, if applicable (all Housing Credit applicants)
		ALL Financing - also attach the following:
☐Yes	☐Yes	Phase I Environmental Site Assessment
☐Yes	☐Yes	Month by Month sources and uses / construction draw schedule (if applying for construction financing)
		Tax Exempt Bond Financing:
❖No	☐Yes	TEFRA Notice Information Sheet
		For Nonprofit Applicants:
☐Yes	☐Yes	IRS 501(c) Designation
☐Yes	☐Yes	Most Recent Audited Financial Statement
☐Yes	☐Yes	Articles of Association
☐Yes	☐Yes	Bylaws
☐Yes	☐Yes	Most Recent 990 Filing

VHFA FINANCING

DEBT FINANCING SUPPLEMENT

Are there any law suits, 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.

The undersigned (The Applicant) hereby makes application to the Vermont Housing Finance Agency (VHFA) for financing in the amount of $ _____.

Assignment of a VHFA financing commitment can only be made with the prior approval of VHFA.

The undersigned, being duly authorized, hereby certifies that the information set forth in this Application and the accompanying schedules and in any attachments in support hereof is true, correct, and complete to the best of his/her knowledge and belief.

The undersigned agrees that it will at all times indemnify and hold harmless VHFA and the State of Vermont against and from all claims, suits, actions, judgments, losses, costs, damages, expenses and liabilities, whatsoever in nature or kind including, but not limited to attorney's fees, litigation and other court costs, amounts paid in settlement and amounts paid to discharge judgement, directly or indirectly resulting from, arising out of, or related to acceptance, consideration and approval or disapproval of this financing request.

In witness whereof this Applicant has caused this application to be executed in its name on this _____ day of _____, 20_____.

By: _____
Applicant

_____
Its Duly Authorized Agent

_____
Title

VHFA SINGLE FAMILY CONSTRUCTION FINANCING

PROGRAM OVERVIEW

Program Summary

The 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. The Homeownership 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. Financing is available for site acquisition, infrastructure development, and unit construction for owner occupied single family developments.

This program description details the features, guidelines, and requirements for the Homeownership Construction Loan Program. Interested applicants are encouraged to call a Development Officer at VHFA to discuss a specific development proposal.

VHFA HOMEOWNERSHIP CONSTRUCTION LOAN PROGRAM REQUIREMENTS

Eligible Borrower

VHFA will consider applications from for-profit and not-for-profit developers who have demonstrated financial strength and experience in for-sale single family housing development consistent with the nature and scope of the proposed development.

Eligible Developments

VHFA will consider proposals for developments with a minimum of five units under this program. 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, including condominium and planned unit developments. Units may be stick-built, modular, panelized or manufactured housing. At least 51% of the units must be priced at or below VHFA's maximum purchase price limits. It is also the intent of this program that the Housing Developer will use their best effort to market and sell 51% of the total units to households who are within VHFA's maximum income limits. (For detail on VHFA's current purchase price and household income limits, go to www.vhfa.org, click on the *Homebuyers/owners* button and scroll down to *Limits*.) In addition, more than one half of each of (a) the total floor area and (b) the total development cost of the Development will be allocated to dwelling units for persons and families of low and moderate income.

VHFA encourages coordination with local non-profit housing organizations and homeownership centers to facilitate perpetual affordability for some of the affordable units.

The Housing Developer 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.

The project must be consistent with local and regional plans. Projects which demonstrate and employ smart growth characteristics and which are within targeted growth areas, downtowns or village districts will receive a priority for consideration. Among the smart growth characteristics of highest importance is the efficient use of existing infrastructure, including public services and access to public transportation.

The intent of the VHFA Homeownership Construction Loan Program is to facilitate the creation of affordable homeownership opportunities. The Program therefore will not provide financing to projects in which there will be a significant concentration of non-owner occupied or seasonal dwelling units. The Housing Developer must agree to provide sales documentation, upon request of the Agency that demonstrates at least 75% of the units in the development have been sold to owner occupants.

Part VII Tab 14
Maximum Loan Amount

The maximum construction loan shall not exceed 95% of the lesser of total housing development costs or the appraised value. 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 Developer that was purchased less than two years prior to the date of the application will be included as equity at the lesser of its purchase price or appraised value less outstanding debt. Land owned by the Housing Developer for more than two years, will be included as equity at its appraised value less outstanding debt. For non-profit Housing Developers, grant funds or "soft" second mortgages will be considered as equity. Commitments and evidence that all funding sources are in place shall be required prior to the construction loan closing.

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 an eligible 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. Repayment of the loan will be made in accordance with a negotiated release schedule but not later than 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 first priority 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. VHFA will require a collateral assignment of all major contracts and subcontracts, and will require lien waivers from major contractors, subcontractors, and suppliers.

Interest Rate

The interest rate shall be determined at the time of closing based on the term of the construction loan, market conditions at that time, and the Agency's cost of funds.

Pre-Application Meeting/Loan Application Fee/Commitment Fee/Loan Origination Fee

VHFA Development 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 is payable at closing. A commitment fee of: $1,000 for loans up to $500,000 or $5,000 for loans greater than $500,000, will be due from the Developer at time of approval and acceptance of the VHFA commitment letter. The commitment fee will be applied toward payment of the loan origination fee at the time of construction closing. If the loan does not close, this fee is non-refundable. In addition, all third party expenses such as appraisal fees, environmental assessments, market studies and construction inspections, will be paid by the Borrower, and are all eligible development expenses.

Priority for Funds

In the event that applications exceed the amount of funding available, priority will be given to developments that, in VHFA's sole discretion, are located in areas with the greatest need and which target the greatest number of households at or below 100% of the area median income.

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 Developer must provide information satisfactory to VHFA 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 includes current housing market conditions, general economic conditions, employment and wages, and information on units for sale within the

market. The Housing Developer must provide VHFA with the projected demand and absorption period for the development based on the unit configuration and proposed price range. The Agency will require a Market Study that supports the demand and need for the project as prepared by a third party professional acceptable to the Agency.

Assurance of Completion/Personal Guarantees

VHFA will generally require from the Housing Developer 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 Developer's equity in the development, the number of pre-sales, the strength of the market area, and other factors.

VHFA will require guarantees for completion of construction in form and substance acceptable to the Agency.

Financing for Home Buyers

VHFA anticipates that it will provide financing to qualified home buyers in the project. The Agency reserves the right to limit the number of units it will finance in a project. Housing Developers are encouraged to seek any necessary approvals from local lenders and government entities (i.e. Freddie Mac, Fannie Mae, USDA Rural Development, HUD and VA) to make the widest array of financing options available to home buyers.

Appraisal Requirements

VHFA requires an appraisal from an appraiser acceptable to VHFA of the site as permitted and as developed, and a sample unit appraisal for each unit type.

Energy Efficiency Requirements for Units

All homes must meet the State of Vermont's energy efficiency requirements.

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

Whenever possible, an AIA contract form appropriate for the development should be used. Each construction contract must include a schedule of values which becomes the basis for all disbursements, retainage and certifications.

VHFA must 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. VHFA may require review of the development plans and specifications by a qualified professional hired by the Agency at the Developer's expense. (An eligible development cost.)

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 Developer and is an eligible development cost. VHFA construction inspections are not a substitute for developer, engineering, and architectural supervision of construction.

Part VII Tab 14
Disbursement Process/Retainage

Disbursement requests are processed monthly by VHFA unless other terms are agreed upon.

Application and Approval

All proposals for financing are reviewed first by VHFA staff and senior management. Proposals that are eligible for financing are recommended to VHFA's Board of Commissioners for approval. The VHFA's Board meets monthly. The Housing Developer is expected to attend the meeting to answer any questions the VHFA Board members may have.

VHFA requires the following information to complete an underwriting review of a proposal for financing. VHFA will not schedule a closing until all loan approval conditions are met, construction permits have been received, construction contracts have been signed, and all funding sources are in place or committed.

1. Development Team: Please provide the following information for each member of the development team: Name of organization or company, complete address, name(s) of contact person(s), telephone numbers and e-mail addresses. Development team members could include development partners, architects, engineers, consultants, attorneys, and general contractors, etc. The developer must submit a current personal and corporate financial statements with the loan application package.

2. Developer Experience: Please provide a list of projects in process and completed within the last 5 years that demonstrate experience and capacity to complete the proposed project. This may be waived at the discretion of the Agency by the Development Officer at the time of the initial interview if the Agency has had previous and favorable experience with the Housing Developer.

3. Project Information: Provide name and location of project. Describe the scope of the project, and why a Construction Loan is being requested of VHFA. Specifically describe how the project will benefit from this loan program. Please provide a listing of the unit types and design with price ranges for each unit type.

4. Site: Provide a narrative description of the site and attach site and topographic maps with relevant development features (buildings, roads, sewer lines, wetlands, etc.) Indicate current zoning. Describe any zoning changes or other regulatory approvals (including Act 250) needed to implement the proposed development project, along with the expected timetable for those approvals. Copies of local and state permit approvals will be required prior to closing.

5. Site Control: Provide the current status of ownership and provide a copy of documents that give site control to the applicant. These may include, but are not limited to, an in-force option agreement, a legally binding purchase and sale agreement, or a copy of current deed of record.

6. Project Appraisal: The Agency will require and will order directly at the time of application a project appraisal and sample unit appraisals. The project will need to be appraised as a permitted site, and as an "as completed" value.

7. Environmental Site Assessment: A Level I environmental site assessment will be required. A Level II and site mitigation will be required if adverse environmental issues associated with the site are indicated in the Level I report.

8. Project Plans and Specs: Provide preliminary (or final if available) project plans and specifications for infrastructure and housing units.

9. Community and Public Benefits of Project: Cite the expected specific neighborhood and community benefits of the project.

10. Proposed Development Schedule: Provide target dates for the following events: submission of financing applications; regulatory and zoning reviews and approvals; building permits; receipt of financing commitments; construction start and completion dates, with projected sale dates for each housing unit.

11. Market Demand: Provide an independent market study, or the name of the firm who will be providing the study if not completed, along with a copy of the scope of work.

12. Budget and Pro Forma: Provide the proposed project construction budget, including detailed sources and uses of funds (including rates and terms), construction schedule and proposed plan of repayment on VHFA provided format. Copies of bids from contractors must be provided prior to closing to support the final development budget.

13. Other Additional information requested by VHFA.

Loan Closing

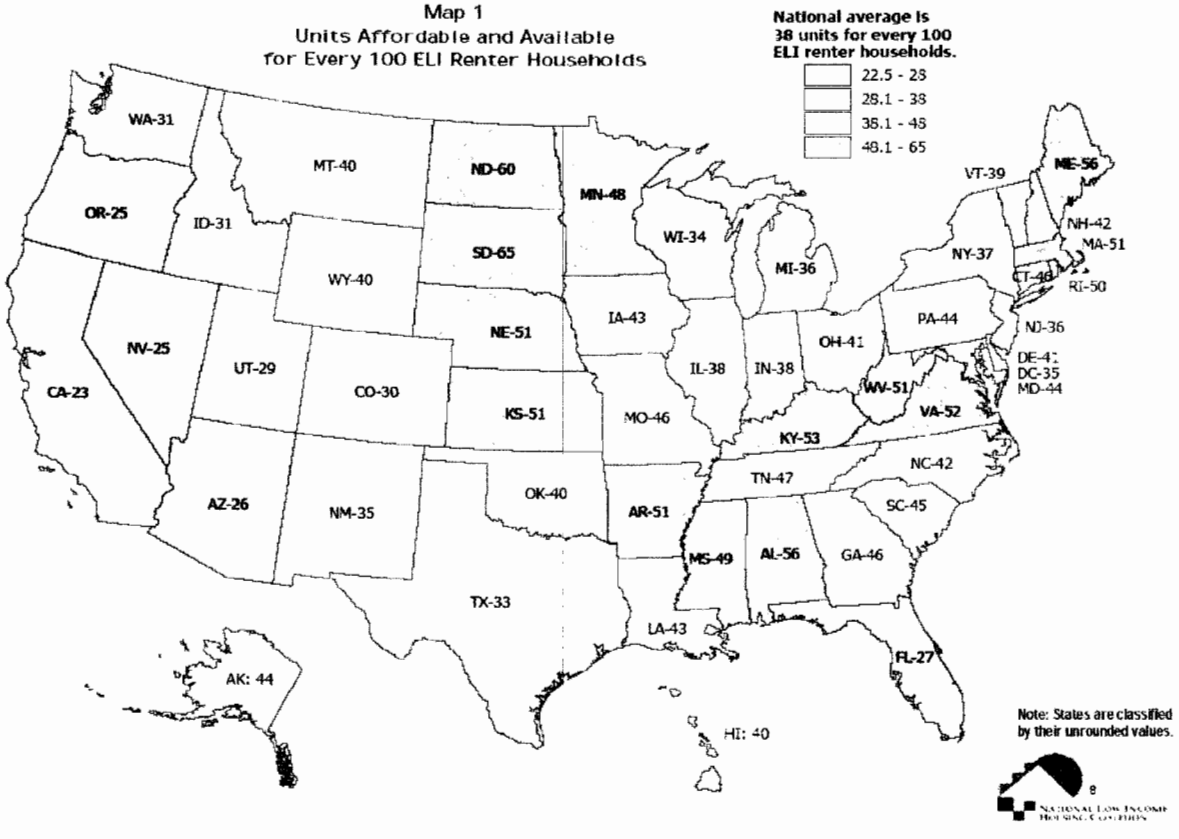
At least 10 business days prior to the scheduled loan closing date, the Housing Developer shall provide VHFA with all information and documents necessary to satisfy standard and any special conditions. A pre-closing will be scheduled approximately one week before the scheduled closing date.

Interesting Housing Fact
August 2007 Board Meeting
Prepared by: Casey Klyszeiko, VHFA Intern

Supply of Affordable Rental Housing for the Poorest

Several recent studies include these findings about the persistent shortage of affordable rental housing for the lowest income households:

- In 2005, nearly half of all renters were cost burdened (paying more than 30 percent of income towards rent).
- Over half of the Extremely Low Income (ELI) renters (those that earn 0 – 30 percent of the Area Median Income) spend more than 79 percent of their income on rent. There are nearly 8 million ELI renter households in the country.
- Two-thirds of American households with incomes under 30 percent AMI receive **NO** federal housing assistance.
- Between 1993 and 2003, the affordable housing stock for the lowest income renters fell by 13% or 1.2 million units.
- Recent multifamily rental construction in the Northeast has not offset the number of units removed from the stock
- The majority of affordable rental housing development has been targeted at renters whose incomes are 50-60 percent of the Area Median Income (AMI).



For every 100 ELI Vermont renter households (0-30% AMI) only an estimated 39 units are affordable are available. An estimated 68 units are affordable and available for every 100 renter households with incomes up to 50% of AMI. Yet, for higher income households (80% AMI+), there appears to be no shortage in the total number of affordable, available units. These estimates indicate that Vermont's rental housing supply relative to its population of low-income renter households is very similar to that of the U.S.

Sources:

1. "American Community Survey Estimate Shows Larger National, State Affordable Rental Housing Shortages." Pelletiere, Danilo. National Low Income Housing Coalition. February 2007. www.nlihc.org/doc/RN07-01.pdf
2. "Revisiting Rental Housing Policy: Observations from a National Summit." Joint Center for Housing Studies, Harvard University. April 2007. www.jchs.harvard.edu/publications/rental/revisiting_rental_symposium/w07-2_revisiting_rental_policy_brief.pdf
3. "State of the Nation's Housing" Joint Center for Housing Studies, Harvard University, June 2007. www.jchs.harvard.edu/publications/markets/son2007/son2007.pdf

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners
FROM: Patricia A. Crady, Director of Homeownership Programs
DATE: July 27, 2007
RE: Summary of Homeownership Activities

UPDATES

VHFA is in the process of thanking our 5 top lenders and the top originator in each county. Top lenders and top originators will be featured in a press release and will receive preference when a consumer searches for a participating lender on our website. \

The top 5 lenders are:

- ✓ New England Federal Credit Union
- ✓ Chittenden Bank
- ✓ Universal Mortgage
- ✓ Community National Bank
- ✓ Mortgage Financial Services

The top originators are: **Addison County** – Michelle Shambo, Chittenden Bank; **Bennington County** – Wendy Chenaille, Bank of Bennington; **Caledonia/Essex Counties** – Cathy Clark, Northeast Home Loan; **Chittenden/Grand Isle Counties** – Jeanne Boucher, New England FCU; **Franklin County** – Carol McKinney, New England FCU; **Lamoille County** – Wanda Allaire, Universal Mortgage; **Orange County** – Wanda French, Universal Mortgage; **Orleans County** – Hope Colburn, Community National Bank; **Rutland County** – Laurie Laliberte, Chittenden Bank; **Washington County** – Lee Youngman, Vermont State Employees CU; **Windham County** – Cathy Eakins, Chittenden Bank; **Windsor County** – Kathy Sarnes, Connecticut River Bank.

PRODUCTION

Production reports as of June 30, 2007 by fiscal year and calendar year are attached. VHFA had a record year in FY 2007 with the purchase of approximately $134.0 million in loans. VHFA's total pipeline is also at a record level of $55 million.

COLLECTIONS

Delinquency reports as of June 30, 2007 are attached. VHFA continues to buck the trend toward higher delinquency and foreclosure rates -- both remain relatively stable. VHFA currently owns 2 properties; one is under contract and expected to close in August.

If you have any questions please do not hesitate to call me at 652-3442 or email me at pcrady@vhfa.org.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

FY07 Production Summary

July 1, 2006 - June 30, 2007

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total
MOVE	12,358,137	16,354,977	14,702,565	9,391,304	11,050,470	12,027,936	6,478,688	5,154,110	9,199,141	7,493,657	9,454,524	14,182,842	**127,848,351**
HOUSE	170,654	640,120	267,939	264,000	387,900	722,916	201,680	225,325	692,110	419,285	495,000	231,525	**4,718,454**
RURAL DEV.			26,500	28,500									**55,000**
LIMITED REFI				113,953									**113,953**
FIXED35				422,000	220,000	189,050			247,500		205,000		**1,283,550**
Dollar Total	**12,528,791**	**16,995,097**	**14,997,004**	**10,219,757**	**11,658,370**	**12,939,902**	**6,680,368**	**5,379,435**	**10,138,751**	**7,912,942**	**10,154,524**	**14,414,367**	**134,019,308**
Total # of Loans	**87**	**122**	**104**	**75**	**82**	**90**	**49**	**36**	**69**	**58**	**69**	**96**	**937**
MOBILE HOME	1,505,907	1,043,436	392,800	1,336,196	1,151,800	1,279,875	**865,250**	220,750	565,164	1,009,882	1,070,175	1,110,190	**11,551,425**
Total # of MH*	**15**	**13**	**5**	**14**	**13**	**13**	**9**	**2**	**6**	**9**	**12**	**13**	**124**

*The Mobile Home # is included in the above line item titled "Total # of Loans"

FY06 Production Summary

July 1, 2005 - June 30, 2006

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total
MOVE	9,369,277	6,572,803	9,805,306	6,903,022	5,274,920	9,356,725	5,747,307	5,115,359	6,723,853	7,002,262	8,709,255	14,414,830	**94,994,919**
HOUSE	424,415	265,900	180,610	923,600	115,000	158,900	257,220		565,314	440,420	379,400	608,070	**4,318,849**
RURAL DEV.	30,020	78,300	43,350		29,600		32,000				27,000	25,460	**265,730**
LIMITED REFI	47,200				34,200				31,950	55,000	164,820		**333,170**
Dollar Total	**9,870,912**	**6,917,003**	**10,029,266**	**7,826,622**	**5,453,720**	**9,515,625**	**6,036,527**	**5,115,359**	**7,321,117**	**7,497,682**	**9,280,475**	**15,048,360**	**99,912,668**
Total # of Loans	**81**	**59**	**82**	**61**	**51**	**71**	**46**	**41**	**54**	**53**	**70**	**109**	**778**
MOBILE HOME	992,692	707,650	1,124,450	1,040,471	1,064,087	1,294,715	905,200	577,811	396,190	707,480	972,825	1,809,676	**11,593,247**
Total # of MH*	**14**	**9**	**12**	**11**	**14**	**13**	**9**	**6**	**5**	**6**	**10**	**19**	**128**

*The Mobile Home # is included in the above line item titled "Total # of Loans"

FY07 Dollar Volume by Lender

July 1, 2006- June 30, 2007

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD TOTAL
NEW ENGLAND FCU	2,873,839	2,839,824	2,717,501	1,695,597	2,747,670	3,058,643	1,346,555	1,541,630	2,594,454	1,717,618	2,358,018	3,217,408	$28,708,757
CHITTENDEN MTG SVCS	1,835,886	2,460,407	3,107,879	557,681	1,671,306	2,056,070	1,273,940	1,152,919	1,731,800	361,585	1,607,077	1,441,129	$19,257,679
UNIVERSAL	1,008,812	2,268,098	2,430,432	1,244,269	466,400	845,490	770,522	902,682	829,070	824,216	1,855,392	1,539,086	$14,984,469
MTG FINANCIAL	337,756	1,633,156	630,897	935,621	951,004	932,534	178,208	75,000	119,900	171,111	218,113	1,557,495	$7,740,795
COMMUNITY	478,815	871,590	364,080	351,677	1,670,045	694,138	314,700	140,904	534,669	300,300	384,761	661,539	$6,767,218
SUMMIT	1,544,444	471,000	364,900	687,564	857,219	541,241	213,928	164,560	1,127,002		395,214	365,884	$6,732,956
NORTHFIELD	269,000	987,970	553,885	663,750	384,200	732,253	317,900		439,504	133,000	105,000	1,193,006	$5,779,468
N.E. HOME LOAN	605,060	477,100	172,850	401,800		344,190	330,950		483,760	163,430	328,850	495,875	$3,803,865
HERITAGE FCU	169,702	242,417	575,600	262,900	520,000		198,203	389,100	56,000	1,003,800	151,000	150,000	$3,718,722
VT STATE ECU	377,500	137,819	130,000	481,000	480,345		211,700	383,050	222,000	274,316	308,990	174,800	$3,181,520
LIBERTYQUEST	213,000	542,775	296,817	160,000	282,314	289,648	214,442		145,000	348,225	308,073	352,298	$3,152,592
PEOPLES TRUST		174,750	596,700	354,900	150,000	305,700		175,000		493,400	175,000	443,200	$2,868,650
UNION	259,000	360,500	458,113	449,450		241,075	242,570		393,000		458,110		$2,861,818
FIRST COMMUNITY		372,025	140,000			467,000			210,175	441,401	184,600	776,645	$2,591,846
GMAC	343,900	975,350	336,300	201,000	87,000	115,000		75,000				350,895	$2,484,445
TDBANKNORTH	212,150	330,310	539,800	130,000			224,050	266,100		337,973	420,000		$2,460,383
NORTH COUNTRY CU	138,500		$260,000	120,000	285,000	122,320	492,800		268,200	105,875	80,000	343,227	$2,215,922
COUNTRYWIDE			279,000	171,000	447,221	144,000	252,900		149,900	269,865		411,650	$2,125,536
VT FEDERAL CU	563,632	301,922	182,320	184,073	144,000	231,700			277,000	98,500		75,000	$2,058,147
CTX	357,795	281,934	120,000	190,272	215,491					242,125	168,571	207,757	$1,783,945
MASCOMA	160,000	214,900	296,280	200,000		405,110	97,000		113,317	227,420			$1,714,027
FACTORY PT	374,500	599,750			172,200	276,000						245,000	$1,667,450
BRATTLEBORO	252,800		34,300		126,955	519,850				200,500	143,200		$1,277,605
CT RIVER		258,700	70,800	96,000				113,490			312,205	148,473	$999,668
NAT'L BNK MIDDLE			148,000	0		410,000				129,782		103,000	$790,782
BANK OF BENN	110,000		164,050			207,940				68,500	151,050		$701,540
OPPORTUNITIES CU				434,653					135,800				$570,453
CCO MORTGAGE				155,000					205,200			142,000	$502,200
RIVER VALLE CU	42,700	33,300		63,050							41,300	19,000	$199,350
LYNDONVILLE		159,500											$159,500
FIRST BRANDON									103,000				$103,000
VHFA (RD)			26,500	28,500									$55,000
NATIONAL CITY													$0
WELLS FARGO	0	0	0	0	0	0	0	0	0				$0
TOTAL	$12,528,791	$16,995,097	$14,997,004	$10,219,757	$11,658,370	$12,939,902	$6,680,368	$5,379,435	$10,138,751	$7,912,942	$10,154,524	$14,414,367	$134,019,308

No longer participating:
Kittredge Mortgage

Re-Activated:
CCO Mortgage (Charter One)
First Brandon
Wells Fargo
National City
KeyBank

FY07 Loan Volume by Lender

July 1, 2006 - June 30, 2007

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD TOTAL
NEW ENGLAND FCU	16	18	15	11	16	18	8	9	16	10	15	18	170
CHITTENDEN MTG SVCS	14	18	21	5	12	14	9	8	11	3	10	9	134
UNIVERSAL	7	15	14	7	3	6	5	5	5	7	13	9	96
COMMUNITY	4	8	3	4	13	5	3	1	4	3	3	6	57
MTG FINANCIAL SRV	2	10	5	6	6	5	1	1	1	1	1	9	48
NORTHFIELD	2	8	4	4	3	7	3		3	1	1	8	44
N.E. HOME LOAN	6	4	2	3		3	3		4	2	3	4	34
SUMMIT	9	3	3	4	5	3	1	1			2	2	33
HERITAGE FCU	1	2	4	2	5		2	3	1	7	1	1	29
TDBANKNORTH	2	2	4	2			2	2	6	3	3		26
VT STATE ECU	3	1	1	3	4	2	2	3	1	2	2	1	25
UNION	2	3	4	4		2	2		3		3		23
GMAC	3	8	3	2	1	1		1				3	22
FIRST COMMUNITY		3	1			3			3	3	2	6	21
LIBERTYQUEST	2	3	3	1	2	2	1		1	2	2	2	21
PEOPLES TRUST		2	4	3	1	2		1		3	1	4	21
NORTH COUNTRY FCU	1		2	1	2	1	4		3	1	1	2	18
COUNTRYWIDE			2	1	3	1	2		1	2		3	15
FACTORY PT	3	4			2	2						2	13
MASCOMA	1	2	2	1		3	1		1	2			13
VT FEDERAL CU	3	2	1	2	1				2	1		1	13
BRATTLEBORO	2		1		2	4				2	1		12
CTX	2	2	1	1	1					1	1	1	10
CT RIVER		2	1	1				1			2	1	8
NAT'L BNK MIDDLE			1			4				1		2	8
BANK OF BENN	1		1			2				1	1		6
OPPORTUNITIES CU				4					1				5
RIVER VALLEY CU	1	1		1							1	1	5
CCO MORTGAGE				1					1			1	3
VHFA (RD)			1	1									2
FIRST BRANDON									1				1
LYNDONVILLE		1											1
KEYBANK													0
NATIONAL CITY													0
WELLS FARGO													0
TOTAL	87	122	104	75	82	90	49	36	69	58	69	96	937

No longer participating:
Kittredge Mortgage

Re-Activated:
CCO Mortgage (Charter One)
First Brandon
Wells Fargo
National City
KeyBank

CY07 Production Summary

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	Total
MOVE	6,478,688	5,154,110	9,199,141	7,493,657	9,454,524	14,182,842							**51,962,962**
HOUSE	201,680	225,325	692,110	419,285	495,000	231,525							**2,264,925**
RURAL DEV.													**0**
LIMITED REFI													**0**
FIXED35			247,500		205,000								**452,500**
Total	**6,680,368**	**5,379,435**	**10,138,751**	**7,912,942**	**10,154,524**	**14,414,367**	**0**	**0**	**0**	**0**	**0**	**0**	**54,680,387**
MOBILE HOME	865,250	220,750	565,164	1,009,882	1,070,175	1,110,190							**4,841,411**

CY06 Production Summary

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	Total
MOVE	5,747,307	5,115,359	6,723,853	7,002,262	8,709,255	14,414,830	12,358,137	16,354,977	14,702,565	9,391,304	11,050,470	12,027,936	**123,598,255**
HOUSE	257,220		565,314	440,420	379,400	608,070	170,654	640,120	267,939	264,000	387,900	722,916	**4,703,953**
RURAL DEV.	32,000					25,460			26,500	28,500			**112,460**
LIMITED REFI			31,950	55,000	164,820					113,953			**365,723**
FIXED35										422,000	220,000	189,050	**831,050**
Total	**6,036,527**	**5,115,359**	**7,321,117**	**7,497,682**	**9,253,475**	**15,048,360**	**12,528,791**	**16,995,097**	**14,997,004**	**10,219,757**	**11,658,370**	**12,939,902**	**129,611,441**
MOBILE HOME	905,200	577,811	396,190	707,480	972,825	1,809,676	1,505,907	1,043,436	392,800	1,336,196	1,151,800	1,279,875	**12,079,196**

CY07 Dollar Volume by Lender

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	YTD TOTAL
NEW ENGLAND FCU	1,346,555	1,541,630	2,594,454	1,717,618	2,358,018	3,217,408							12,775,683
CHITTENDEN MTG SVCS	1,273,940	1,152,919	1,731,800	361,585	1,607,077	1,441,129							7,568,450
UNIVERSAL	770,522	902,682	829,070	824,216	1,855,392	1,539,086							6,720,968
COMMUNITY	314,700	140,904	534,669	300,300	384,761	661,539							2,336,873
MTG FINANCIAL	178,208	75,000	119,900	171,111	218,113	1,557,495							2,319,827
SUMMIT	213,928	164,560	1,127,002		395,214	365,884							2,266,588
NORTHFIELD	317,900		439,504	133,000	105,000	1,193,006							2,188,410
HERITAGE FCU	198,203	389,100	56,000	1,003,800	151,000	150,000							1,948,103
N.E. HOME LOAN	330,950		483,760	163,430	328,850	495,875							1,802,865
FIRST COMMUNITY			210,175	441,401	184,600	776,645							1,612,821
VT STATE ECU	211,700	383,050	222,000	274,316	308,990	174,800							1,574,856
LIBERTYQUEST	214,442		145,000	348,225	308,073	352,298							1,368,038
NORTH COUNTRY CU	492,800		268,200	105,875	80,000	343,227							1,290,102
PEOPLES TRUST		175,000		493,400	175,000	443,200							1,286,600
TDBANKNORTH	224,050	266,100		337,973	420,000								1,248,123
UNION	242,570		393,000		458,110								1,093,680
COUNTRYWIDE	252,900		149,900	269,865		411,650							1,084,315
CTX				242,125	168,571	207,757							618,453
CT RIVER		113,490			312,205	148,473							574,168
VT FEDERAL CU			277,000	98,500		75,000							450,500
MASCOMA	97,000		113,317	227,420									437,737
GMAC		75,000				350,895							425,895
CCO MORTGAGE			205,200			142,000							347,200
BRATTLEBORO				200,500	143,200								343,700
FACTORY PT						245,000							245,000
NAT'L BNK MIDDLE				129,782		103,000							232,782
BANK OF BENN				68,500	151,050								219,550
OPPORTUNITIES CU			135,800										135,800
FIRST BRANDON			103,000										103,000
RIVER VALLEY CU					41,300	19,000							60,300
KEY BANK													0
LYNDONVILLE													0
NATIONAL CITY													0
VHFA (RD)													0
WELLS FARGO													0
TOTAL	$6,680,368	$5,379,435	$10,138,751	$7,912,942	$10,154,524	$14,414,367	$0	$0	$0	$0	$0	$0	$54,680,387

No longer participating:
Kittredge Mortgage

Re-Activated:
CCO Mortgage (Charter One)
Wells Fargo
First Brandon
National City
KeyBank

CY07 Number of loans

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	YTD TOTAL
NEW ENGLAND FCU	8	9	16	10	15	18							76
CHITTENDEN MTG SVCS	9	8	11	3	10	9							50
UNIVERSAL	5	5	5	7	13	9							44
COMMUNITY	3	1	4	3		6							17
N.E. HOME LOAN	3		4	2	3	4							16
NORTHFIELD	3		3	1	1	8							16
HERITAGE FCU	2	3	1	7	1	1							15
FIRST COMMUNITY			3	3	2	6							14
MTG FINANCIAL	1	1	1	1	1	9							14
SUMMIT	1	1	6		2	2							12
COUNTRYWIDE	2		1	2	3	3							11
NORTH COUNTRY CU	4		3	1	1	2							11
VT STATE ECU	2	3	1	2	2	1							11
TDBANKNORTH	2	2		3	3								10
PEOPLES TRUST		1		3	1	4							9
LIBERTYQUEST	1		1	2	2	2							8
UNION	2		3		3								8
CT RIVER		1			2	1							4
GMAC		1				3							4
MASCOMA	1		1	2									4
VT FEDERAL CU			2	1		1							4
BRATTLEBORO				2	1								3
CTX				1	1	1							3
NAT'L BNK MIDDLE				1		2							3
BANK OF BENN				1	1								2
CCO MORTGAGE			1			1							2
FACTORY PT						2							2
RIVER VALLEY CU					1	1							2
OPPORTUNITIES CU			1										1
FIRST BRANDON			1										0
LYNDONVILLE													0
NATIONAL CITY													0
VHFA (RD)													0
WELLS FARGO													0
KEY BANK													
TOTAL	49	36	69	58	69	96	0	0	0	0	0	0	376

No longer participating:
Kittredge Mortgage

Re-Activated:
CCO Mortgage (Charter One)
Wells Fargo
First Brandon
National City
KeyBank

VERMONT HOUSING FINANCE AGENCY
HOMEOWNERSHIP PROGRAM MONTHLY DELINQUENCY REPORT
June 30, 2007

Lenders	Total Loans	30 Days		60 Days		90+ Days		In Foreclosure		Total Delinquent		REO	
Chittenden Mortgage Services	1205	60	4.98%	17	1.41%	5	0.41%	14	1.16%	96	7.97%	1	0.08%
Graystone Mortgage Company	2173	101	4.65%	22	1.01%	3	0.14%	25	1.15%	151	6.95%	1	0.05%
Brattleboro Savings & Loan	90	4	4.44%	1	1.11%	1	1.11%	0	0.00%	6	6.67%	0	0.00%
Union Bank	320	9	2.81%	5	1.56%	2	0.63%	1	0.31%	17	5.31%	0	0.00%
Community National Bank	326	13	3.99%	3	0.92%	1	0.31%	0	0.00%	17	5.21%	0	0.00%
Bank of Bennington	65	1	1.54%	2	3.08%	0	0.00%	0	0.00%	3	4.62%	0	0.00%
Peoples Trust Co.	113	4	3.54%	1	0.88%	0	0.00%	0	0.00%	5	4.42%	0	0.00%
Mascoma Savings Bank	47	2	4.26%	0	0.00%	0	0.00%	0	0.00%	2	4.26%	0	0.00%
Opportunities CU	131	2	1.53%	2	1.53%	0	0.00%	0	0.00%	4	3.05%	0	0.00%
Heritage Family Credit Union	139	2	1.44%	0	0.00%	0	0.00%	0	0.00%	2	1.44%	0	0.00%
New England Federal CU	468	4	0.85%	1	0.21%	0	0.00%	0	0.00%	5	1.07%	0	0.00%
CitiMortgage	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Connecticut River Bank	57	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Factory Point Nat. Bank	62	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Randolph National Bank	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Totals	**5200**	**202**	**3.88%**	**54**	**1.04%**	**12**	**0.23%**	**40**	**0.77%**	**308**	**5.92%**	**2**	**0.04%**
Totals Previous Month	**5150**	**212**	**4.12%**	**28**	**0.54%**	**13**	**0.25%**	**42**	**0.82%**	**295**	**5.73%**	**2**	**0.04%**
Totals Same Mo. Last Yr.	**4751**	**186**	**3.91%**	**38**	**0.80%**	**24**	**0.51%**	**32**	**0.67%**	**280**	**5.89%**	**3**	**0.06%**

Note: Of the loans in foreclosure, a total of 17 are under a Chapter l3 Bankruptcy Plan

Monthly Delinquency by Servicer

Lenders	June 2006	July 2006	Aug 2006	Sept 2006	Oct 2006	Nov 2006	Dec 2006	Jan 2007	Feb 2007	March 2007	April 2007	May 2007	June 2007
Bank of Bennington	1.54%	1.52%	4.55%	1.52%	0.00%	4.55%	2.94%	6.06%	3.03%	3.13%	1.56%	4.62%	4.62%
Brattleboro Savings & Loan	3.57%	2.35%	3.53%	3.53%	3.57%	5.81%	7.87%	5.62%	5.62%	2.25%	1.11%	3.33%	6.67%
Chittenden Mortgage Services	9.08%	9.38%	8.39%	9.04%	8.08%	9.97%	1.08%	9.59%	9.34%	8.04%	7.27%	8.11%	7.97%
CitiMortgage	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Community National Bank	3.06%	5.72%	4.29%	6.27%	5.92%	5.70%	7.23%	6.29%	4.72%	3.73%	5.25%	5.57%	5.21%
Connecticut River Bank	1.92%	3.85%	3.70%	0.00%	0.00%	0.00%	3.64%	0.00%	0.00%	0.00%	0.00%	1.75%	0.00%
Factory Point Nat. Bank	3.45%	5.00%	1.56%	3.17%	1.67%	0.00%	0.00%	1.61%	1.61%	1.64%	1.64%	3.28%	0.00%
Graystone	6.21%	6.84%	6.38%	7.34%	6.75%	7.54%	7.65%	6.92%	6.88%	6.16%	6.35%	6.50%	6.95%
Heritage Family CU	1.71%	1.72%	2.56%	3.36%	3.31%	2.38%	2.38%	2.36%	2.31%	2.29%	0.00%	2.17%	1.44%
Mascoma Savings Bank	0.00%	2.70%	0.00%	2.50%	2.44%	2.44%	6.82%	2.22%	4.44%	2.22%	2.13%	2.13%	4.26%
New England Federal CU	0.62%	0.59%	0.56%	0.27%	0.26%	0.00%	0.74%	0.49%	0.95%	0.23%	0.68%	0.66%	1.07%
Opportunites CU	6.80%	8.28%	7.64%	6.34%	5.59%	6.38%	4.29%	6.62%	5.88%	4.44%	5.19%	3.01%	3.05%
Peoples Trust Co.	4.12%	3.09%	3.06%	3.92%	4.81%	4.76%	3.77%	4.72%	2.80%	0.93%	3.64%	4.50%	4.42%
Randolph National Bank	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Union Bank	4.89%	3.07%	4.32%	4.01%	3.06%	5.25%	6.13%	5.56%	4.67%	4.33%	4.39%	4.69%	5.31%

HOMEOWNERSHIP DELINQUENCY REPORT
FISCAL YEAR 2007

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
Total Portfolio #	4799	4876	4932	4946	4988	5041	5059	5070	5102	5124	5150	5200	5024
Total Portfolio $	388.6	401.9	412.7	417.9	426.3	436.9	439.7	442.5	449.4	453.9	460.7	470.8	433.4

NUMBER OF DELINQUENT LOANS

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	199	187	223	194	224	232	209	192	176	167	212	202	201
60 Days	50	41	42	44	55	78	59	63	39	49	28	54	50
90 Days	13	16	15	14	19	23	25	17	14	17	13	12	17
Foreclosure	41	41	37	35	39	34	37	44	42	39	42	40	39
Total Delq FY 07	303	285	317	287	337	367	330	316	271	272	295	308	307
Total Delq FY 06	331	315	323	288	347	353	338	319	271	310	286	280	313

PERCENT BY NUMBER OF DELINQUENT LOANS

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	4.15%	3.84%	4.52%	3.92%	4.49%	4.60%	4.13%	3.79%	3.45%	3.26%	4.12%	3.88%	4.01%
60 Days	1.04%	0.84%	0.85%	0.89%	1.00%	1.55%	1.17%	1.24%	0.76%	0.96%	0.54%	1.04%	0.99%
90 Days	0.27%	0.33%	0.30%	0.28%	0.38%	0.46%	0.49%	0.34%	0.27%	0.33%	0.25%	0.23%	0.33%
Foreclosure	0.85%	0.84%	0.75%	0.71%	0.78%	0.67%	0.73%	0.87%	0.82%	0.76%	0.82%	0.77%	0.78%
Total Delq FY 07	6.31%	5.85%	6.42%	5.80%	6.65%	7.28%	6.52%	6.24%	5.30%	5.31%	5.73%	5.92%	6.11%
Total Delq FY 06	7.21%	6.89%	7.05%	6.30%	7.60%	7.68%	7.31%	6.88%	5.81%	6.65%	6.09%	5.87%	6.78%

DOLLAR AMOUNT OF DELINQUENT LOANS

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	$11.2	$11.2	$13.2	$12.9	$13.7	$14.6	$13.1	$13.0	$10.7	$10.1	$13.7	$13.0	$12.5
60 Days	$2.9	$2.3	$2.5	$2.7	$3.2	$4.6	$3.5	$4.0	$2.7	$2.8	$1.8	$3.0	$3.0
90+ Days	$3.1	$3.2	$3.1	$2.9	$3.7	$3.8	$3.9	$3.7	$3.4	$3.5	$3.6	$3.4	$3.4
Total Delq FY 07	$17.2	$16.7	$18.8	$18.5	$20.6	$23.0	$20.5	$20.7	$16.8	$16.4	$19.1	$19.4	$19.0
Total Delq FY 06	$19.4	$17.6	$18.9	$16.8	$20.2	$20.3	$20.2	$18.9	$15.8	$17.6	$16.5	$16.2	$18.2

REO INVENTORY REPORT
As of June 30, 2007

Mortgagor	REO Date	City/Town	Princ. Bal.	Interest	Expenses	Receipts (1)	Total Cost Basis	Valuation Allowance	List Amount (2)	Current Appraisal	Date Last Appraised	Original Appraisal	Loan Date	Type	Comments
Peryea	**2/26/2007**	**Rutland**	**$ 24,516**	**$ 5,970**	**$ 14,414**	**$ -**	**$ 44,900**	**$ -**	**$ 82,000**	**$ 92,000**	**3/28/07**	**$ 80,000**	**12/17/01**	**SF**	**UC; closing 7/27/07; excess proceeds go to RD**
Munyon	6/21/2007	Braintree	$ 45,275	$ 4,854	$ 7,803	$ -	$ 57,932	$ -	$ -	$ 70,000	6/6/07	$ 51,000	12/31/96		Working directly with an interested buyer
	2		**$ 69,791**	**$ 10,824**	**$ 22,217**	**$ -**	**$ 102,832**	**$ -**	**$ 82,000**	**$ 92,000**		**$ 80,000**			

REOS that are under deposit

(1) Receipts column represents actual and projected/estimated mortgage insurance claim payments

(2) If Property is under deposit the List Price is the actual sale price.

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Senior Development Underwriter CR

DATE: July 25, 2007

RE: Tax Credit Status Report

Board Action: No Board action is required.

Attached is the tax credit status report for 9% Ceiling Credits. The report illustrates that $3,878,982 of the 2007-2008 pool was committed, leaving $696,018 available to allocate. The project requesting credits this month would, if approved, reduce the available credits to $622,018. This amount will be adjusted upward somewhat, once we receive national pool credits and a return of a portion of Credits from Willard Mill in St. Albans.

Also included is the "State Consolidated Plan Priorities/Other Priorities Table" that shows how projects from 2005 to current meet the Consolidated Plan Priorities. This is provided to show how Cummings Street Apartments fares in comparison to other projects that recently received Housing Credit commitments.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

Housing Credit Status Report

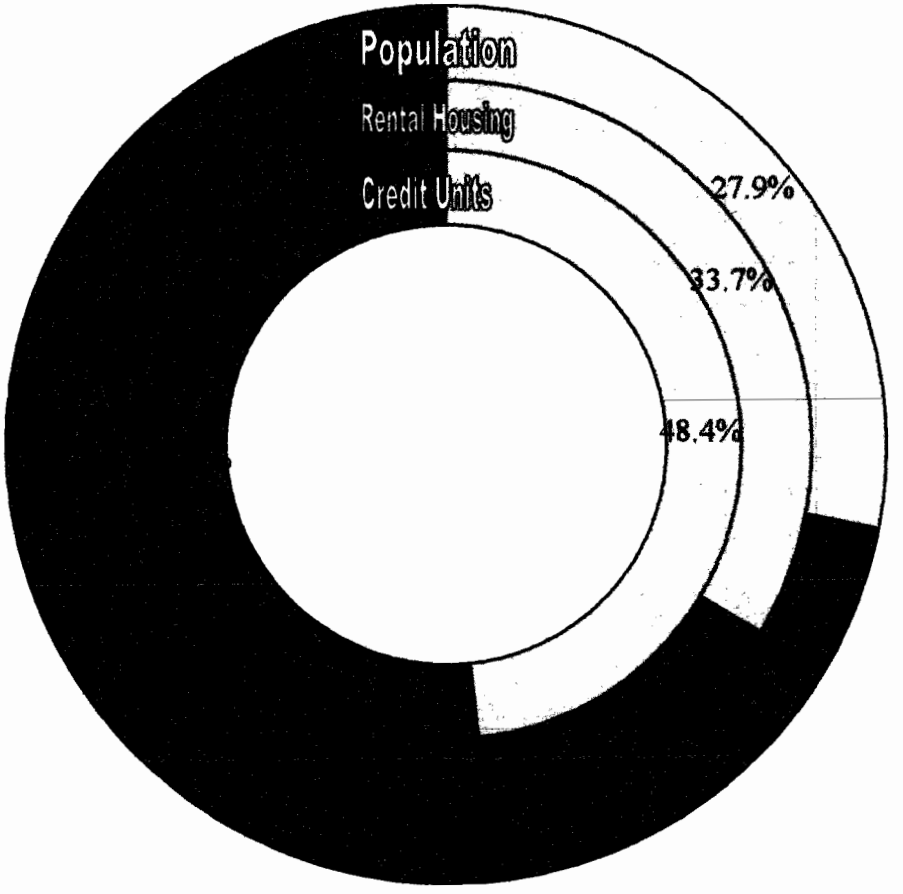
2006 Carry Forward to 2007		-	
Total 2007 Available		2,275,000	
Total 2008 Available		2,300,000	
2006 National Pool		-	
2007 Returns		-	
2008 Returns		-	
Total 2007-08 Available:		4,575,000	
Less: LOI, Res, CA issued in 2007/08		3,878,982	
Remaining Available in 2007-08:			696,018

Project Name	City	County	MSA / Non MSA	Total # of Units	# of LIHTC Units	Project Type	Housing Credit Allocation	Status
Pipeline								
New Construction - Family	Vergennes	Addison	Non MSA	40		New Construction	284,615	
Jay Waterman	Stowe	Lamoille	Non MSA	40		New Construction	489,000	
Silver Stone Partners	Rutland	Rutland	Non MSA					
New Construction	Shelburne	Chittenden	MSA			New Construction		
Norwich	Norwich	Windsor	Non MSA			New Construction	330,769	
Putney Village	Putney	Windham	Non MSA	35	29	New Construction	538,000	Ventures approved
Pre-Applicaton Meetings								
Sports Arena Neighborhood	St Albans	Franklin	MSA			New Construction		Bove/Marcellino
Johnson Community Housing	Johnson	Lamoille	Non MSA	29	27	Rehab/New Construction	241,663	on hold
Meadowlane Apartments	Milton	Chittenden	MSA	36	31	Acq/Rehab/New Const	230,000	to Board 9/07
Cummings Street Apartments	Montpelier	Washington	Non MSA	20	20	Acq/Rehab	74,000	to Board 8/07
Letter of Intent, Reservation, or Carryover Allocation Issued								
Grange Hill	Woodstock	Windsor	Non MSA	26	26	New Construction	365,500	to use 2007 credits, board approved June 07
Armory Square Allocated	Windsor	Windsor	Non MSA	43	43	Acq/Rehab	599,600	to use 2007 credits, board approved June 07
Tontine Canal	Guilford/Brattleboro	Windham	Non MSA	21	19	Acq/Rehab	225,000	to use 2007 credits, board approved June 07
King Street Housing/Howard Bank Block	Burlington	Chittenden	MSA	20	20	New Construction	410,000	to use 2007 credits, board approved June 07
Wheeler Brook Housing	Warren	Washington	Non MSA	18	16	New Construction	260,000	Board Approved May 2007
Downtown Crossing, Bennington (RAHC)	Bennington	Bennington	Non MSA	12	10	Rehab/New Construction	143,000	to use 2007 credits
Stonewall / Bianchi	Montpelier	Washington	Non MSA	18	17	Acq/Rehab	150,000	to use 2007 credits
Hardwick - Bemis Block	Hardwick	Caledonia	Non MSA	14	14	Acq/Rehab	98,000	Has 2007 Carryover & 2007 Commitment
Willard Mill	St. Albans	Franklin	MSA	27	25	Acq/Rehab	432,662	Board Approved; 2007 Commitment
Birge & Worden	Brattleboro	Windham	Non MSA	17	15	Acq/Rehab	244,000	Board Approval; 2007 Reservation
Stowe	Stowe	Lamoille	Non MSA	28	22	New Construction	519,000	Board Approved; 2006 Carryover
Village Housing	Middlebury	Addison	Non MSA	30	25	New Construction	531,000	Board Approved; 2006 Carryover
Rutland AFS	Rutland	Rutland	Non MSA	13	12	New Construction/Rehab	227,000	Board Approved; 2006 Carryover
Callahan Housing	Burlington	Chittenden	MSA	28	28	Acq/Rehab	267,750	Board Approved Dec-05; 2007 Commitment
Bradford	Bradford	Orange	Non MSA	32	27	Rehabilitation	434,375	Board Approved Dec-05
Enosburg Falls Downtown Redevelopment	Enosburg Falls	Franklin	Non MSA	28	25	New Construction/Rehab	509,250	Board Approved Nov-05; 2006 Carryover
Eastern Townships (fka Main St Mill)	Richford	Franklin	Non MSA	12	12	Rehabilitation	162,500	Board Approved 9/22/05; 2007 Reservation
Wilder Building	Brattleboro	Windham	Non MSA	8	8	Rehabilitation	118,500	Construction Complete; 8609s Issued
West River Valley Senior Housing	Townshend	Windham	Non MSA	52	34	New Construction	473,000	Has 2007 Carryover & 2007 Reservation
Southview Apartments	Springfield	Windsor	Non MSA	69	54	Acq/Rehab	360,000	Board Approved 6/9/05
Sadawga Springs Apartments	Whitingham	Windham	Non MSA	9	7	Acq/Rehab	112,350	Construction Complete; 8609s Issued
Oak & Homestead	Brattleboro	Windham	Non MSA	16	15	Acq/Rehab	224,000	Construction Complete; 8609s Issued
Dorset Housing	Dorset	Bennington	Non MSA	20	16	New Construction	273,000	Construction Complete; 8609s Issued
Stone Hill	Middlebury	Addison	Non MSA	27	22	New Construction	378,000	Construction Complete; 8609s Issued
Waugh Opera Block	St Albans	Franklin	MSA	20	16	Rehab	233,600	Construction Complete; 8609s Issued
River Station	Montpelier	Washington	Non MSA	36	29	New Construction	465,000	Construction Complete; 8609s Issued
Barlow Square	Winooski	Chittenden	MSA	213	98	New Construction	2,214,260	Has 2005 Carryover

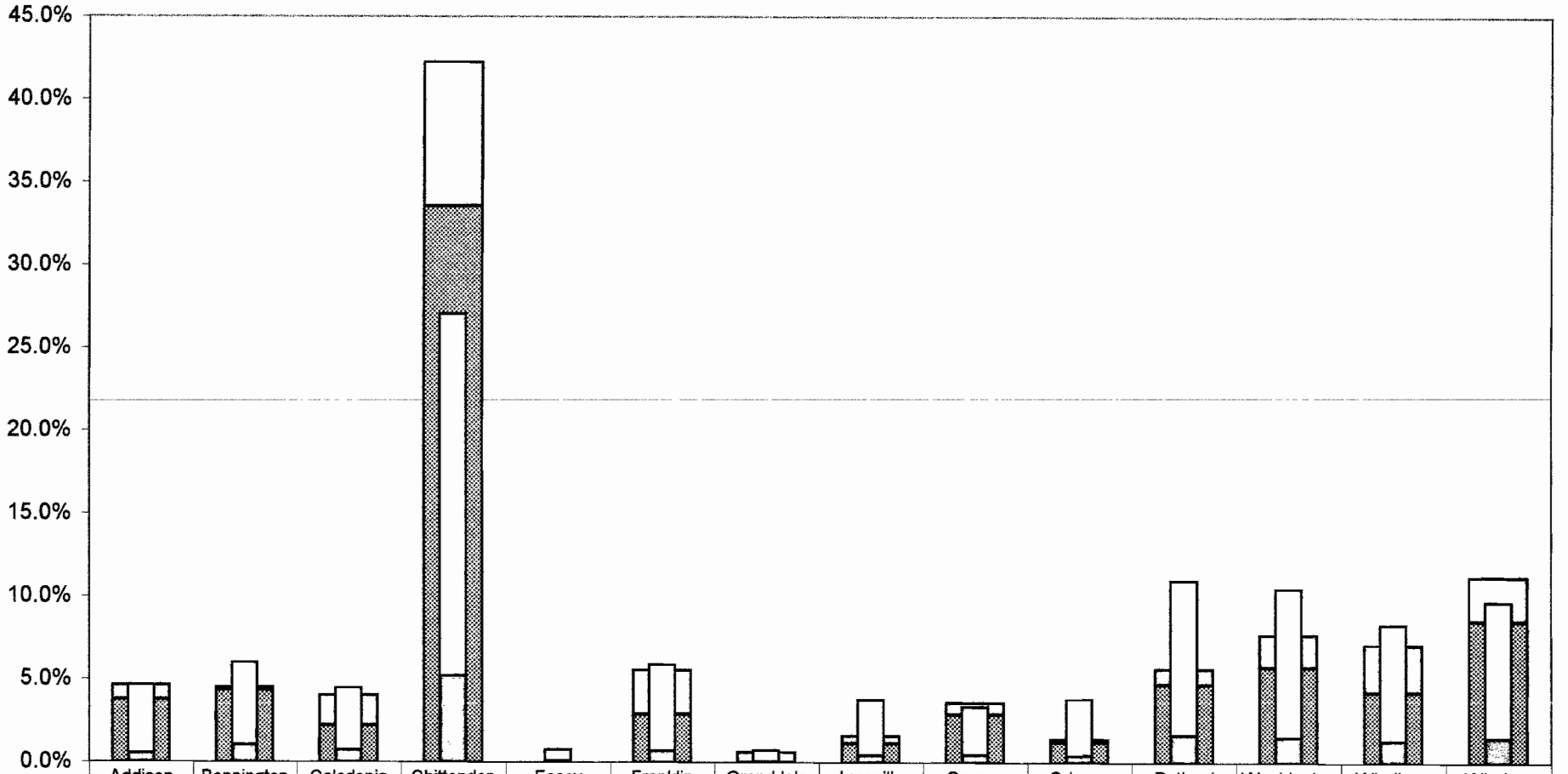
State Consolidated Plan Priorities / Other Priorities Table

	First Tier						*Second Tier*						
2008	**Rehab or Vacancy <3.5%**	**Family Housing**	**Settlement Pattern**	**Downtown or Village Center**	**Removal of Blight**	**Special Needs**	**Mixed Income**	**Unique Design**	**<30% or targets homeless**	**Public Housing**	**Eventual Tenant Ownership**	**Total**	**Housing Credit Amount**
Cummings Street Apts	XX	XX	XX	XX					X			53%	$ 74,000
Tontine Canal	XX	XX	XX	XX								47%	$ 225,000
King Street Housing	XX		XX	XX							X	41%	$ 410,000
Armory Square Allocated	XX		XX	XX					X			41%	$ 599,600
Grange Hill	XX	XX	XX									35%	$ 365,500
2007													
Stonewall / Bianchi	XX	XX	XX	XX	XX		X		X			71%	$ 125,000
Downtown Crossing	XX	XX	XX	XX			X					53%	$ 143,000
Bemis Block	XX		XX	XX	XX				X			53%	$ 98,000
Willard Mill, St. Albans	XX	XX	XX	XX			X					53%	$ 459,000
Main Street Mill Revelopmt Richford	XX		XX	XX	XX							47%	$ 162,500
West River Valley Senior			XX	XX		XX	X		X			47%	$ 430,000
Callahan	XX	XX	XX	XX								47%	$ 255,000
Birge & Worden, Brattleboro	XX		XX	XX			X		X			47%	$ 238,500
Wheeler Brook Housing	XX	XX					X					29%	$ 260,000
2006													
Rutland AFS	XX	XX	XX	XX								47%	$ 227,000
Middlebury South Village (MF)	XX	XX	XX	XX								47%	$ 531,000
Bradford Scattered Sites	XX	XX	XX	XX								47%	$ 397,500
Stowe Family Housing	XX	XX	XX				X					41%	$ 495,000
Enosburg Falls Housing			XX	XX	XX			X				41%	$ 509,250
2005													
Sadawga Springs Apartments	XX	XX	XX	XX	XX		X					65%	$ 112,350
Southview, Springfield	XX	XX	XX	XX			X		X			59%	$ 360,000
Oak & Homestead	XX	XX	XX	XX			X		X			59%	$ 224,000
Waugh Opera House	XX		XX	XX	XX		X	X				59%	$ 233,600
Barlow Square	XX	XX	XX	XX			X					53%	$ 2,214,260
River Station	XX	XX	XX	XX			X					53%	$ 460,000
Stone Hill	XX	XX	XX	XX			X					53%	$ 36,000
Wilder Block	XX		XX	XX	XX							47%	$ 118,500
Dorset Housing	XX	XX					X					33%	$ 273,000

MSA / Non MSA


Population
Rental Housing
Credit Units
27.9%
33.7%
48.4%
MSA
Non MSA

Geographic Distribution



	Addison	Bennington	Caledonia	Chittenden	Essex	Franklin	Grand Isle	Lamoille	Orange	Orleans	Rutland	Washington	Windham	Windsor
units in process	0.9%	0.2%	1.9%	8.7%	0.0%	2.7%	0.6%	0.4%	0.7%	0.2%	1.0%	2.0%	2.9%	2.7%
units in service	3.7%	4.3%	2.2%	33.5%	0.0%	2.9%	0.0%	1.1%	2.9%	1.2%	4.7%	5.8%	4.2%	8.6%
all assisted units	0.56%	1.06%	0.74%	5.24%	0.11%	0.74%	0.07%	0.46%	0.50%	0.47%	1.67%	1.55%	1.34%	1.52%
all rental housing	4.6%	6.0%	4.5%	27.0%	0.8%	5.9%	0.7%	3.8%	3.4%	3.8%	11.0%	10.5%	8.3%	9.7%

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sam Falzone, Director, Multifamily Programs

DATE: July 23, 2007

RE: **Capital Needs Assessment (CNA) Standards and Guidance**

No Board action is required. This is being provided for your information.

VHFA and VHCB have been working together on a joint CNA policy for more than a year. Recently, DHCA's Molly Duggan has been brought into the process and the attached memo and policy document is the culmination of this cooperation. These guidelines and standards have been presented to both VHCB and DHCA and are now shared with the VHFA Board for the first time.

In the coming weeks, we will be sharing this memo and document with all owners, managers and developer/sponsors that are active participants in VHCB, DHCA and VHFA funded programs.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

MEMORANDUM

TO: **Owners, Managers and CNA Providers**

FROM: **VHFA, VHCB, DHCA (VCDP)**

DATE: **July 9, 2007**

RE: **Capital Needs Assessments (CNAs)**

VHFA and VHCB have collaborated on the issue of Capital Needs Assessments and Replacement Reserve funding levels since early 2003. At that time, **Tom Dillon of Dillon Consulting** conducted a research study analyzing 101 properties in our joint portfolios including Section 8 assisted properties with and without Low Income Housing Tax Credits and properties that did not use either of these programs. His findings generally determined that although the properties with Section 8 rental assistance were better able to meet their capital needs over a 20 year period, not surprisingly, all properties included in the study will require major capital improvements as they age. As the Compass Group did in 2006, Tom found existing replacement reserve levels to be adequate to cover some improvements. In other cases, financial restructuring, refinancing or public investment will be necessary to meet those needs. The Compass Group estimated that 52.8% of the 70 properties that they examined would have sufficient reserves or could achieve sufficient reserves through refinancing only, based on the CNA. When calculated on a per unit basis, 66.1% of units have sufficient reserves or could achieve them through refinancing only. Compass also estimated that 33% of projects would need more than $5,000/unit in additional investment.

Over the past couple of years, VHCB and VHFA have continued moving toward a more formalized joint policy on Capital Needs Assessments and Replacement Reserve deposits. DHCA has recently joined these efforts. Relying heavily on the work of **On-Site Insight of Needham, MA,** and **The Compass Group**'s report on a sample of VHCB and VHFA funded affordable properties, we are now prepared to offer guidance and standards on CNAs and reserve funding levels.

The following is provided to guide you in contracting for CNA studies and in taking future capital needs issues into account during project development. We hope this will prove to be a helpful tool in providing a roadmap for your properties to better meet their future capital needs. Appendix I is a list of CNA firms that provide a report that meets our stated standards and requirements. If you would like to use another firm, please have them submit a sample report to your funding agency for review and approval before entering into a contract for services.

VHFA, VHCB, DHCA (VCDP) Capital Needs Assessment Guidance
July, 2007

Table of Contents

This document has been developed as guidance for housing developers, asset managers and property managers who rely on capital needs assessments as a tool for the long term physical health of affordable housing properties. These guidelines are divided into five (5) sections with two (2) appendices:

Section 1):	Definition of Capital vs. Maintenance/Operating Expense.
Section 2):	Capital Needs Issues to Consider During the Development Process
Section 3):	General VHCB, VHFA & DHCA (VCDP) CNA Report Requirements
Section 4):	CNA Updates
Section 5):	Required Components of a Capital Needs Assessment (CNA)
Appendix I):	VHCB/VHFA/DHCA Approved Independent CNA Consultants
Appendix II):	Building Component Expected Useful Life (EUL) Table

VHFA, VHCB, DHCA (VCDP) Capital Needs Assessment Guidance

For the purpose of this document, capital expenses are considered expenses involving the replacement of building components over time. They are not annually recurring expenses and differ from routine building maintenance expenses in this way.

Definition of Capital vs. Maintenance Operating Expense

Capital Expense – Major capital improvements to maintain the physical integrity and upkeep of a property are usually funded from the Replacement Reserve account. Funds from this account should be restricted for uses consistent with the CNA unless otherwise approved by the funding agencies. Typical uses include : new appliances, heating equipment, hot water heaters, reshingling roofs, exterior painting and repair, kitchen and bathroom fixtures, doors and windows, flooring, plumbing equipment, kitchen cabinetry, elevators, grounds maintenance equipment, major sitework modifications, septic/sewer line repair, sprinkler and alarm systems, electrical equipment, and similar improvements or replacements.

Maintenance Expense – any and all regular and recurring expenses associated with maintaining the physical integrity and upkeep of a property not otherwise considered a capital expense.

Capital Needs Issues to Consider During the Development Process

Several critical areas play an important role in assuring both new and existing properties are able to meet future capital replacement costs. They include:

- Annual replacement reserve deposits for **new projects** should be adequately sized based on a high quality capital needs assessment.

- When acquiring and/or rehabbing an **existing building**, the scope of rehabilitation work and CNA must be in sync so that the CNA for a rehabbed property reflects the new infrastructure and systems. This will also result in establishing accurate replacement reserve deposit levels so reserves can accumulate prior to the need for replacement of building components.

- Funds for completing the first post-construction or rehabilitation CNA should be included in the development budget.

- Accurate assumptions in the development and underwriting phase are critical to a property's ability to fund reserves in the required amount. Income, expense and trending estimates must be realistic and based on experience of asset management staff using the most similar properties' actual history.

Pre-Capitalized Reserves and Completion of Initial CNA

- The funding agencies strongly encourage and in some cases may require the capitalization of a replacement reserve account initially during the development stage

in combination with required ongoing deposits in order to help match the future funds needed with actual replacement costs.

- New construction properties must complete a Capital Needs Assessment no later than six months from the date of construction completion. If a CNA has not been completed at the time the property is placed in service a pre-capitalized reserve in the amount of $1,000/unit is strongly recommended. If the CNA is provided at closing or construction completion, the replacement reserve deposit levels in the operating budget should reflect the amount indicated in the CNA.

- New loan/grant applications for existing buildings not undergoing substantial rehabilitation must include a CNA to support the budgeted reserve deposit levels. For the purpose of this document, substantial rehabilitation is defined as rehabilitation that involves the upgrading or replacement of the majority of building components to achieve a "like new" condition. Moderate rehabilitation is defined as selective replacement of building components that have come to the end of their useful life or are within five years of coming to the end of their useful life, or need to be upgraded to meet current building code requirements. In general, the cost of construction in a building undergoing moderate rehabilitation is less than 25% of the total development cost (consult with funders' staff on a case by case basis).

General CNA Report Requirements

- Initial CNA's on all projects must be completed by an approved third party who does not have an identity of interest relationship with the developer, owner or sponsor.

- Each CNA report must cover a period of twenty (20) years for both existing (rehab.) projects and new construction.

- Each CNA report must include a cash flow model, in spreadsheet format, providing an analysis of existing capital reserves and a detailed year by year schedule of expected repairs and replacement costs incurred. An inflation factor that is consistent with actual experience and historical data shall also be built into future replacement cost projections. (We recommend that an electronic copy of the spreadsheet be provided to the developer, owner or sponsor so that it can be used as an interactive record of capital costs and reserve balances moving forward.)

CNA Updates

- Each CNA must be updated every five (5) years for the life of the project. Updated CNA's should be incorporated into the yearly annual budget process as an integral part of capital planning and should reflect any changes in federal, state or local codes which may impact on future capital needs.

  Property owner/managers will have two options for fulfilling the requirement for five (5) year CNA updates:

  Option 1: Owners/managers will hire a third party approved CNA provider to provide a new/updated CNA every five years.

Option 2: Owners/managers who show the interest and capacity(in the opinion of funders) to perform an "in house" CNA review and update will be permitted to do so at the 5,15,25 .... year review period. The requirement for a formal third party CNA will be for years 1,10,20.... Owners/managers wishing to pursue Option 2 shall perform the following:

1) Submit a letter of intent to the Asset Management Staff of your funding agency outlining the property to be reviewed, the name/s of the in house staff tasked with performing the review, the qualifications of this/these staff member/s to perform a CNA review, and the current reserve balance surplus/shortfall projection based on the previous formal third party CNA which is to be reviewed and updated.

2) In house staff in performing the CNA review/update shall assess all appropriate building systems. EUL estimates provided with these guidelines together with on site experience and other sources shall be utilized to extend the review period an additional five years maintaining a 20 year projection time horizon.

3) Upon completion of the update/review process a report shall be submitted to VHCB/VHFA/DHCA Asset Management staff outlining the findings of the CNA update/review together with a projection spreadsheet reflecting the new extended 20 year time horizon. This report shall be reviewed and signed by owner/manager's Director of Asset Management (or equivalent) as well as by the owner/manager's Executive Director.

Required Components of a Capital Needs Assessment (CNA)

An effective CNA is composed of the following elements:

The inventory component must include all of the building systems, not just those that may require attention during the twenty year report period. Any item that has recently been replaced, and may not be expected to need attention again for the next twenty years or more, should still be listed for reference. If the assessor has made an assumption that a particular item represents an operating cost concern, the analysis should be shown to facilitate discussion and remediation.

Each system or item included must have its age identified. In older properties, ages of components may not coincide with the development's age. Ages may vary widely between items and even across a single item. i.e., Unit flooring may have been installed over a five-year period, which began eight years ago.

Expected useful life (EUL) estimates are the key to replacement timing. Capital planning is built on the idea that even systems that operate properly now will eventually fail. EULs should be adjusted from the norms found in various tables to the actual conditions at each development. EULs should be adjusted for climate, original materials and installation, maintenance practices, and resident demographic profiles. For example, elderly and family occupancy present different issues. Tables for typical estimated useful life cycles may be found on the Fannie Mae website and are attached as Appendix II as an example.

Cost estimating is a critical part of capital planning and the CNA consultant should take into account replacement costs adjusted for the local area. The ability to adjust costs for individual building circumstances and the relative purchasing power of the developer/owner/manager are equally important. *RS Means* and *Marshall and Swift* are reliable resources for this information.

A detailed year-by-year cost summary of all of the anticipated capital needs should list not only how much needs to be spent but when. While a steady level may be desirable from a financial viewpoint, peaks and valleys will more accurately describe the real needs of the property, especially at single-building developments.

Narrative presentations should describe the current condition, maintenance history, and the rationale behind the consultant's cost and timing decisions (an Executive Summary is especially helpful). Narratives allow for a description of the cause of current problems, details on location of problems, or discussion of alternatives like rebuilding a pump motor instead of replacing the whole pump.

Photographs are required and are an invaluable tool when the report has a non-technical audience or is shared with a third party. These readers may never have been in a boiler room or crawl space and may be unfamiliar with technical terms. Photographs can also support the findings and recommendations of the consultant. Showing the extent of the siding damage or the width of the foundation cracks can overcome a lot of resistance.

Capital Need Assessments must incorporate plans to install or maintain required building code requirements and improvements required under ADA, Section 504 and/or Fair Housing Guidelines.

Optimum Energy Efficiency is critical. In today's escalating and volatile utility markets, properties must be as energy efficient as possible and meet the highest standards possible to assure long-term operating sustainability. Recommendations on energy and utility efficiency improvements must be included as an essential part of the CNA. VHCB, VHFA & VCDP Energy Standards (please refer to Efficiency Vermont's website www.efficiencyvermont.com) should be used as a frame of reference in achieving optimum energy efficiency.

Most importantly, in order to be useful, the CNA must evaluate existing capital reserves and annual contributions to reserves against the long-term spending plan. This analysis, presented as a spreadsheet cash flow analysis, will indicate the optimum annual contribution to reserves in a way that can be convincingly presented to funding agencies. The reserve plan should reflect real life constraints that are at odds with making the "optimum" contribution. Please go to www.on-site-insight.com, www.freddiemac.com/multifamily/mf_forms/pdf/fl105.pdf or www.efanniemae.com/mf/guidesforms/pdf/forms/III-12.PDF for detailed information and an example of what we consider good models of CNA formats.

APPENDIX I
VHFA Approved Independent CNA Consultants
March 1, 2007

Tom Dillon Consulting
8453 Route 116
Hinesburg, VT 05461
(802) 999-6175 cell
(802)482-3735 home or fax
tdillonconsulting@yahoo.com

David Whiston
On-Site Insight
100 Crescent Rd.
Needham, MA 02194
(781) 449-7752
osi@on-site-insight.com

Jerome L. Wuebbolt
RIGHT-TRAK DESIGN, INC.
58 Beaver Pond Road
Weare, New Hampshire 03281- 5800
(603) 529-2022

Criterium LaLancette
P.O. Box 6348
Rutland, VT 05701
802-747-4535
800-639-4535
Fax : 802-747-2307
E-Mail: Engineer@sover.net
Website: www.criterium-engineers.com

Brian Roy
DKM Consulting, LLC
PO Box 10506
Bedford, NH 03110-0506
(603) 641-3851
www.b.roy1@comcast.net

Appendix II

EXPECTED USEFUL LIFE (EUL) TABLES

EXPECTED USEFUL LIFE TABLE

SITE SYSTEMS NOTE: 50+ = "long-lived" systems: EUL based on location and use-specific conditions	Family Development	Elderly Development	Action "Action" equals replace unless otherwise noted
Basketball Courts	15	25	
Built Improvements (playgrounds/site furniture)	20	20	
Catch Basin	40	40	
Cold Water Lines	40	40	
Compactors	15	15	
DHW/Supply/Return	30	30	
Dumpsters	10	10	
Dumpster Enclosures	10	10	Fence only
Earthwork	50+	50+	
Electrical Distribution Center	40	40	
Emergency Generator	15	15	
Fencing			
Chain link	40	40	
Wrought iron	50+	50+	
Stockade/Basketweave	12	12	
Post and rail	25	25	
Gas Lines	40	40	
Heating Supply/Return	40	40	
Incinerators	50+	50+	
Irrigation System	30	30	
Lift Station	50	50	
Mail Facilities	10	10	
Landscaping	50+	50+	
Parking			
Asphalt	25	25	Resurface
Gravel	15	15	Resurface
Pedestrian Paving	15	15	Resurface
Bituminous	15	15	
Concrete	30	30	
Retaining Walls			
Concrete	20	20	Fill cracks/Repoint
Masonry	15	15	Fill cracks/Repoint
Wood	15	15	Replace
Stone	15	15	Fill cracks/Repoint
Roadways			
Asphalt (Sealing)	5	5	Seal
Asphalt	25	25	Resurface
Gravel	15	15	Resurface (grade and gravel)
Sanitary Treatment	40	40	
Site Electric Main	40	40	
Site Gas Main	40	40	
Site Lighting	25	25	
Site Power Distribution	40	40	
Site Sanitary Lines	50+	50+	
Site Sewer Main	50+	50+	
Site Water Main	40	40	
Storm Drain Lines	50+	50+	
Swimming Pool -- deck	15	15	Resurface deck
mechanical equipment (filter/pump/etc)	10	10	
Tennis Courts	15	15	Resurface
Transformer	30	30	
Water Tower	50+	50+	

EXPECTED USEFUL LIFE TABLE	Family Development	Elderly Development	Action
MECHANICAL/ELECTRICAL			
NOTE: 50+ = "long-lived" systems: EUL based on location and use-specific conditions			
Central Unit Exhaust, roof mounted	15	15	
Chilled Water Distribution	50+	50+	
Chilling Plant	15	25	
Compactor	15	15	
Cooling Tower	25	25	
Electrical Switchgear	50+	50+	
Electrical wiring	50+	50+	
Elevator, Controller/Dispatcher	15	20	
Elevator, Cab	15	20	Rebuild interior
Elevator, Machinery	30	30	
Elevator, Shaftway Doors	20	30	Replace gibs and rollers
Elevator, Shaftways			
Hoist rails, cables, travelling equipment	25	25	
Hydraulic piston and levelling equipment	25	25	Re-sleeve piston
Emergency Call Alarm System, Station	15	15	
Emergency Generator	35	35	
Emergency Lights	10	10	Battery operated
Evaporative Cooler	15	15	
Fire pumps	20	20	Pump motor
Fire Suppression	50+	50+	Piping
Gas Distribution	50+	50+	Piping
Heat Sensors	15	15	
Heating Risers and Distribution	50+	50+	
Heating Water Controller	15	15	
Hot and Cold Water Distribution	50	50	
HVAC			
Cooling Only	15	15	
Heat Only	15	15	
Heating and Cooling	15	15	
Master TV System	15	15	
Outdoor Temperature Sensor	10	10	
Sanitary Waste and Vent System	50+	50+	
Sewage Ejectors	50	50	
Buzzer/Intercom, central panel	15	15	
Smoke & fire detection system, central panel	15	15	
Sump pump			
Residential	7	7	Replace
Commercial	15	15	Replace motor
Water softening and filtration	15	15	
Water tower	50+	50+	
Boiler Room Equipment			
Blowdown and Water Treatment	25	25	
Boiler Room Pipe Insulation	With boiler	With boiler	
Boiler Room Piping	With boiler	With boiler	
Boiler Room Valves	15	15	Repack valves
Boiler Temperature Controls	With boiler	With boiler	
Boilers			
Oil-fired sectional	22	22	
Gas or dual-fuel-fired sectional	25	25	
Oil- gas- or dual-fuel-fired package, low MBH	30	30	

EXPECTED USEFUL LIFE TABLE	Family Development	Elderly Development	Action
BUILDING ARCHITECTURE (continued)			
Hatches/Skylights			
Access hatch	30	30	
Smoke hatch or skylight	50+	50+	
Insulation/Wall	50+	50+	
Interior Lighting	25	25	
Interior Railings	50+	50+	
Kitchen Cabinets	20	20	
Local HVAC			
Electric fan coil	20	20	
Electric Heat/Electric AC	15	15	
Gas furnace with split DX AC	20	20	
Heat pump w. Supplementary electric	15	15	
Heat pump, water source	20	20	
Hydronic fan coil	30	30	
Hydronic heat /electric AC	20	20	
Mail Facilities	10	30	
Parapet Wall	50+	50+	
Penthouse	25	25	New door and pointing
Public Bathroom Accessories	7	7	
Public Bathroom Fixtures	15	15	
Radiation			
Hydronic (baseboard or freestanding)	50	50	
Electric baseboard	25	25	
Electric panel	20	20	
Railings Roof	10	10	Paint
Refrigerator, common area	15	15	
Residential Glass Doors			
Sliding	15	15	
Atrium/French	30	30	
Roof Covering			
Aluminum Shingles	40	40	
Asphalt Shingles	20	20	
Built-up (BUR)	20	20	
Membrane	20	20	
Metal (preformed)	40	40	
Slate, Tile,Clay, or Concrete Shingles	50+	50+	
Wood Shingles	20	20	
Roof Drainage Exterior (gutter and fascia)	25	25	New gutters
Roof Drainage Interior (Drain covers)	50+	50+	
Roof Structure	50+	50+	
Slab	50+	50+	
Service Doors	25	25	
Soffits			
Wood/Stucco/Concrete	5	5	Paint
Aluminum or Vinyl	25	25	Replace
Stair Structure	50+	50+	
Storm/Screen Doors	7	15	
Storm/Screen Windows	20	20	
Waterproofing Foundation	50+	50+	
Window Security	40	40	
Windows (Frames and glazing)	30	30	
Wood Floor Frame	50+	50+	

EXPECTED USEFUL LIFE TABLE	Family Development	Elderly Development	Action
BUILDING ARCHITECTURE			
NOTE: 50+ = "long-lived" systems; EUL based on location and use-specific conditions			
Appurtenant Structures			
Porches	50	50	Paint at 5 years
Wood Decks	20	20	Paint at 5 years
Storage Sheds	30	30	Paint at 5 years
Greenhouses	50	50	
Carports	40	40	
Garages	50+	50+	
Basement Stairs	50+	50+	
Building Mounted Exterior Lighting	6	10	
Building Mounted HID Lighting	6	20	
Bulkheads	30	30	
Canopies			
Wood/Metal	40	40	Replace
Concrete	20	20	Re-roof
Ceilings, exterior or open	5	5	Paint
Chimney	25	25	Point
Common Area Doors (fire/hall/closet/etc)	50+	50+	
Common Area Floors			
Ceramic/Quarry tile/Terazzo	50+	50+	Replace
Wood (strip or parquet)	30	30	Replace portion/sand and finish
Resilient flooring (tile or sheet)	15	15	Replace
Carpet	7	7	Replace
Concrete	50+	50+	Replace
Common Area Railings	50+	50+	
Common Area Ceilings			
Concrete/Drywall/Plaster	50+	50+	Replace (Paint 5-8 years)
Acoustic Tile	20	20	Replace
Common Area Countertop & Sink	20	20	
Common Area Dishwasher	15	15	
Common Area Disposal	5	5	
Common Area Walls	50+	50+	Replace (paint 5-8 years)
Exterior Common Doors			
Aluminum and Glass	30	30	Door only
Solid Core (wood or metal)	25	25	Door only
Automatic	15	30	Door and mechanism
Exterior Stairs			
Wood	30	30	Replace
Filled Metal Pan	20	20	Replace
Concrete	50+	50+	Replace
Exterior Unit Doors	25	25	
Exterior Walls			
Aluminum siding	15	15	Prep and Paint
Brick or Block	40	40	Repoint
Brownstone/Stone Veneer	20	20	Waterproof and caulk
Glass Block	15	15	Recaulk
Granite Block	40	40	Repoint
Metal/Glass curtain wall	10	10	Recaulk
Precast concrete panel	15	15	Recaulk
Vinyl siding	30	30	Replace
Wood shingle,Clapboard,Plywood,Stucco	5	5	Prep and paint/stain
Fire Escapes	40	40	Resecure
Foundations	50+	50+	

EXPECTED USEFUL LIFE TABLE	Family Development	Elderly Development	Action
DWELLING UNITS			
NOTE: 50+ = "long-lived" systems: EUL based on location and use-specific conditions			
Bath Accessories	10	15	
Bath Fixtures (Sink, toilet, tub)	20	20	
Closet Doors	10	20	
Countertop and Sink	10	20	
Dishwasher	10	15	
Disposal	5	8	
Electric Fixtures	20	20	
Hallway Door	30	50	Door only
Heat Detectors	20	20	
Interior Door	30	50	Door only
Interior Stairs	50+	50+	
Kitchen Cabinets	20	25	
Living Area Ceilings			
Concrete/Drywall/Plaster	50+	50+	Replace (Paint at 5-8 years)
Acoustic Tile	20	20	
Living Area Floors			
Ceramic/Quarry Tile/Terrazzo	50+	50+	Replace
Wood (strip or Parquet)	30	30	Replace portion/sand and finish
Resilient Flooring (tile or sheet)	15	20	Replace
Carpet	7	10	Replace
Concrete	50+	50+	Replace
Living Area Walls	50+	50+	Replace (Paint at 5-8 years)
Local HVAC			
Electric fan coil	20	20	
Electric Heat/Electric AC	15	15	
Evaporative Condensor ("swamp cooler"	20	20	
Gas furnace with split DX AC	20	20	
Heat pump with supplementary electric	15	15	
Heat pump, water source	20	20	
Hydronic fan coil	30	30	
Hydronic heat /electric AC	20	20	
Range	15	20	
Rangehood	15	15	
Refrigerator	15	15	
Smoke/Fire Detectors	10	10	
Unit Air Conditioning (Window)	15	15	
Unit Electric Panel	50+	50+	
Unit Level Boiler	25	25	
Unit Buzzer/Intercom	20	30	
Unit Level DHW	10	10	
Unit Level Hot Air Furnace	25	25	
Unit Radiation			
Hydronic or Steam (baseboard or freestanding)	50	50	
Electric baseboard	25	25	
Unit Vent/Exhaust	15	15	
Unit Wiring	99	99	
Vanities	20	20	
Window Covering	3 - 20	3 - 25	Material/User Specific

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Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director

DATE: July 27, 2007

RE: **EXECUTIVE DIRECTOR'S REPORT**

Administration

The computer software project is moving right along. Mitas was on site again in June for the Finance process review session. Homeownership and Finance staffs are busy testing the new functionality of the proposed upgrades, while IS staff works with Mitas to resolve any issues that arise. The upgrade is currently scheduled for the week of October 1st.

With regard to the HDS implementations, staff has just completed additional due diligence based upon recently received information that could affect contract negotiations. There are no changes in direction for the Agency after completing this due diligence and we anticipate the final contract to be completed by mid to late August. The Section 8 module (TRACS – HUD piece) was installed and fully implemented in June. Erin Philbrick and other Multifamily staff did an excellent job working through this implementation.

Becky Greenough recently sat for her Professional in Human Resources certification and passed the exam. Becky spent several months attending classes and studying offline to round out her knowledge base in the HR profession. She now carries the designation of PHR.

Lisa Clark and Carolynn Mossey each celebrated their 10 year anniversaries with the Agency in July, with each being recognized at the recent staff meeting.

The recently formed Socially Responsible Committee is going strong. The group continues to meet every other week to inventory all the socially responsible and sustainable activities VHFA already has a part of its business, and it is also compiling a list of recommended additional steps for the Agency to consider going forward. I'm expecting the Executive Management team will review their recommendations by September, and bring a report to the Board after that. This has been a great addition to the already great work staff does. Not only has the group found research on how being socially responsible translates into better financial performance, but participating staff seem energized by this topic. Maura Collins just completed an intensive week long class at

UVM on sustainable business and so we hope to use some of that academic knowledge and apply it to the Agency's operations.

During the summer I take the opportunity to have lunch with small groups of staff. I really appreciate the chance to get to know them better. August 6th will be our family night at the Vermont Lake Monsters. If you are interested in going let Lori know.

Development

The Development Department has welcomed Clarence Davis on board as our new loan underwriter. Clarence worked for CVCLT as the Director of the Homeownership Center and before that was with First American Title Insurance in Vermont.

Staff has received loan applications or had development meetings on projects from: Milton, Winooski (two projects), Manchester, Derby Line, Windsor (Armory Square), Montpelier, St. Johnsbury and Bradford (a potential assisted living project). The Proctorsville rental and homeownership developments have had their construction loan closings, and ribbon cuttings were held for the Callahan apartments in Burlington's North End, and the Grand Way (Farrell Street) Senior Housing in South Burlington, where we will be having our August Board meeting.

Multifamily

Included in the new Multi Purpose bond issue were five multifamily projects that had been targeted for energy improvements as a result of our energy initiative from last fall's survey of 233 properties. A sixth property, Cummings Street in Montpelier, was also targeted for energy improvements and is being presented for redevelopment as part of this month's Board agenda. The Linden Terrace redevelopment was also included as a part of this bond issue and improvements are nearing completion.

The Eno property in Burlington has prepaid our VHFA loan and has been sold to a for-profit owner with the anticipation that the HAP contract will not be renewed when it expires in June 2010. Burlington Housing Authority attempted to purchase the property to keep it affordable. However, the project did not cash flow based on the requested purchase price and financing structure. The new owner, Rieley Investments has hired Champlain Housing Trust to continue managing the HAP/Section 8 aspects of the property.

We are working with the Champlain Housing Trust (CHT) on Alburgh Family Housing and exploring a number of different ownership options. This property is high on our Watch List and is of great concern to us. The general partner interest was purchased by Lake Champlain Housing a few years ago. but there are six limited partners who have different economic interests. Because of the location of this project it is very difficult to manage.

The new Housing Development Software (HDS) system which VHFA purchased for the Contract Administration of our Section 8 portfolio earlier this year is now up and running quite efficiently. The conversion went smoothly, and through the efforts of Kim Roy, Ann-Marie Plank, Kathy Curley and Erin Philbrick, the manual data entry required was done within a few days. Training and technical assistance continues with HDS staff.

HUD has converted its payment system to a process that will fund monthly HAP payments based on electronic monthly submissions that VHFA submits using HDS. Previously, VHFA submitted budgets annually and requested monthly HAP funds manually. Although this will eventually be a more efficient process, the transition to this new system has been a challenge for staff.

Homeownership

The past year has been very busy for the Homeownership Department and it was a great team effort in the purchase of new loans and the servicing of VHFA's current borrowers.

FY2007 was a record year -- VHFA purchased 937 loans for a total of $134.0 million! New England Federal Credit Union was VHFA's top lender followed by Chittenden Bank, Universal Mortgage, Community National Bank, and Mortgage Financial Services. Jeanne Boucher, formerly VHFA's Underwriting Manager, was the top originator. VHFA also received some press on this. The Burlington Free Press and Vermont Times ran stories about it, the Times putting it on their front page (next to the story about Homer Simpson and Springfield, VT!).

The average number of delinquent loans declined slightly in FY2007; however, the total number of properties acquired by VHFA through foreclosure was six! This compares with 14 properties in FY2006. Although the actual number of foreclosures initiated in FY2007 were approximately the same as FY2006, a much higher percentage of borrowers were able to reinstate from foreclosure or sell the property before the foreclosure was completed.

Public Affairs

It may be hard to believe, but it's time to begin planning for the 2008 statewide housing conference, scheduled for Tuesday, November 18th, at the Sheraton. John Fairbanks and Becky Greenough have been meeting and thinking, and they'll be keeping us all posted on progress. At present, they are planning for 18 workshops, and they are working to make this event as close to a "paperless" conference as possible. John will be contacting our faithful conference sponsors after Labor Day to invite them to support this event again, and he'll be organizing the conference advisory committee later in the fall.

Our next housing issue paper, "Housing and the Needs of Vermont's Aging Population," is undergoing final review and should be ready for release around Labor Day.

NCSHA has been talking to HFA staff about ways they can create a national communications strategy around affordable housing. Several HFA executive directors have been working on this, and it was discussed at the Executive Director's retreat in Woodstock on July 16th. Right now, it appears likely NCSHA will pull together a committee of HFA communications staffers to discuss how best to proceed.

We have submitted two VHFA projects for awards at this fall's NCSHA's annual conference in New Orleans—the very successful housing/wages report, "Between A Rock and A Hard Place," and our new multi-purpose bond issue—and John will be a panelist in a speechwriting workshop.

John has been at work updating the Housing Awareness Campaign's video. He and our videographer have produced a rough cut version which they hope to have edited and ready for distribution in late August.

And John is pursuing an interesting idea for a VHFA project, a partnership with the Children's Literacy Foundation, which distributes books to low-income Vermont children. http://www.clifonline.org/prog_shelters.html One way they do this is through setting up programs in housing developments and homeless shelters, and John and CLiF's executive director are meeting to discuss possibilities for working together on this.

Finally, John will be appearing on Mike McNamara's cable show with Nancy Owens from Housing Vermont on August 1st to talk about NIMBY-ism and presenting to a League of Women Voters event on September 19th to discuss affordable housing in Vermont and how to build public support for housing development. Rep. Helen Head and Brenda Torpy, CEO of Champlain Housing Trust will also be participating.

Finance

After months of due diligence, the VHFA bond working group closed the new Multi-Purpose Bond resolution the week of July 23rd. This is very different from previous indentures in that it combines both Multi-Family and Single-Family bonds under one indenture. By combining Single-Family and Multi-Family bonds, there were several benefits gained including reducing the interest rate on several existing multifamily loans, providing new financing to some existing projects for much-needed rehab work, and providing a lower interest rate for single-family mortgages. Because this deal was unique and complex compared to previous deals, several members of the bond working group (including the underwriter (UBS), Bond Counsel (Kutak Rock), Financial Advisor (Piper Jaffray) and the new trustee (Wells Fargo)) came to Vermont to coordinate the execution of many piles of legal documents to successfully close the deal. Scott Baker and Tom Connors have been heavily involved in this project, which not only involves working with a new trustee, but also involves working with a new rating agency. Fitch Ratings was hired to replace Standard & Poors and will join Moody's Investor Service as the other rating agency on this indenture. Scott Baker, Sam Falzone and Kim Roy did a great job working with our financial partners and were major contributors to the success of what has been described as the most complex bond deal in the history of the Agency.

The Finance Team also continued its hard work on the Mitas systems upgrade. Process Review meetings were successfully completed in May and June with Steve Mitas and Michelle Beythan from Mitas. Testing activity has also gone well. There were some challenges with the conversion of the data base, but through perseverance these were eventually resolved. The data base appears to be in good shape at this point. Lisa Clark continues to do a great job as the IT coordinator for Finance and the staff has been very supportive in walking through their processes and completing their testing assignments. The Finance Department anticipates a successful go-live in early October.

The other major focus of the Finance Department has been the year-end close activity and preparing for the auditors from KPMG. This labor-intensive process is currently on schedule. Most of the prep work is completed and is ready for delivery to KPMG. We expect the audit team to arrive the week of August 20th and to be on site for approximately two weeks with minimal wrap-up work early in the third week. Both teams from VHFA and KPMG have made a firm commitment to an efficient audit process with regular status check-ins to ensure a timely and on-budget completion of the audit. Tim Gutchell is responsible for coordinating the process with Sara Timmerman, the new KPMG manager on our account.

We have some good news in the staffing area. We have hired a new Staff Accountant to focus on accounts payable as well as to provide accounting support for the financial close and HUD Section 8 accounting. Ashley Lamell will start her employment at the Agency on August 6th. Ashley is a recent graduate from Plymouth State University in New Hampshire where she received several awards and scholarships for her achievements in accounting. Ashley was on the Dean's List or President's List for eight straight semesters while also playing varsity women's soccer for four years. Ashley has worked for the Chittenden Services Group as well as Central Supplies in Randolph, Vermont where she performed various accounting tasks including accounts payable. The managers would like to thank Casey Klyszeiko, our summer intern, and Martha Fleming for covering the accounts payable area during the hiring process.

Other

July 16 -18 I attended the summer meeting of the HFA Executive Directors, held this year in Woodstock, VT. This is the second time in my tenure that they have been to Vermont and they really seem to love it. I plan to be out the week of August 13th to also enjoy a little summer time in Vermont.

I look forward to seeing you on the 4th.

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Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director

DATE: August 29, 2007

RE: CONFIRMATION OF UPCOMING VHFA BOARD MEETING

This is to notify you that the next meeting of the Vermont Housing Finance Agency Board of Commissioners has been confirmed. The meeting will be held:

Wednesday, September 5, 2007
VHFA
164 St. Paul Street, Burlington, VT
9:30 a.m. – 2:00 p.m.

Attached are the Agenda and Board packet. Please feel free to contact me should you have any questions prior to the meeting. Please contact Lori Gilding at lgilding@vhfa.org if you wish to request that items be removed from the Board meeting consent agenda; the deadline is 12:00 p.m. Tuesday, September 4th .

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

VHFA BOARD MEETING AGENDA
Vermont Housing Finance Agency
164 St. Paul Street
Burlington, VT
Wednesday, September 5, 2007
9:30 a.m. – 2:00 p.m.

Review and Approval of August 6, 2007 Board Minutes — Enclosure

Consent Agenda: ***Action Requested****

- West River Assisted, Townshend - Additional Construction Financing — Reid/Enclosure
- Cameron's Run, Milton - Bridge Financing — Davis/Enclosure

Development - Loans and Tax Credits ("TC")

- Downtown Crossing, Bennington – Additional Allocation of Federal Tax Credits — Erdelyi/Enclosure
- Passumpsic North & South (formerly Canterbury North & South), St. Johnsbury – Construction and Permanent Financing, Bond Tax Credits — Erdelyi/Enclosure

Other

- VHFA Representative on the Housing Vermont Board of Directors — Carpenter/Enclosure

Adjournment

Reports: ***FYI Only***

- Interesting Housing Fact — Klyszeiko/Enclosure
- Summary of Homeownership Activities / Reports — Crady/Enclosure
- VHFA's Share of the Single-Family Home Sales Market in 2006 — Black-Plumeau/Enclosure
- Executive Director's Report — Carpenter/Enclosure

** Call Lori at 652-3404 or e-mail lgilding@VHFA.org by noon Sept 4th d to request items be removed from the Consent Agenda*

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Vermont Housing Finance Agency

VHFA Board of Commissioners Meeting Minutes
Cathedral Square
412 Farrell Street, South Burlington
Monday, August 6, 2007
9:30 a.m.

VHFA Board Members Present:
Lisa Mitiguy Randall – Chair, Thomas Candon (designee for Thabault), Dagyne Canney, Kevin Dorn, Gus Seelig

VHFA Board Members Absent:
Rob Alberts, Paul Beaulieu, Bart Frisbie, Beth Pearce (designee for Spaulding)

Staff: Dave Adams, Sarah Carpenter, Maura Collins, Tom Connors, Pat Crady, Clarence Davis, Elizabeth Mullikin Drake, Joe Erdelyi, John Fairbanks, Sam Falzone, Lori Gilding, Tim Gutchell, Pat Loller, Cindy Reid

Guests: Joshua Wien, East Branch Farms, John Nopper, Valley Cares, Jeff Kantor, J.D. Kantor, Inc., Joanne Troiano, Montpelier Housing Authority, Nancy Owens, Housing Vermont, Liz Curry, NeighborWorks® HomeOwnership Centers of VT, Amy Wright, Cathedral Square

Amy Wright, of Cathedral Square welcomed everyone to the new facilities. She thanked VHFA, the Board and VCDP for their support and financial assistance with building the new facility. She provided an explanation of the mix of tenants and services that are located in the building.

The Board and guests present toured the facility.

Chair Randall called the meeting to order at 10:15 a.m. A quorum of the Board was present.

BOARD MINUTES
Mr. Seelig made a motion to approve the June 4, 2007 Board of Commissioners meeting minutes. Mr. Dorn seconded the motion which was unanimously approved. Ms. Canney abstained from the vote.

Mr. Candon made a motion to approve the July 9, 2007 Board of Commissioners meeting minutes. Mr. Dorn seconded the motion which was unanimously approved.

CONSENT AGENDA

Mr. Seelig made a motion to approve the items on the Consent Agenda (restated here):

- ~ Resolution Re: Permanent Financing for Dismas House II, Winooski; and
- ~ Use of IORTA Funds for Homeownership Centers Customers

Mr. Candon seconded the motion which was unanimously approved.

DEVELOPMENT

East Branch Farms, Manchester

Mr. Erdelyi introduced Clarence Davis, VHFA's newest Development Underwriter and Josh Wien, developer for East Branch Farms. Mr. Erdelyi reviewed his memo to the Board requesting Construction Financing: East Branch Farms, Manchester.

Mr. Wien presented to the Board his plans for the project. He presented charts reflecting the rise in housing costs in the Manchester area, compared with the rise in housing costs throughout Vermont. He demonstrated income levels in the area vs. income levels within the State. Mr. Wien described reasons for the need for affordable housing in the Manchester area. He stated the Act 250 permitting hearing is scheduled for Thursday, August 9th for the project.

Ms. Canney asked what makes up the difference in price for each unit. Mr. Wien reported that there are two designs for the modular units, as well as the farmhouse units. The style and square footage of each unit varies according to selling price. She also noted her disappointment of the availability for out-of-staters to purchase market rate units.

Mr. Candon asked if Mr. Wien has had previous experience with the manufacturer of the modular homes he plans to use. Mr. Wien stated he has worked with the manufacturer on a previous project in Bennington. He believes he and his wife have tweaked the design of the units to make them the number one desirable package for potential buyers. He provided a description of the style of each unit. He also informed the Board that the development has been designed to allow for four vehicles per unit (two behind two).

Mr. Dorn asked the rationale as to why the town denied hookup into the town sewer system. Mr. Wien stated the town has reached its stated maximum limit, but is conducting a study concerning the sewage issues and expects the study to be completed within the next two years. Expansion in the future is possible and Mr. Wien has made provisions to add another 12 to 14 units should town sewer hookup be expanded.

Mr. Wien explained the development will be located approximately ¼ mile from the town sidewalk and is approximately a one mile walk into town. He expects to break ground in early September if the permitting process is granted and expects the first units to be available by the first of the year.

Mr. Seelig asked what type of marketing study was conducted for the project's affordability. Mr. Wien informed the Board that Rick DeAngelis from Vermont Housing and Conservation Board crunched the numbers and prepared a spreadsheet on the county's median income vs. cost per unit. Admittedly, the numbers are close, but Mr. Wien believes there is a large pool of people who need affordable housing in the area, many who are currently commuting to work, and that his development will be affordable to those individuals.

Ms. Canney made a motion to approve the Resolution Re: Single Family Construction Financing for East Branch Farms, Manchester. Mr. Seelig seconded the motion which was unanimously approved.

Cumming Street Housing, Montpelier

Ms. Reid reviewed her memo requesting construction and permanent financing and allocated credits for Cummings Street. She informed the Board that Staff wanted to see more rehab than what had originally been presented. She explained there are currently two loans on the property; one which will be refinanced and the other will be assumed and deferred. All 20 units are Section 8 and the project requires Board approval to waive the mixed income criteria. She explained the energy use for the property is currently very high and the rehab will include removing the electric heat and adding additional gas heat. Efficiency Vermont will return to reassess the needs of the facility.

Mr. Dorn expressed a concern over funding the transfer of ownership. Ms. Reid explained that the property is currently owned by a local non-profit and the reason for the creation of a new partnership is to take advantage of tax credits. She explained that no cash will be distributed to existing owners. The new partnership will acquire the project at a price equal to its outstanding debt and will assume that debt.

Mr. Kantor, and Ms. Troiano, explained that two units have already been refurbished with existing capital and that the renovation of the remaining units is primarily due to normal wear and tear over the years. Ms. Troiano explained that the utility allowance for each tenant will be transferred into the cost of the rent. Ms. Carpenter stated that this property is a good example of how a well-managed facility can eventually still need capital to refurbish the units. She stated minimal funding has been requested.

Mr. Candon asked if the property is outside of the flood plain. Ms. Troiano informed him that it was.

Mr. Seelig made a motion to approve the Resolution Re: Construction and Permanent Financing and Proposed Allocation of Allocated Housing Credits for Cummings Street Apartments, City of Montpelier. Ms. Canney seconded the motion which was unanimously approved.

FY2009 State Credit Allocations

Ms. Reid reviewed her memo regarding Requests for FY2009 State Credits. She stated the request for tax credits have been combined and are up to date. Everyone is aware that this is a request for credits covering a two-year period (one year into the future).

Mr. Dorn asked if Armory Square was in the mix for tax credits. Ms. Reid confirmed it was.

Ms. Canney made a motion to approve the Resolution Re: Proposed Allocations of FY2009 State Housing Credits. Mr. Seelig seconded the motion which was unanimously approved.

HOMEOWNERSHIP

Support for the Homeownership Centers

Ms. Crady reviewed her memo requesting Board approval of the work plan submitted by the Homeownership Centers that the Board requested at the time the Board approved additional funding of $100,000 to assist the centers to expand capacity within their revolving loan funds. Liz Curry from NeighborWorks® HomeOwnership Centers of VT was present at the meeting and reviewed the plan with the Board. She thanked the Board for the additional funding and support. Ms. Crady passed out a budget for the additional $100,000 in funding. Ms. Curry reviewed the budget with the Board.

As a former Director of the Central Vermont Community Land Trust's Homeownership Center, Mr. Davis stated the importance of the centers and the positive impact the centers have on the community. Mr. Dorn thanked Ms. Curry and VHFA for stepping up to the plate regarding the Universal Jurisdiction challenge. Mr. Seelig expressed his concern and the challenges for the centers to reach the most rural places to ensure those people get the help they need.

Mr. Seelig made a motion to approve the plan for the Support for the Homeownership Centers. Mr. Candon seconded the motion which was unanimously approved.

FINANCE

Zero % Loan Forgiveness

Tom Connors reviewed the memo regarding Zero % Loan Forgiveness and Balance Sheet Scenarios reflecting the forgiveness of the zero % loans.

Ms. Carpenter explained the result of moving existing multifamily loans into the new bond resolution is that excess yield loans totaling $794,336 will need to be forgiven to put the resolution into yield compliance. Mr. Candon expressed surprise that the Agency would have to write off those loans now.

Ms. Randall and Mr. Seelig explained their understanding of the 0% loans was that when the loans were made the Board assumed the loans would be repaid. Everyone acknowledged confusion between what the Board understood and what the Agency had originally communicated. Over time, the nature of where money came from became difficult to understand. Ms. Carpenter acknowledged the Agency made a major error when the Agency recorded the money as income, when it should not have been. This was what we reviewed a few years ago. She stated that she hopes everyone still realizes there may be a day of reckoning with the IRS. Loans can be paid back and the proceeds relent, but at the end of the bond period (now 2032 instead of 2012) the excess yield will have to be reconciled. The agency no longer recognizes the yield as income so there is no further impact on the Agency balance sheet.

Mr. Connors stated the write off is a reduction of income and does not have to affect the reserve. Ms. Carpenter stated the Agency has had a good financial year and this is the best time to take the write off (FY2007). She stated the loans chosen to write off make the most sense because there is no financial impact to projects involved. The money will be recycled by VHCB. Mr. Connors stated the write off is at the recommendation of the Agency's financial advisors and will not impact the Agency's rating.

Mr. Candon made a motion to write off the zero percent loans as recommended by staff. Ms. Canney seconded the motion which was unanimously approved. Mr. Seelig abstained from the vote.

SF Bond Resolution Documents

Mr. Connors reviewed the memo regarding Approval of General Authorizing Resolution of up to $40 Million in Single Family Housing Bonds. He stated this authorization would enable the Agency to get through calendar year 2007 without approaching the Board again for additional authorizations. Ms. Carpenter expressed concern regarding how much private activity bond cap will be made available in 2008. Ms. Carpenter stated the Agency is looking at needing to expand the debt cap.

Mr. Seelig made a motion to approve a Resolution Re: Authorizing the Issuance and Sale of a Maximum of $40,000,000 of Bonds and Notes in One or More Series to Finance Single Family Mortgages. Mr. Candon seconded the motion which was unanimously approved.

ADMINISTRATION

Strategic Plan

Ms. Collins informed the Board and staff that after polling all parties, the best dates for the annual Board retreat are November 7-8. She stated the November 5th Board meeting would not take place. She requested agenda items for the retreat be submitted directly to her.

Ms. Collins reviewed the summary of accomplished/completed items for the prior year of the strategic plan. With regard to future planning, Mr. Seelig asked that the Board continue to look at what smart growth looks like, what will the standards be and how do we communicate this better. There is a need to help people envision what change might look like. Mr. Candon also noted that small modular housing would work into the smart growth discussion.

OTHER

Mr. Erdelyi handed out a Common Application that will soon be available on the VHFA website. Mr. Seelig recognized the CNA and common application represented a lot work and congratulated Mr. Erdelyi and his team for their efforts. Ms. Carpenter brought to the Board's attention a concern that the Department of Public Safety wants to adopt a new building code. The IBC code is currently used in 49 other states. Many architects, contractors and the professionals in the building industry are extremely distressed with the proposal. Dave Anderson has advised against the adoption of the new code and stated it would not be good for modular housing. More to come on this issue.

Ms. Randall asked about the Pownal Mobile home park project. Mr. Adams stated he has heard nothing new regarding the project. He will provide an update at the next Board meeting.

Mr. Seelig made a motion to adjourn the meeting. Mr. Dorn seconded the motion and the meeting was adjourned at 1:00 p.m.

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Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Senior Development Underwriter CR

DATE: August 27, 2007

RE: West River Assisted Living, Townshend: Request for Increase in Construction Loan

Recommendation:
Staff recommends that the VHFA Board of Commissioners pass the attached resolution and that the Board authorize the Executive Director to issue a Commitment Letter to finance this property upon satisfactory completion of staff underwriting and due diligence.

Summary:
West River Assisted Living in Townshend is nearing construction completion. The project's sponsors, Housing Vermont and Valley Cares, have requested an increase in VHFA construction financing (taxable) of $525,000. The funds would be needed in October and November to get them to completion. The $525,000 loan would be repaid in two installments with State Affordable Housing Tax Credit equity, in February 2008 (from FY07 State Credit) and July 2008 (from the recently awarded FY09 State Credit). The construction loan we have already made of $2,365,000 is nearly fully drawn and will be paid off as planned when it matures in November.

Construction has gone well, and interest in the assisted living units remains high. The building may be fully leased when it opens in November (fourteen residents will be coming from the Heins Home, a residential care home Grace Cottage Hospital currently operates that will be closing once the assisted living facility is on line). The sponsors had budgeted for a longer lease up period, as much as one year, to become fully occupied.

At the last Board meeting, additional State Credits were approved to help fill a funding gap. The sponsors plan to fill the balance of the gap with an increase in their request to VCDP by $19,000, and a $106,000 developer fee loan to the project from Housing Vermont.

Attached for your information is the latest newsletter from Valley Cares updating their progress.

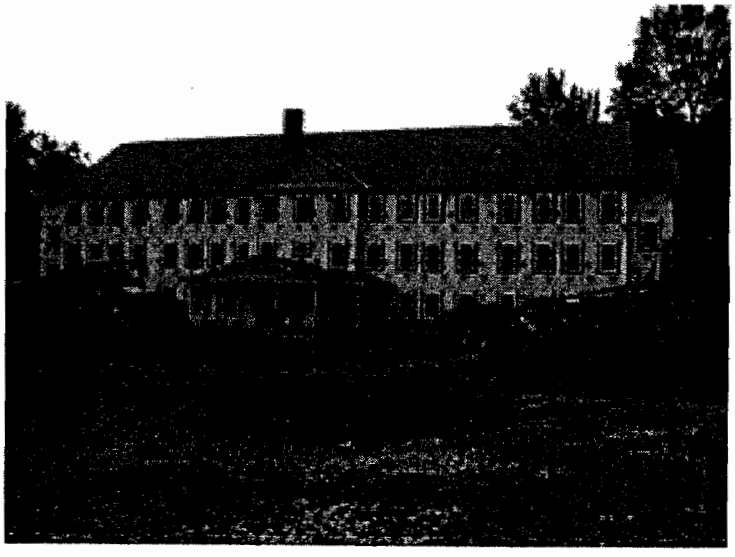
mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

Valley Cares, Inc.

Valley Cares News

Volume I issue 3 July 2007



West River Valley Independent Living (above) will consist of 24 apartment units, each with a full kitchen, living room, bedroom and bath. By early July, rooms and hallways had been sheetrocked, primed and painted; work on the septic system and water lines was underway, with plans to install siding on the building later in the month.

West River Valley Assisted Living (above) will consist of 28 units, each with a kitchenette, living room, bedroom, and accessible bath. In early July, common sitting rooms, the dining room, and sunroom were being sheetrocked. Plans are for both buildings to be completed and occupied later in the fall.

Valley Provides Tremendous Support for Project

...We Still Need Your Help to Reach Completion

The West River Valley Senior Housing project has received strong financial support from the community. We have raised nearly $53,000 in private gifts for construction since the start of the fiscal year in October 2006.

Over the same period of time we have received nearly $20,000 from local residents to help cover the cost of our operations at Valley Cares. Without such support we would not have had the means to pay staff that is working to develop the housing.

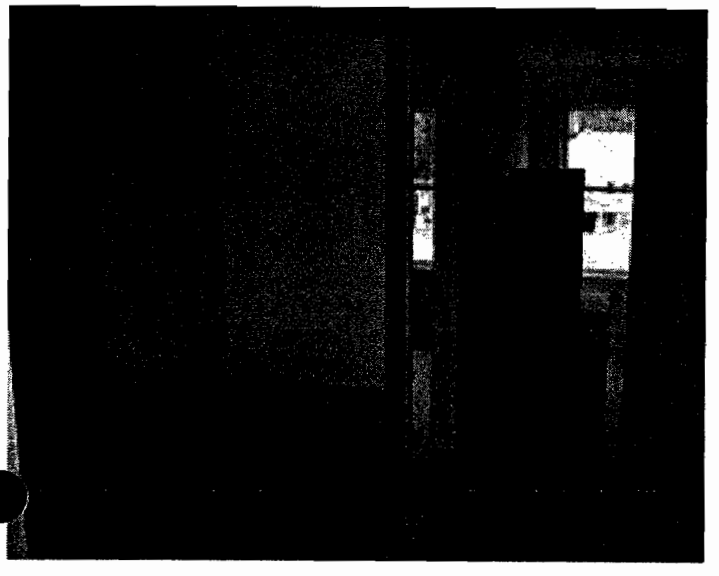
Strong local support has been a key in our efforts to win federal and state grant funding for this $9.9 million project.

With just $100,000 left to raise from local sources, we sent out an appeal letter in May to folks on our mailing list. As of June 25 we had raised over $11,000 from this letter! (continued page 2)

Thanks to all those who have helped with gifts—we really appreciate your support!

If you have been meaning to send a donation but just haven't taken the time to sit down and write that check—now would be a good time to do just that.

Valley Cares, Inc. is a 501(c) (3) non-profit organization.



Making Progress: In early July, cabinets and closet doors (above) had been placed in the independent living units, ready for installation

Need Homemaker Services?

Valley Cares, Inc, has homemakers available to help residents of the West River Valley with everyday chores such as vacuuming, laundry, meals etc. By helping to keep the home neat and clean, this service allows seniors to remain in their homes for as long as it is safe for them to do so.

This service will be expanded to allow residents of the West River Valley Senior Housing Independent Living apartments to also purchase homemaker services.

If you or someone you know could use the help of a homemaker call Elaine Scott at: 802-365-4910

Memorial Gift Provides Big Boost

In November 2006 Valley Cares received generous support from the family of Burton "Buster" and Gladys Brown who donated $20,000 to the West River Valley Senior Housing project in memory of Buster and Gladys. The gift was made in "appreciation of the family for the excellent and loving care given to Buster and Gladys at Stratton House and Heins Home."

Such a gift was a tremendous boost to us as we began construction late last year. What an inspiration to realize the difference we can make in the lives of our neighbors!

While it takes a committed, well-trained staff to provide excellent and loving care, it also takes durable, dependable, up-to-date equipment. Computer hardware and software, tools for maintenance, a copy machine, tables, chairs, sofas, bookcases, lamps—we need to purchase $60,000 worth of furnishings and equipment for the independent and assisted living buildings and our offices before we can open our doors to residents.

If you would like to help with our funding needs, please contact Bob Crego, Valley Cares Executive Director, at (802) 365-4115.

Valley Cares, Inc. is recognized as a non-profit 501 (c) (3) organization.

How Will The Apartments Be Rented?

Because Valley Cares is utilizing millions of dollars in federal funding to construct the West River Valley Senior Housing project, there are many regulations we need to follow in leasing our apartments.

Approximately 60-90 days prior to completion of the project, a flyer with information on rates, supportive services, and instructions on how to submit an application will be mailed to those who have expressed an interest in living in the project. An advertisement about the application process will also be placed in the newspaper.

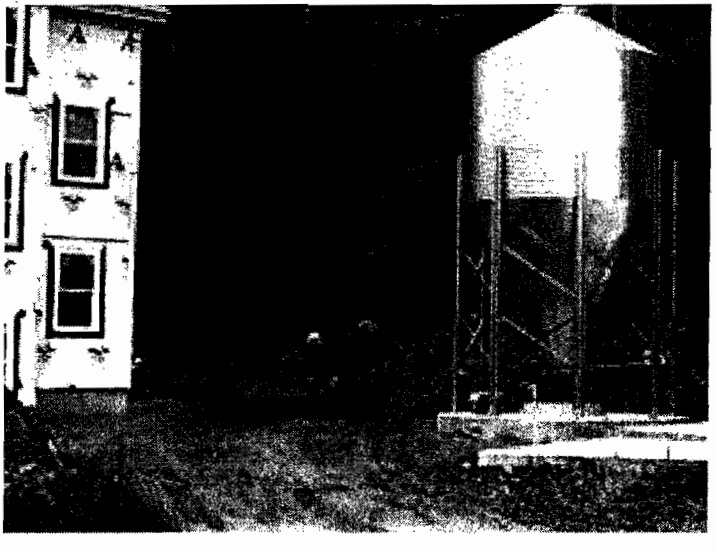
For Independent living units, apartments will be rented on a first-come first-serve basis in accordance with the non-profit criteria of Valley Cares, Inc. To be approved for housing applicants must meet income and reference requirements. There are three categories of units at: 50%, 60% and over 60% of the HUD median income for Windham County.

For the Assisted living units, priority will be given to the current residents of Heins Home in Townshend. New applicants, whose applications have been accepted, will then be evaluated by the Director and Registered Nurse and placed in an appropriate apartment per the following categories: those who need ERC – Enhanced Residential Care Choices for Care Program, those who require Medicaid funding for basic care, residents whose income is at 50%, 60% and over 60% of the HUD median income.

Applicant criteria for the Independent and Assisted living include: a stable source of income, acceptable landlord references, credit and criminal checks and the ability to meet lease requirements.

Those interested in renting an apartment should submit their name and contact information to the Valley Cares, Inc. office. Applicants must be 62 years of age or older. In some cases, disabled applicants over the age of 18 may be appropriate for an Assisted Living unit. Eligibility will be determined by an individual assessment.

Should you have any questions about the application process, please call us at: 365-4115.



The silo (above) will hold wood pellets for the furnace which will provide heat and hot water for both the Independent and Assisted Living buildings. An environmentally friendly, sustainable system, the system will save thousands of dollars each year on our heating bill.

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: CONSTRUCTION FINANCING FOR WEST RIVER VALLEY ASSISTED LIVING, TOWNSHEND

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow monies and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, an application has been submitted to the Agency by West River Valley Assisted Limited Partnership (the "Borrower") involving the construction of twenty-eight (28) units of senior assisted living housing in the Town of Townshend (the "Development"); and

WHEREAS, the application contemplates a future advance on the Borrower's outstanding mortgage loan for construction and permanent financing for the Development with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 100 basis points above the Agency's cost of funds; and

WHEREAS, the Borrower 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; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated August 27, 2007, containing information and recommendations about the request for a future advance (the "Memorandum") regarding the Development previously approved by resolution dated September 6, 2006;

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a future advance on the outstanding mortgage loan to the Borrower for the construction and permanent financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter shall be conditioned on the satisfaction by the Borrower of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

2. The Executive Director and the Loan Review Committee will establish the final source and amount of the loan for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines, and the conditions described in the Memorandum.

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Clarence E. Davis, Development Underwriter

DATE: August 23, 2007 for Board Meeting of September 5th, 2007

RE: Request for Bridge Financing Cameron's Run-Milton

Name:	Cameron's Run	**Location:**	Milton
Housing Type:	Single Family - For Sale Homes	**Unit Type:**	SF Detached
Unit Count:	15	**Unit Sizes:**	3-bedroom, 1.5 baths, porch: 1,470 sq ft
Total Cost of Construction	NA	**Total Cost / Sq Ft** **Total Cost / Unit**	$158.00 cost per square foot $231,150 cost per unit
Request to VHFA	$464,000 taxable Bridge loan.	**Sponsor:**	Champlain Housing Trust
Other Funding:	Vermont Housing and Conservation Board and the Vermont Community Development Program.		

Recommendation: Staff recommends that the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board authorize the Executive Director to issue a Letter of Interest and/or a Commitment Letter to finance this property upon satisfactory completion of staff underwriting and due diligence.

Project Summary: CHT has the option to purchase up to 15 single family homes in a new subdivision on a turnkey basis from private developer Don Turner. Cameron's Run is a 35 lot subdivision located in the Milton Center Marketplace district, which abuts the downtown business district. Eighteen of the homes will be affordable to families with incomes below 80% of median income. CHT will purchase up to 15 homes for a fixed price of $231,150 per unit, then sell them to eligible households for $241,150, with a $55,000 grant from VHCB & VCDP that will bring the net cost to the buyer down to $186,150. CHT sells the homes for $10,000 above its cost to purchase the home from the developer in order to cover costs such as bridge financing, project management, marketing, homebuyer education, and legal work. Project developer Don Turner, who also owns a Century 21 Real Estate business, has agreed to list and market the homes for a reduced fee of 2% of CHT's sale price to the buyer. Turner's office is also producing marketing materials and signage, and will work closely with CHT staff to qualify buyers and explain the limited equity model.

VHFA has approved the project for its permanent mortgage that carries a 4.75% rate. This brings affordability to families earning approximately $46,500, which is 66% of the median income for a

household of four and 73% of median household income for a family of three. Milton is also a rural town eligible for Rural Development mortgages, which carry interest rates from 1%-5% depending on buyer income and contain a subsidy recapture provision.

The new neighborhood is located off of Railroad Street, which is one of Milton's main corridors that runs in a north-south direction through residential neighborhoods that are parallel to and east of Route 7.

The homes will be energy rated by Efficiency Vermont and use high-efficiency heaters. Medium grade finishes will include wall-to-wall carpet, ceramic tile, wood trim, and vinyl siding. Construction of eight CHT homes will be completed in fall, 2007 and the remainder will be completed in spring, 2008.

After reviewing the market study for this project as well as two other homeownership projects in Milton, "Milton Diner" and another independent study completed for the "Blackberry Commons" staff feels that while the market is cooling off slightly, the demand for affordably priced housing in this area is still strong. Given the proximity of Milton to Burlington and the ease of commute the market study projects an absorption rate of 30-90 days per unit.

CHT has made this request to the Agency due to the timing pressures of the first units coming on line and their immediate need to purchase them from the developer under the terms of their contract.

While this loan arrangement does not fit into any of the Agency's current loan programs, we have in the past considered these types of requests on a case by case basis and extended credit. Given the current market conditions, the relatively small size of this request, turn-key approach and the fact that the developer Don Turner is handling the marketing of the units, staff feels that the risk to the Agency is minimal. A recent appraisal estimated the value of the individual units to be $247,000. Additionally, CHT will utilize the Homeland program and has a pool of qualified buyers from which to draw. It also should be noted that CHT may seek conventional financing at a more favorable rate and seek to repay the loan within 30-120 days.

Development Budget: Allocation of Sources

Camerons Run

27-Aug-07

	Budget	VHCB	VCDP	VHCB Feas Fund	Debt	TOTAL	Per Unit
Acquisition							
Land	-					-	
Purchase of 15 homes	3,467,250	431,000	394,000		2,642,250	3,467,250	231,150
Purchase of Flats					-	-	
Property Appraisal					-	-	-
Legal - Title and Recording					-	-	-
Total Acquisition	3,467,250	431,000	394,000	-	2,642,250	3,467,250	231,150
subsidy per unit	8 units	5,750	49,250				
	7 units	55,000					
Soft Costs	-	-	-	-	-	-	
Architectural	-				-	-	
Engineering (review)					-	-	
Legal - cntrct negot/doc prep	12,250				12,250	12,250	817
Marketing	72,000				72,000	72,000	4,800
Environmental Assessment	-				-	-	
Energy Assessment	-				-	-	
Permits/Fees	-				-	-	
Independent Market Study	2,187			2,187	-	2,187	146
Construction Period Insurance	-				-	-	
Bridge financing interest	32,821				32,821	32,821	2,188
Taxes During Construction	-				-	-	
Project management/clerk					-	-	
HOC Counseling	33,000				33,000	33,000	2,200
Soft Cost Contingency	-				-	-	
Loan Fees	-				-	-	
Other					-	-	
Total Soft Costs	152,258	-	-	2,187	150,071	152,258	
		-	-	146	10,005	10,151	10,005
TOTAL DEVELOPMENT COSTS	3,619,508	506,000	404,000	2,187	2,792,321	3,619,508	241,301
					186,155	241,301	
Developer's Fees							
Developer's Fees	75,000	75,000				75,000	5,000
VCDP Grant Management	10,000		10,000			10,000	667
Total Developer's Fees (PAID OUTSIDE	85,000	75,000	10,000	-	-	85,000	5,667
TOTAL PROJECT COST	3,619,508	506,000	404,000	2,187	2,792,321	3,704,508	

CHT Sale Price to Buyer	241,155
less downpayment grant	(55,000)
Average net mortgage amount to buyer	186,155

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: BRIDGE FINANCING FOR CAMERON'S RUN, MILTON

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow monies and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, an application has been submitted to the Agency by Champlain Housing Trust, Inc. (the "Borrower") involving the bridge financing of the purchase, on a turnkey basis, of fifteen (15) single family homes in the Town of Milton (the "Development"); and

WHEREAS, the application contemplates a mortgage loan for bridge financing of the Development with the interest rates to be determined by the Agency depending on the source of funds, but not to exceed 100 basis points above the Agency's cost of funds; and

WHEREAS, the Borrower 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; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Clarence E. Davis dated August 23, 2007, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

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

2. The acquisition costs to be incurred by the Borrower are for housing 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 to be served by the proposed Development 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 and sufficient mortgage financing for occupancy by the persons or families.

4. The Borrower undertaking the Development will increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency 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 loan.

6. The Borrower is financially responsible and is a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the Borrower for the bridge financing of the purchase of the Development based on the recommendations in the attached Memorandum. 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 Borrower in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the Borrower for the bridge financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter shall be conditioned on the satisfaction by the Borrower of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

3. The Executive Director and the Loan Review Committee will establish the final source and amount of the loan for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Director of Development JE

DATE: August 28, 2007

RE: Downtown Crossing, Bennington; Increase in Allocated Housing Credit

Recommendation: That the VHFA Board of Commissioners approve the staff recommendation as outlined below and approve the attached Resolution.

Background: The Allocation Plan allows for the staff to increase credit amounts up to 5% more than the amount awarded, due to fluctuations in the budget between Board action and the finalization of project costs. Downtown Crossing in Bennington is seeking a credit increase of more than 5% (as well as some changes in the project profile) and so requires Board approval. The impact of this change on the remaining credit ceiling is as follows:

2007-2008 credits currently available:	$636,584
- Additional for Downtown Crossing	($20,000)
Revised credits available	$616,584

The project, consisting of 12 apartments (eight existing and four new construction) was approved for $143,000 in Housing Credits by the Board in March 2007. There have been some changes to the operating budget corresponding to local permit provisions, and others based on some recent audited expenses at these buildings. The annual operating budget has been increased by $11k, or 17%. On a small development like this, the effect is large, and the project has to lower its hard debt capacity, from $240k to $151k. (VHFA is providing credits and construction financing on this development.) In order to make up for that gap, the developer proposes adding a tax credit unit (there had been ten out of twelve tax credit units, and now eleven are proposed). The credit increase requested is approximately 14%, or $20,000. The total amount of credit allocated to the project would then be $163,000.

The project is slated to close and start construction in October. The biggest remaining variable is the construction budget, which had been based on a cost estimate prepared by Steve Pitkin that was about a year old. The developer has had this updated, and the new cost estimate has been considered as part of this request. The project will go out to bid on August 31st and bids are due back on September 25th. In the event the bids comes in over budget, VHFA has made it clear that any gap will need to be filled by revisiting the other funding sources, value engineering, or by deferring the developer's fee (rather than by another credit increase). ***Staff recommends approval of the requested increase in credit.***

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: INCREASE IN PROPOSED ALLOCATION OF ALLOCATED HOUSING CREDITS FOR DOWNTOWN CROSSING, BENNINGTON

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow monies and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, an application has been submitted to the Agency by Regional Affordable Housing Corporation (the "Sponsor") on behalf of a to be formed limited partnership in which the Sponsor or its subsidiary will be the general partner (the "Owner") involving the acquisition, rehabilitation and construction of a total of twelve (12) units of general occupancy rental housing and one (1) commercial unit for Sponsor's office in the Town of Bennington (the "Development"); and

WHEREAS, the Agency administers the allocation and use of the federal Low Income Housing Tax Credits (both Allocated Housing Credits and Bond Housing Credits) and the State Housing Credits under the State's Qualified Allocation Plan; and

WHEREAS, the Governor of the State of Vermont has approved the 2005-2006 Qualified Allocation Plan; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi dated August 28, 2007, containing information and recommendations about the Development (the "Memorandum") that will amend a certain resolution of the Board of Commissioners dated March 12, 2007;

WHEREFORE, it is hereby RESOLVED:

1. The recommendations for the increased allocation of Allocated Housing Credits contained in the Memorandum which is attached and incorporated by this reference are hereby approved;

2. The Executive Director and the appropriate staff are hereby authorized to take such actions as are described in the 2005-2006 Qualified Allocation Plan regarding the proposed allocation of federal Allocated Housing Credits in an increased total amount of $163,000.00 for the Downtown Crossing project in the Town of Bennington, Vermont.

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Director of Development

DATE: August 28, 2007

RE: Request for Construction & Permanent Financing & Bond Credits: Passumpsic North and South, St. Johnsbury

Name:	Passumpsic North and South	**Location:**	St Johnsbury
Housing Type:	North: Elderly South: General Occupancy	**Unit Type:**	Flats (some with finished walk-out basements)
Unit Count:	28 Total Units 28 Housing Credit Units	**Unit Sizes:**	13 1-Br @ 571 sf 5 2-Br @ 925 sf 10 3-Br @ 1,020 sf
Total Cost:	$3,035,374	**Per S.F. Acquisition & Construction Cost:**	$105.68
Loan Requested:	$2,000,000 Construction (both) $654,000 Permanent (South only)	**Sponsor:**	Housing Vermont
Housing Credits:	$95,000 (Bond "4%" Credits)	**Other Funding:**	RD 515, VHCB, deferred developer's fees, existing reserves, REEP

Recommendation: Staff recommends that the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board authorize the Executive Director to issue a Letter of Interest and/or a Commitment Letter to finance this property upon satisfactory completion of staff underwriting and due diligence; and authorize staff to issue the appropriate documentation according to the Qualified Allocation Plan.

Project Summary: This development has been in the VHFA portfolio since its initial construction and financing under the Section 8 New Construction / Substantial Rehabilitation program in 1982. It consists of 28 units, fourteen Family and fourteen Elderly, on two separate sites. The Elderly units consist of fourteen rehabbed units in three buildings, and the Family units consist of seven duplexes built new in 1982. In 1997 Gilman Housing Trust and Housing Vermont assumed ownership of all of the Vermont properties in Northern Community Investment Corporation's portfolio when NCIC chose to divest from affordable housing. In 2001-2002, a potentially serious mold problem was discovered in the Family project, and Housing Vermont advanced its own funds to correct this problem, and put a note on the property. One of the co-general partners in the original partnership (an individual, not a corporation) persistently sought a buyout of his interest and a repayment of a loan he had made to the project (plus substantial accrued interest), and in 2003 Housing Vermont repaid this loan. VHFA did not approve the use of project funds for this purpose, as this is prohibited in the HUD loan documents under the Section 8

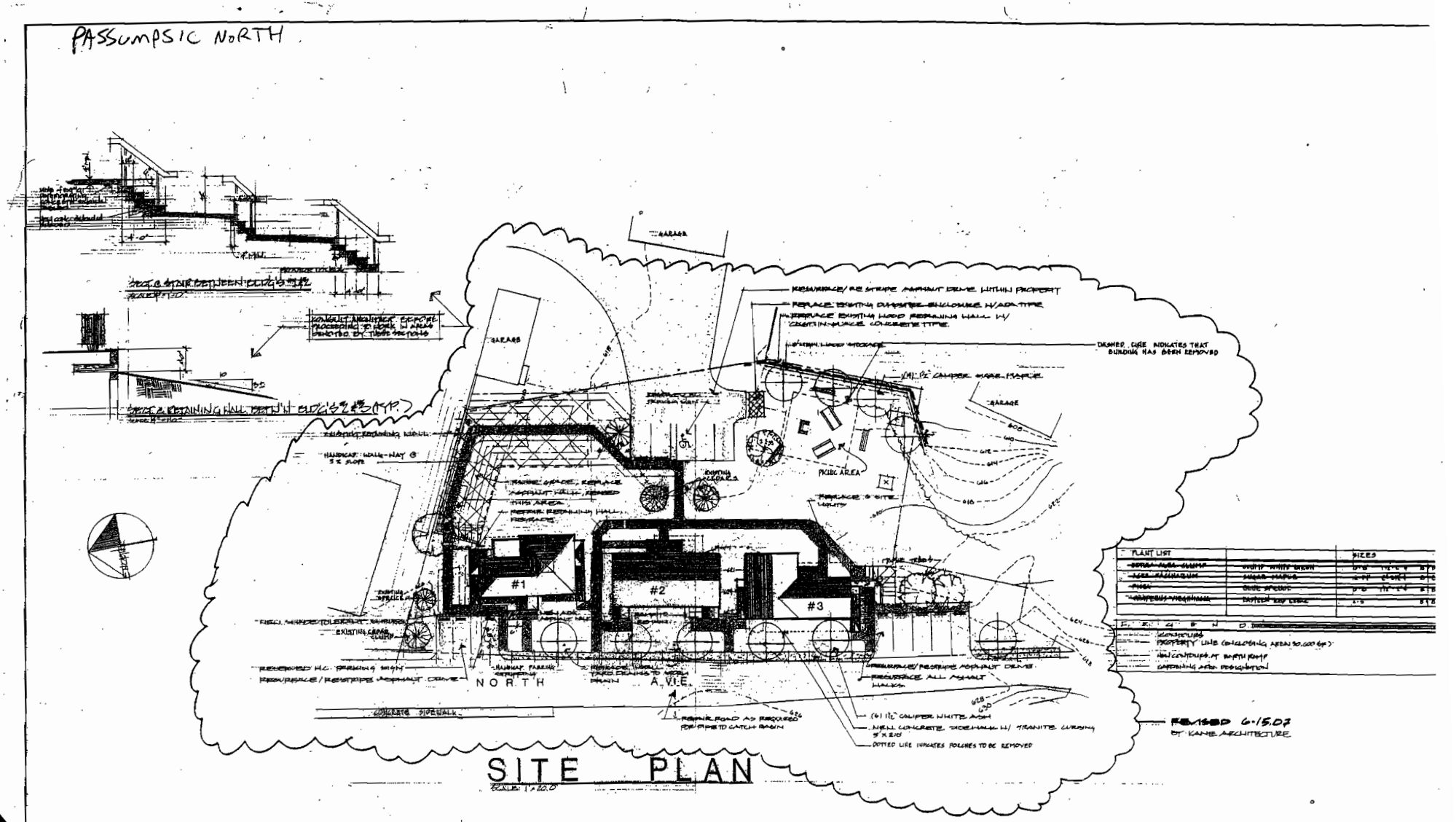
New Construction/Substantial Rehabilitation program. Housing Vermont used its own funds for this loan repayment and put a note on the property, without VHFA's or HUD's approval.

VHFA needs to execute its regulatory function as Section 8 contract administrator and see to it that project funds are not spent on unauthorized uses. At the same time, Housing Vermont should not be penalized for taking proactive steps to manage the asset and cure the mold issue. Were the property transferring to a new, arm's-length buyer, the acquisition cost would be simply set by the appraisal. After numerous meetings and discussions with VHFA, Housing Vermont will transfer the property to the new partnership for an acquisition price acceptable to VHFA staff ($34,000 per unit) that is supported by an appraisal and that recovers the mold remediation loan, but Housing Vermont will also be writing off a substantial amount (approximately $150,000) of the general partner buyout.

The new proposal is to have both properties owned by a single partnership, but financed under two distinct plans: the Elderly units have received a commitment under the RD 515 program, and the Family units will have VHFA tax-exempt financing. Both are using tax-exempt bond financing for construction in order to generate the "bond" credits, and both are seeking VHCB funding. HUD does not usually see projects divided in this manner and it will take some extra effort on the owner's part to make this work. (For example, they may be required to get a separate audit for each site, and then a combined audit for the whole partnership.) Staff will work with the sponsor and HUD on these issues. The scope of rehabilitation work will consist of: roof replacement, exterior stair replacement, new heat and hot water systems, accessibility modifications, and sprinkler systems for the Elderly buildings; and, some window replacement, site drainage, and ventilation work for the Family buildings. (The mold remediation work recently done at the Family units included replacement of finishes, painting, and new heating systems.) The construction period is projected to start December 2007 and run about a year. The property will continue to be managed by Northern Community Management Corporation (NCMC).

Tax Credit Discussion:
The development is seeking the automatic "4%" credits that go with tax-exempt bond financing. The application does not meet the mixed-income requirement, that projects of 20 or more units provide 15% of units to households above 60% of area median income. Staff is recommending a waiver of this requirement, as all units currently have project-based Section 8 rental assistance, it is an established fully occupied project with no vacancy problems, and less Section 8 income would have an adverse affect on the operating budget.

PASSUMPSIC NORTH



PLANT LIST		SIZES
~~SERBIAN MAPLE 'SUMMER SHADE'~~	~~ACER PLATANOIDES 'SUMMER SHADE'~~	~~2½" CAL. B&B~~
ASH, AUTUMN PURPLE	FRAXINUS AMERICANA 'AUTUMN PURPLE'	2½" CALIPER B&B
MAPLE, WINE	ACER RUBRUM 'WINE SPRITE'	2½" CALIPER B&B
~~HORNBEAM, AMERICAN~~	~~CARPINUS CAROLINIANA~~	~~6'-8' B&B~~

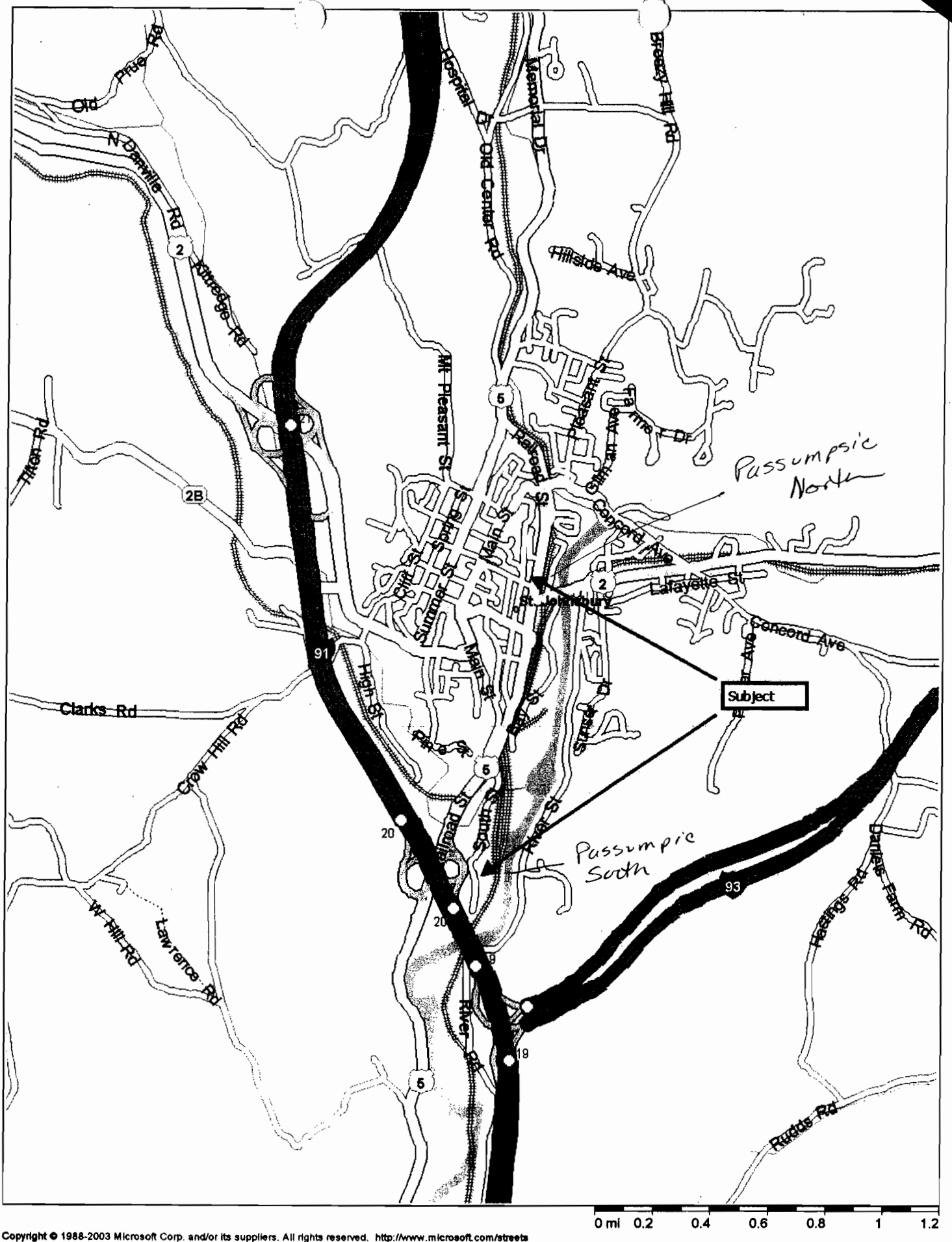
REVISED 6-15-07
BY KANE ARCHITECTURE

SITE PLAN

SCALE: 1"=20.0'

REVISED & NOTES ADDED

6-19



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29-Aug-07 **Passumpsic North & South**

Total Residential Units:	28	Increase in Income from Rental Units:	1.50%
Housing Credit Restricted Units:	28	Increase in Income from Other Sources:	1.50%
Percent Restricted:	100.00%	Increase in Income from Commercial:	0.00%
Total Development Cost:	3,035,374	Expense increase:	3.00%
Total Development Cost per Unit:	108,406	Vacancy Rate:	5%
Total Development Cost Per SF:	136	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
Max Credit Potential:	93,167	Short Depreciation Schedule:	7 years
Credit Amount Allocated:	95,000	Sponsor's Estimated Yield:	90.42%

LIHTC -BOND	3.49%	(Sept 2007)
LIHTC - 4%	3.49%	

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term	family	elderly
RD	1,000,000	32.94%	1.00%	50	50		1,000,000
VHFA	654,000	21.55%	6.75%	30	30	654,000	
vhfa second		0.00%					
VHCB	270,000	8.90%	3.00%	30	30	100,000	170,000
REEP Loan	7,000	0.23%	0.00%	30	30		7,000
Developer Loan	51,412	1.69%	5.00%	15	15	21,412	30,000
Cash	166,768	5.49%	N/A	N/A		110,113	56,655
	0	0.00%	N/A	N/A			
Tax Credit Equity	850,395	28.02%	N/A	N/A		369,273	516,927
TOTAL SOURCES	2,999,575	98.82%				1,254,798	1,780,582

USES

Acquisition	952,145	31.37%
Construction Hard Costs	1,399,557	46.11%
Soft Costs	683,672	22.52%
TOTAL USES	3,035,374	100%
Gap	35,799	

General Partner's Capital Contribution	1	1.00%
Limited Partner's Capital Contribution	850,394	99.00%
Total Equity	850,395	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	28
Total Units	28
Unit Fraction	100.00%
Tax Credit Square Footage	22,252
Total Residential Square Footage	22,252
Square Footage Fraction	100.00%
Applicable Fraction	100.00%

29-Aug-07 **Passumpsic North & South**

			Allocation of Sources						
	Budget	VHCB	VHFA	REEP	Devel	RD	Cash	Equity	TOTAL SOURCES
ACQUISITION		270,000	654,000	7,000	51,412	1,000,000	166,768	850,395	
1 Land	91,848	91,849							91,849
2 Purchase of Building(s)	850,299	178,151	565,000				90,061	17,086	850,298
3 Demolition (without replacement)	0								0
4 Property Appraisal	4,999							5,000	5,000
5 Legal - Title and Recording	4,999							5,000	5,000
Subtotal - Acquisition	952,145								
CONSTRUCTION HARD COSTS									
6 Rehabilitation	1,237,103		89,000	7,000		1,000,000		141,103	1,237,103
7 New Building(s)	0								0
8 Accessory Buildings	0								0
9 Sitework	0								0
10 Commercial Space Costs (if any)	0								0
11 General Requirements	0								0
12 Contractor Overhead	0								0
13 Contractor Profit	0								0
14 Construction Contingency	148,454							148,452	148,452
15 Construction Management	0								0
16 Construction Bond Fee	0								0
17 Hazardous Materials Abatement	0								0
18 Off-Site Improvements	0								0
19 Furnishings, Fixtures, & Equipment	14,000							14,000	14,000
20 Other (_____)	0								0
Subtotal - Hard Costs	1,399,557								
SOFT COSTS									
21 Architectural	116,999							117,000	117,000
22 Engineering	0								0
23 Legal/Accounting	23,998							24,000	24,000
24 Relocation	28,000							28,000	28,000
25 Environmental Assessment	4,999							5,000	5,000
26 Energy Assessment	0								0
27 Permits/Fees	5,951							5,951	5,951
28 Independent Market Study	2,998							3,000	3,000
29 Construction Period Insurance	25,002							25,000	25,000
30 Construction Interest	84,997							84,997	84,997
31 Construction Loan Origination Fee	21,812							21,812	21,812
32 Taxes During Construction	0								0
33 Clerk of the Works	0								0
34 Marketing	4,497							4,500	4,500
35 Tax Credit Fees	4,212							4,212	4,212
36 Soft Cost Contingency	5,501							5,500	5,500
37 Permanent Loan Origination Fee	0								0
38 Lender's Counsel's Fee	0								0
39 Other (Historic Preservation)	7,997							8,000	8,000
SYNDICATION COSTS									
40 Organizational (Partnership)	0								0
41 Bridge Loan Fees and Expenses	0								0
42 Syndication Consultant	0								0
43 Tax Opinion	0								0
DEVELOPER'S FEES									
44 Developer's Fees	270,002				51,412			218,588	270,000
45 Other Partnership Fees	0								0
46 Consultant Fees	0								0
RESERVES									
47 Working Capital	76,707						76,707		76,707
48 Rent-up (Deficit Escrow) Reserve	0								0
49 Other Operating Reserves	0								0
50 Sinking Fund	0								0
51 Replacement Reserves	0								0
Subtotal - Soft Costs	683,672								
TOTAL DEVELOPMENT COSTS	3,035,374	270,000	654,000	7,000	51,412	1,000,000	166,768	886,201	3,035,381

29-Aug-07 **Passumpsic North & South**

		Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	91,848					
2	Purchase of Building(s)	850,299	850,299		850,299		
3	Demolition (without replacement)	0			0		
4	Property Appraisal	4,999	4,999		4,999		
5	Legal - Title and Recording	4,999	4,999		4,999		
	Subtotal - Acquisition	952,145					
	CONSTRUCTION HARD COSTS						
6	Rehabilitation	1,237,103		1,237,103	1,237,103		
7	New Building(s)	0					
8	Accessory Buildings	0					
9	Sitework	0					
10	Commercial Space Costs (if any)	0					
11	General Requirements	0					
12	Contractor Overhead	0					
13	Contractor Profit	0					
14	Construction Contingency	148,454		148,454	148,454		
15	Construction Management	0					
16	Construction Bond Fee	0					
17	Hazardous Materials Abatement	0					
18	Off-Site Improvements	0					
19	Furnishings, Fixtures, & Equipment	14,000		14,000	14,000		
20	Other (_____)	0					
	Subtotal - Hard Costs	1,399,557					
	SOFT COSTS						
21	Architectural	116,999		116,999	116,999		
22	Engineering	0					
23	Legal/Accounting	23,998		23,998	23,998		
24	Relocation	28,000		28,000	28,000		
25	Environmental Assessment	4,999		4,999	4,999		
26	Energy Assessment	0					
27	Permits/Fees	5,951		5,951	5,951		
28	Independent Market Study	2,998		2,998	2,998		
29	Construction Period Insurance	25,002		25,002	25,002		
30	Construction Interest	84,997		84,997	84,997		
31	Construction Loan Origination Fee	21,812					
32	Taxes During Construction	0		0	0		
33	Clerk of the Works	0		0	0		
34	Marketing	4,497					
35	Tax Credit Fees	4,212					
36	Soft Cost Contingency	5,501		5,501	5,501		
37	Permanent Loan Origination Fee	0					
38	Lender's Counsel's Fee	0					
39	Other (Historic Preservation)	7,997		7,997	7,997		
	SYNDICATION COSTS						
40	Organizational (Partnership)	0					
41	Bridge Loan Fees and Expenses	0					
42	Syndication Consultant	0					
43	Tax Opinion	0					
	DEVELOPER'S FEES						
44	Developer's Fees	270,002		270,002	270,002		
45	Other Partnership Fees	0					
46	Consultant Fees	0					
	RESERVES						
47	Working Capital	76,707					
48	Rent-up (Deficit Escrow) Reserve	0					
49	Other Operating Reserves	0					
50	Sinking Fund	0					
51	Replacement Reserves	0					
	Subtotal - Soft Costs	683,672					
	TOTALS	3,035,374	860,297	1,976,001	2,670,142	0	
LESS:	Amount of Non-qualified Financing		166,768				
				0			
LESS:	Historic tax Credit (Residential Portion)			0	0	20%	Historic Credit Rate
	Total Eligible Basis		693,529	1,976,001		0	Annual Historic Credit
TIMES:	Adjusted for QCT/DDA	100.0%		1,976,001			
TIMES:	Applicable Fraction	100.00%	693,529	1,976,001			
	Total Qualified Basis		693,529	1,976,001	2,670,142		Long Term Depreciable Basis
TIMES:	Applicable Percentage		3.49%	3.49%	27.5		Depreciation Schedule
	Total Annual Credit Qualified		24,204	68,962	97,096		Annual Depreciation
	Total Tax Credits Requested	99,000			14,000		Short Term Depreciable Basis
	Estimated Net Syndication Proceeds (excluding historic credit equity)	886,200			7		Depreciation Schedule
	Estimated Yield - Housing Credit Syndication	90.42%			2,000		Annual Depreciation
	Equity Gap	886,194					
	Credits Needed to fill Equity Gap	98,999					

29-Aug-07 **Passumpsic North & South**

HC Restricted Units

Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br		0	0	0	0	0
1 Br		571	13	872	0	136,032
2 Br		925	5	941	0	56,436
3 Br		1,020	10	1,064	0	127,680
4+ Br		0	0	0	0	0
	Totals	22,252	28			320,148

Non-HC Restricted Units

Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br		0	0	0	0	0
1 Br		0	0	0	0	0
2 Br		0	0	0	0	0
3 Br		0	0	0	0	0
4+ Br		0	0	0	0	0
	Totals	0	0			0

All Units

Grand Totals	22,252	28	320,148
Less Vacancy	5.00%		(16,007)
NET RENT			304,141

OTHER INCOME

Laundry	1,350
Parking	0
Commercial Space Income	
Other	

TOTAL INCOME	305,491

29-Aug-07

Passumpsic North & South

	Check all Applicable									A					B						C					
Building #	Unit #	HOME Unit	Lead Paint Unit	Project Based Assistance	Tax Credit Unit	VHCB Restricted	Accessible	Adaptable	Unrestricted	Number of Bedrooms	Proposed Square Footage	Proposed Rent	Utility Allowance for Tenant-Paid Utilities	Gross Rent (Rent + Tenant-Paid Utilities)	OCCUPIED BY: Income level of residents to be served:						AFFORDABLE TO: Units affordable to residents at:					
															<30%	<50%	<60%	<80%	<100%	>100%	30%	50%	60%	65%	80%	100%+
Fam 1	1			1	1					2	985	944	33	977			1						1			
	2			1	1					2	985	944	33	977			1						1			
Fam 2	3			1	1					2	985	944	33	977			1						1			
	4			1	1					2	985	944	33	977			1						1			
Fam 3	5			1	1		1			3	1,020	1,064	43	1,107			1						1			
	6			1	1					3	1,020	1,064	43	1,107			1						1			
Fam 4	7			1	1					3	1,020	1,064	43	1,107			1						1			
	8			1	1					3	1,020	1,064	43	1,107			1						1			
Fam 5	9			1	1					3	1,020	1,064	43	1,107			1						1			
	10			1	1					3	1,020	1,064	43	1,107			1						1			
Fam 6	11			1	1					3	1,020	1,064	43	1,107			1						1			
	12			1	1					3	1,020	1,064	43	1,107			1						1			
Fam 7	13			1	1					3	1,020	1,064	43	1,107			1						1			
	14			1	1					3	1,020	1,064	43	1,107			1						1			
Eld 1	1			1	1	1				1	593	872	0	872			1						1			
	2			1	1	1				1	535	872	0	872			1						1			
	3			1	1	1				1	579	872	0	872			1						1			
Eld 2	4			1	1	1	1			1	592	872	0	872			1						1			
	5			1	1	1	1			1	552	872	0	872			1						1			
	6			1	1					1	552	872	0	872			1						1			
	7			1	1					1	592	872	0	872			1						1			
	8			1	1					1	503	872	0	872			1						1			
	9			1	1					1	503	872	0	872			1						1			
Eld 3	10			1	1					1	661	872	0	872			1						1			
	11			1	1					1	575	872	0	872			1						1			
	12			1	1					1	633	872	0	872			1						1			
	13			1	1					1	559	872	0	872			1						1			
	14			1	1					2	683	927	0	927			1						1			
Total # Units	**28**	**0**	**0**	**28**	**28**	**5**	**3**	**0**	**0**	**Totals:**	22,252	26,679		**Total # Units:**	0	0	28	0	0	0	0	0	28	0	0	0

29-Aug-07 **Passumpsic North & South**

	Annual	Monthly	Per Unit Per Month	Family	Elderly
Administration					
Management Fee	15,879	1,323	47	7,056	8,823
Supportive Services	5,208	434	16	5,208	
Audit/Accounting	5,820	485	17	2,520	3,300
Legal	504	42	2	336	168
Compliance Monitoring	1,344	112	4	672	672
Marketing	250	21	1		250
Other	12,849	1,071	38	5,376	7,473
TOTAL ADMINISTRATIVE	41,854	3,488	125		
Utilities					
Electricity	10,048	837	30	1,848	8,200
Fuel	25,872	2,156	77	12,936	12,936
Water and Sewer	8,400	700	25	4,200	4,200
Fire Alarm / Emergency	1,525	127	5	75	1,450
Other	0	0	0		
TOTAL UTILITIES	45,845	3,820	136		
Maintenance					
Maintenance / Janitor Payroll	0	0	0		
Janitor Supplies	3,086	257	9	168	2,918
Exterminating	336	28	1	336	
Trash Removal	4,356	363	13	2,856	1,500
Snow Removal	5,028	419	15	1,848	3,180
Grounds	3,024	252	9	1,512	1,512
Repairs Material	2,752	229	8	2,352	400
Repairs Contract	21,840	1,820	65	11,760	10,080
HVAC Repairs / Maintenance	504	42	2	336	168
Elevator Contract / Repairs	0	0	0		
Painting and Decorating	0	0	0		
Other	2,260	188	7	336	1,924
TOTAL MAINTENANCE	43,186	3,599	129		
Real Estate Taxes	27,620	2,302	82	15,120	12,500
Property Insurance	8,324	694	25	4,032	4,292
Replacement Reserves	15,120	1,260	45	7,560	7,560
Primary Debt Service		0	0		
Other "must pay" debt service		0	0		
Other		0	0		
Total	181,949	15,162	542	88,443	93,506

29-Aug-07	**Passumpsic South (Family Only)**														
Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income															
Gross Rent	184,116	184,116	184,116	184,116	184,116	186,878	189,681	192,526	195,414	198,345	201,320	204,340	207,405	210,516	213,674
Other Income	675	685	695	706	716	727	738	749	760	772	783	795	807	819	831
Vacancy and other losses	(9,206)	(9,206)	(9,206)	(9,206)	(9,206)	(9,344)	(9,484)	(9,626)	(9,771)	(9,917)	(10,066)	(10,217)	(10,370)	(10,526)	(10,684)
Total Operating Income	175,585	175,595	175,606	175,616	175,627	178,261	180,935	183,649	186,404	189,200	192,038	194,918	197,842	200,810	203,822
Operating Expenses															
Total Expenses (excl. Reserves)	80,883	83,309	85,809	88,383	91,035	93,766	96,579	99,476	102,460	105,534	108,700	111,961	115,320	118,779	122,343
Reserves	7,560	7,673	7,789	7,905	8,024	8,144	8,266	8,390	8,516	8,644	8,774	8,905	9,039	9,174	9,312
Total Operating Expense	88,443	90,983	93,597	96,288	99,058	101,910	104,845	107,866	110,976	114,178	117,474	120,866	124,359	127,954	131,655
Net Operating Income	87,142	84,612	82,008	79,328	76,568	76,351	76,090	75,783	75,427	75,022	74,564	74,052	73,483	72,856	72,167
RD Debt Service															
Less Primary Debt Service	50,902	50,902	50,902	50,902	50,902	50,902	50,902	50,902	50,902	50,902	50,902	50,902	50,902	50,902	50,902
Less Secondary Debt Service	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow	36,240	33,710	31,106	28,426	25,666	25,449	25,188	24,881	24,525	24,120	23,662	23,150	22,581	21,954	21,265
Operating Subsidies / Sinking Fund	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash	36,240	33,710	31,106	28,426	25,666	25,449	25,188	24,881	24,525	24,120	23,662	23,150	22,581	21,954	21,265
DCR	171.20%	166.23%	161.11%	155.84%	150.42%	150.00%	149.48%	148.88%	148.18%	147.38%	146.49%	145.48%	144.36%	143.13%	141.78%
Cumulative Cash Flow															
Beginning Balance	0	36,240	70,675	103,195	133,685	162,025	190,715	219,717	248,992	278,497	308,187	338,012	367,923	397,863	427,774
Deposits	36,240	33,710	31,106	28,426	25,666	25,449	25,188	24,881	24,525	24,120	23,662	23,150	22,581	21,954	21,265
Interest 2.0%	0	725	1,414	2,064	2,674	3,240	3,814	4,394	4,980	5,570	6,164	6,760	7,358	7,957	8,555
Withdrawals	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	36,240	70,675	103,195	133,685	162,025	190,715	219,717	248,992	278,497	308,187	338,012	367,923	397,863	427,774	457,594
Cumulative Replacement Reserves															
Beginning Balance	0	7,636	15,462	23,559	31,936	(7,832)	313	8,585	17,147	26,007	(13,259)	(4,486)	4,420	13,547	22,992
Deposits	7,560	7,673	7,789	7,905	8,024	8,144	8,266	8,390	8,516	8,644	8,774	8,905	9,039	9,174	9,312
Interest 2.0%	76	153	309	471	639	0	6	172	343	520	0	0	88	271	460
Withdrawals 3.459	0	0	0	0	(48,430)	0	0	0	0	(48,430)	0	0	0	0	(48,430)
Ending Balance	7,636	15,462	23,559	31,936	(7,832)	313	8,585	17,147	26,007	(13,259)	(4,486)	4,420	13,547	22,992	(15,666)

		2008	2009	2010	2011	2012	2013	2014								
29-Aug-07		**Passumpsic North & South**														
	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income																
Gross Rent		320,148	320,148	320,148	320,148	320,148	324,950	329,824	334,772	339,793	344,890	350,064	355,315	360,644	366,054	371,545
Other Income		1,350	1,370	1,391	1,412	1,433	1,454	1,476	1,498	1,521	1,544	1,567	1,590	1,614	1,638	1,663
Vacancy and other losses		(16,007)	(16,007)	(16,007)	(16,007)	(16,007)	(16,248)	(16,491)	(16,739)	(16,990)	(17,245)	(17,503)	(17,766)	(18,032)	(18,303)	(18,577)
Total Operating Income		305,491	305,511	305,531	305,552	305,573	310,157	314,809	319,532	324,325	329,189	334,127	339,139	344,226	349,390	354,630
Operating Expenses																
Total Expenses (excl. Reserves)		166,829	171,834	176,989	182,299	187,768	193,401	199,203	205,179	211,334	217,674	224,204	230,930	237,858	244,994	252,344
Reserves		15,120	15,347	15,577	15,811	16,048	16,289	16,533	16,781	17,033	17,288	17,547	17,811	18,078	18,349	18,624
Total Operating Expense		181,949	187,181	192,566	198,109	203,815	209,689	215,735	221,959	228,367	234,962	241,752	248,741	255,936	263,343	270,968
Net Operating Income		123,542	118,330	112,966	107,443	101,758	100,468	99,074	97,572	95,958	94,227	92,376	90,398	88,290	86,047	83,662
RD Debt Service		25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423
Less Primary Debt Service		50,902	50,902	50,902	50,902	50,902	50,902	50,902	50,902	50,902	50,902	50,902	50,902	50,902	50,902	50,902
Less Secondary Debt Service		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow		47,217	42,005	36,640	31,118	25,433	24,143	22,749	21,247	19,633	17,902	16,051	14,073	11,965	9,722	7,337
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash		47,217	42,005	36,640	31,118	25,433	24,143	22,749	21,247	19,633	17,902	16,051	14,073	11,965	9,722	7,337
DCR		161.86%	155.03%	148.01%	140.77%	133.32%	131.63%	129.81%	127.84%	125.72%	123.46%	121.03%	118.44%	115.68%	112.74%	109.61%
Cumulative Cash Flow																
Beginning Balance		0	47,217	90,166	128,610	162,300	190,979	218,941	246,069	272,237	297,315	321,164	343,637	364,583	383,840	401,239
Deposits		47,217	42,005	36,640	31,118	25,433	24,143	22,749	21,247	19,633	17,902	16,051	14,073	11,965	9,722	7,337
Interest	2.0%	0	944	1,803	2,572	3,246	3,820	4,379	4,921	5,445	5,946	6,423	6,873	7,292	7,677	8,025
Withdrawals		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance		47,217	90,166	128,610	162,300	190,979	218,941	246,069	272,237	297,315	321,164	343,637	364,583	383,840	401,239	416,601
Cumulative Replacement Reserves																
Beginning Balance		0	15,271	30,923	47,119	63,872	81,197	99,110	117,625	136,758	156,526	176,944	198,031	219,802	242,276	265,470
Deposits		15,120	15,347	15,577	15,811	16,048	16,289	16,533	16,781	17,033	17,288	17,547	17,811	18,078	18,349	18,624
Interest	2.0%	151	305	618	942	1,277	1,624	1,982	2,352	2,735	3,131	3,539	3,961	4,396	4,846	5,309
Withdrawals		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance		15,271	30,923	47,119	63,872	81,197	99,110	117,625	136,758	156,526	176,944	198,031	219,802	242,276	265,470	289,404

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Construction Flow of Funds

Sources:		Month:								Sub Complt			Final Capital Contribution
		Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
RD	1,000,000										1,000,000			
VHFA	654,000										654,000			
	0													
VHCB	270,000	270,000												
REEP Loan	7,000										7,000			
Developer Loan	51,412										51,412			
Cash	166,768	166,768												
Tax Credit Equity	850,395										212,599			212,599
Construction Loan	1,900,000	812,350	39,569	120,792	175,472	182,459	181,485	178,506	181,010	203,028	0	72,013	2,718	135,855
TOTALS:	4,899,575	1,249,118	39,569	120,792	175,472	182,459	181,485	178,506	181,010	203,028	1,925,011	72,013	2,718	348,454
Uses:														
ACQUISITION														
Land	91,848	91,848												
Purchase of Building(s)	850,299	850,299												
Demolition (without replacement)	0													
Property Appraisal	4,999	4,999												
Legal - Title and Recording	4,999	4,999												
CONSTRUCTION HARD COSTS														
Rehabilitation	1,237,103		25,000	100,000	150,000	150,000	150,000	150,000	150,000	170,000	177,103	15,000		
New Building(s)	0													
Accessory Buildings	0													
Sitework	0													
Commercial Space Costs (if any)	0													
General Requirements	0													
Contractor Overhead	0													
Contractor Profit	0													
Construction Contingency	148,454			12,000	12,000	12,000	12,000	12,000	12,000	12,000	15,252	49,200		
Construction Management	0													
Construction Bond Fee	0													
Hazardous Materials Abatement	0													
Off-Site Improvements	0													
Furnishings, Fixtures, & Equipment	14,000										14,000			
Other (_____)	0													
SOFT COSTS														
Architectural	116,999	77,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000		
Engineering	0													
Legal/Accounting	23,998	16,000	6,000				2,000							
Relocation	28,000				4,000	4,000	4,000	4,000	4,000	4,000	4,000			
Environmental Assessment	4,999	5,000												
Energy Assessment	0													
Permits/Fees	5,951	5,951												
Independent Market Study	2,998	3,000												
Construction Period Insurance	25,002	20,000				5,000								
Construction Interest	84,997		4,569	4,792	5,472	6,459	7,485	8,506	9,510	10,528	11,670	2,313	2,718	2,733
Construction Loan Origination Fee	21,812	21,810												
Taxes During Construction	0													
Clerk of the Works	0													
Marketing	4,497						2,000			2,500				
Tax Credit Fees	4,212	4,212												
Soft Cost Contingency	5,501	1,000				1,000			1,500		500	1,500		
Permanent Loan Origination Fee	0													
Lender's Counsel's Fee	0													
Other (Historic Preservation)	7,997	8,000												
SYNDICATION COSTS														
Organizational (Partnership)	0													
Bridge Loan Fees and Expenses	0													
Syndication Consultant	0													
Tax Opinion	0													
DEVELOPER'S FEES														
Developer's Fees	270,002	135,000												67,500
Other Partnership Fees	0													
Consultant Fees	0													
RESERVES														
Working Capital	76,707										35,000			41,707
Rent-up (Deficit Escrow) Reserve	0													
Other Operating Reserves	0													
Sinking Fund	0													
Replacement Reserves	0													
Repay Construction Loan	1,900,000										1,663,486			236,514
TOTAL DEVELOPMENT COSTS	3,035,374	1,249,118	39,569	120,792	175,472	182,459	181,485	178,506	181,010	203,028	1,925,011	72,013	2,718	348,454
Construction Loan Balance - begin		0	812,350	851,919	972,712	1,148,183	1,330,642	1,512,126	1,690,632	1,871,642	2,074,670	411,184	483,197	485,915
Construction Loan Balance - end		812,350	851,919	972,712	1,148,183	1,330,642	1,512,126	1,690,632	1,871,642	2,074,670	411,184	483,197	485,915	385,256
Construction Loan Interest	6.8%	0	4,569	4,792	5,472	6,459	7,485	8,506	9,510	10,528	11,670	2,313	2,718	2,733

form revision date: 2/27/97

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: CONSTRUCTION AND PERMANENT FINANCING AND PROPOSED USE OF BOND HOUSING CREDITS FOR PASSUMPSIC NORTH AND SOUTH, ST. JOHNSBURY

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow monies and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, an application has been submitted to the Agency by Housing Vermont (the "Sponsor") on behalf of a to be formed limited partnership in which the Sponsor or its subsidiary will be the general partner (the "Borrower") involving the acquisition and rehabilitation of fourteen (14) units of senior rental housing and fourteen (14) units of general occupancy rental housing for a total of twenty-eight (28) units in the Town of St. Johnsbury (the "Development"); and

WHEREAS, the application contemplates a mortgage loan for construction and permanent financing for the Development with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds; and

WHEREAS, the Sponsor qualifies and the Borrower 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

WHEREAS, the Agency administers the allocation of the federal Low Income Housing Tax Credits (both Allocated Housing Credits and Bond Housing Credits) and the State Housing Credits under the State's Qualified Allocation Plan; and

WHEREAS, the Governor of the State of Vermont has approved the 2005-2006 Qualified Allocation Plan; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi dated August 28, 2007, containing information, conditions and recommendations about the Development (the "Memorandum");

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 to be incurred by the housing sponsors 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 increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency 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 loan.

6. The Sponsor is financially responsible and is a qualified housing sponsor within the meaning of the Act. The Borrower will be required to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsor for construction and permanent financing of the Development based on the recommendations in the attached Memorandum. 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 Sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the Borrower for construction and permanent financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsor as the representative of the Borrower. The Commitment Letter shall be 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.

3. The Executive Director and the Loan Review Committee will establish the final source and amount of the loan for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines, and the conditions, if any, described in the Memorandum.

4. The recommendations for the proposed use of Bond Housing Credits contained in the Memorandum which is attached and incorporated by this reference are hereby approved.

5. The Executive Director and the appropriate staff are hereby authorized to take such actions as are described in the 2005-2006 Qualified Allocation Plan regarding the use of Bond Housing Credits in an amount necessary for the Development's feasibility for the Passumpsic North and South project in the Town of St. Johnsbury, Vermont.

HOUSING VERMONT

16 August 2007

Sarah Carpenter
Executive Director
Vermont Housing Finance Agency
164 St. Paul Street
P.O. Box 408
Burlington, VT 05402-0408

Re: VHFA Representatives on the HV Board of Directors

Dear Sarah:

Under the terms of the Housing Vermont bylaws, Vermont Housing Finance Agency, as the sole sustaining member of the organization, appoints six of our eleven member board of directors. The current members who have been approved by VHFA are:

Janet Spitler, Merchants Bank, joined 2005, (2007)
Rita Markley, COTS, joined 1998, (2007)
Chip Hart, Developer, joined 2002, (2007)
Barbara Grimes, Burlington Electric, joined 2001, (2008)
Paul Costello, Vermont Rural Development Council, joined 2001, (2008)
Tom Thompson, Re-Max North Professionals, joined 1997, (2008)

The term of the first three of these members expires this year. Janet Spitler is the Secretary of the Board, and Chip Hart is the President. Both have agreed to service an additional term if that is agreeable to VHFA. Rita Markley is retiring from the board, and we need to identify a replacement.

Under other provisions of our by laws, the seat Rita held must be occupied by a "Special Qualification director" who works for a non-profit housing group. I have spoken to Amy Demetrowitz, the Director of Real Estate Development for the Champlain Housing Trust. She meets the qualification requirements, has enormous experience, and is interested in serving. I have requested a biography and will send it over when I receive it.

To recap, I would like to request that VHFA approve the following appointments for the Housing Vermont board of directors: Janet Spitler, Chip Hart, and Amy Demetrowitz. All would have two year terms expiring in September of 2009. Please let me know if you need additional information or wish to consider other candidates.

Sincerely,

Andy Broderick
President

123 St. Paul Street
Burlington, Vermont 05401
phone: 802.863.8424
fax: 802.660.9034
www.housingvermont.org

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Director of Homeownership Programs PC

DATE: August 29, 2007

RE: Summary of Homeownership Activities

PRODUCTION

Production reports as of July 31, 2007 by fiscal year and calendar year are attached. VHFA's total pipeline is at a record level of $60 million. The pipeline includes an estimated $23.4 million in loans that were purchased in August but are not reflected on the production reports.

COLLECTIONS

Delinquency reports as of July 31, 2007 are attached. As of July 31, 2007 VHFA owned 2 properties; one closed in the month of August.

If you have any questions please do not hesitate to call me at 652-3442 or email me at pcrady@vhfa.org.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

FY08 Production Summary

July 1, 2007 - June 30, 2008

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total
MOVE	15,006,819												**15,006,819**
HOUSE	753,673												**753,673**
RURAL DEV.													**0**
LIMITED REFI	74,638												**74,638**
FIXED35													**0**
Dollar Total	**15,835,130**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**15,835,130**
Total # of Loans	**109**												**109**
MOBILE HOME	17												**17**
Total # of MH*													**0**

*The Mobile Home # is included in the above line item titled "Total # of Loans"

FY07 Production Summary

July 1, 2006 - June 30, 2007

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total
MOVE	12,358,137	16,354,977	14,702,565	9,391,304	11,050,470	12,027,936	6,478,688	5,154,110	9,199,141	7,493,657	9,454,524	14,182,842	**127,848,351**
HOUSE	170,654	640,120	267,939	264,000	387,900	722,916	201,680	225,325	692,110	419,285	495,000	231,525	**4,718,454**
RURAL DEV.			26,500	28,500									**55,000**
LIMITED REFI				113,953									**113,953**
FIXED35				422,000	220,000	189,050			247,500		205,000		**1,283,550**
Dollar Total	**12,528,791**	**16,995,097**	**14,997,004**	**10,219,757**	**11,658,370**	**12,939,902**	**6,680,368**	**5,379,435**	**10,138,751**	**7,912,942**	**10,154,524**	**14,414,367**	**134,019,308**
Total # of Loans	**87**	**122**	**104**	**75**	**82**	**90**	**49**	**36**	**69**	**58**	**69**	**96**	**937**
MOBILE HOME	1,505,907	1,043,436	392,800	1,336,196	1,151,800	1,279,875	**865,250**	220,750	565,164	1,009,882	1,070,175	1,110,190	**11,551,425**
Total # of MH*	**15**	**13**	**5**	**14**	**13**	**13**	**9**	**2**	**6**	**9**	**12**	**13**	**124**

*The Mobile Home # is included in the above line item titled "Total # of Loans"

FY08 Dollar Volume by Lender

July 1, 2007- June 30, 2008

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD TOTAL
CHITTENDEN MTG SVCS	2,501,634												$2,501,634
NEW ENGLAND FCU	2,500,103												$2,500,103
UNIVERSAL	1,184,600												$1,184,600
COMMUNITY	1,162,605												$1,162,605
MTG FINANCIAL	1,162,002												$1,162,002
VT FEDERAL CU	994,641												$994,641
SUMMIT	845,101												$845,101
NORTHFIELD	602,331												$602,331
LIBERTYQUEST	586,000												$586,000
OPPORTUNITIES CU	543,053												$543,053
VT STATE ECU	509,638												$509,638
TDBANKNORTH	477,493												$477,493
N.E. HOME LOAN	423,305												$423,305
BRATTLEBORO	386,500												$386,500
NORTH COUNTRY CU	341,500												$341,500
UNION	307,000												$307,000
HERITAGE FCU	285,562												$285,562
GMAC	261,240												$261,240
PEOPLES TRUST	198,500												$198,500
LAKE SUNAPEE	197,472												$197,472
COUNTRYWIDE	131,000												$131,000
CCO MORTGAGE	101,850												$101,850
NAT'L BNK MIDDLE	100,000												$100,000
RIVER VALLE CU	32,000												$32,000
BANK OF BENN													$0
CT RIVER													$0
CTX													$0
FACTORY PT													$0
FIRST COMMUNITY													$0
LYNDONVILLE													$0
MASCOMA													$0
NATIONAL CITY													$0
VHFA (RD)													$0
WELLS FARGO													$0
TOTAL	$15,835,130	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$15,835,130

FY08 Loan Volume by Lender

July 1, 200[redacted] June 30, 2008

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD
CHITTENDEN MTG SVCS	17												
NEW ENGLAND FCU	16												
UNIVERSAL	9												
COMMUNITY	8												8
MTG FINANCIAL SRV	8												8
VT FEDERAL CU	6												6
SUMMIT	5												5
LIBERTYQUEST	4												4
N.E. HOME LOAN	4												4
NORTHFIELD	4												4
OPPORTUNITIES CU	4												4
TDBANKNORTH	4												4
NORTH COUNTRY FCU	3												3
VT STATE ECU	3												3
BRATTLEBORO	2												2
GMAC	2												2
HERITAGE FCU	2												2
UNION	2												2
CCO MORTGAGE	1												1
COUNTRYWIDE	1												1
LAKE SUNAPEE	1												1
NAT'L BNK MIDDLE	1												1
PEOPLES TRUST	1												1
RIVER VALLEY CU	1												1
BANK OF BENN													0
CT RIVER													0
CTX													0
FACTORY PT													0
FIRST COMMUNITY													0
KEYBANK													0
LYNDONVILLE													0
MASCOMA													0
NATIONAL CITY													0
VHFA (RD)													0
WELLS FARGO													0
TOTAL	109	0	0	0	0	0	0	0	0	0	0	0	109

No longer participating:
Kittredge Mortgage

Re-Activated:
CCO Mortgage (Charter One)
First Brandon (aka Lake Sunapee)
Wells Fargo
National City
KeyBank

CY07 Production Summary

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	Total
MOVE	6,478,688	5,154,110	9,199,141	7,493,657	9,454,524	14,182,842	15,006,819						**66,969,781**
HOUSE	201,680	225,325	692,110	419,285	495,000	231,525	753,673						**3,018,598**
RURAL DEV.													**0**
LIMITED REFI							74,638						**74,638**
FIXED35			247,500		205,000								**452,500**
Total	**6,680,368**	**5,379,435**	**10,138,751**	**7,912,942**	**10,154,524**	**14,414,367**	**15,835,130**	**0**	**0**	**0**	**0**	**0**	**70,515,517**
MOBILE HOME	865,250	220,750	565,164	1,009,882	1,070,175	1,110,190	1,749,881						**6,591,292**

CY06 Production Summary

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	Total
MOVE	5,747,307	5,115,359	6,723,853	7,002,262	8,709,255	14,414,830	12,358,137	16,354,977	14,702,565	9,391,304	11,050,470	12,027,936	**123,598,255**
HOUSE	257,220		565,314	440,420	379,400	608,070	170,654	640,120	267,939	264,000	387,900	722,916	**4,703,953**
RURAL DEV.	32,000					25,460			26,500	28,500			**112,460**
LIMITED REFI			31,950	55,000	164,820					113,953			**365,723**
FIXED35										422,000	220,000	189,050	**831,050**
Total	**6,036,527**	**5,115,359**	**7,321,117**	**7,497,682**	**9,253,475**	**15,048,360**	**12,528,791**	**16,995,097**	**14,997,004**	**10,219,757**	**11,658,370**	**12,939,902**	**129,611,441**
MOBILE HOME	905,200	577,811	396,190	707,480	972,825	1,809,676	1,505,907	1,043,436	392,800	1,336,196	1,151,800	1,279,875	**12,079,196**

CY07 Dollar Volume by Lender

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	YTD TO
NEW ENGLAND FCU	1,346,555	1,541,630	2,594,454	1,717,618	2,358,018	3,217,408	2,500,103						15,275,
CHITTENDEN MTG SVCS	1,273,940	1,152,919	1,731,800	361,585	1,607,077	1,441,129	2,501,634						10,070,08
UNIVERSAL	770,522	902,682	829,070	824,216	1,855,392	1,539,086	1,184,600						7,905,568
COMMUNITY	314,700	140,904	534,669	300,300	384,761	661,539	1,162,605						3,499,478
MTG FINANCIAL	178,208	75,000	119,900	171,111	218,113	1,557,495	1,162,002						3,481,829
SUMMIT	213,928	164,560	1,127,002		395,214	365,884	845,101						3,111,689
NORTHFIELD	317,900		439,504	133,000	105,000	1,193,006	602,331						2,790,741
HERITAGE FCU	198,203	389,100	56,000	1,003,800	151,000	150,000	285,562						2,233,665
N.E. HOME LOAN	330,950		483,760	163,430	328,850	495,875	423,305						2,226,170
VT STATE ECU	211,700	383,050	222,000	274,316	308,990	174,800	509,638						2,084,494
LIBERTYQUEST	214,442		145,000	348,225	308,073	352,298	586,000						1,954,038
TDBANKNORTH	224,050	266,100		337,973	420,000		477,493						1,725,616
NORTH COUNTRY CU	492,800		268,200	105,875	80,000	343,227	341,500						1,631,602
FIRST COMMUNITY			210,175	441,401	184,600	776,645							1,612,821
PEOPLES TRUST		175,000		493,400	175,000	443,200	198,500						1,485,100
VT FEDERAL CU			277,000	98,500		75,000	994,641						1,445,141
UNION	242,570		393,000		458,110		307,000						1,400,680
COUNTRYWIDE	252,900		149,900	269,865		411,650	131,000						1,215,315
BRATTLEBORO				200,500	143,200		386,500						730,200
GMAC		75,000				350,895	261,240						687,135
OPPORTUNITIES CU			135,800				543,053						678,853
CTX				242,125	168,571	207,757							618,453
CT RIVER		113,490			312,205	148,473							574,168
CCO MORTGAGE			205,200			142,000	101,850						449,050
MASCOMA	97,000		113,317	227,420									437,737
NAT'L BNK MIDDLE				129,782		103,000	100,000						332,782
LAKE SUNAPEE			103,000				197,472						300,472
FACTORY PT						245,000							245,000
BANK OF BENN				68,500	151,050								219,550
RIVER VALLEY CU					41,300	19,000	32,000						92,300
KEY BANK													0
LYNDONVILLE													0
NATIONAL CITY													0
VHFA (RD)													0
WELLS FARGO													0
TOTAL	$6,680,368	$5,379,435	$10,138,751	$7,912,942	$10,154,524	$14,414,367	$15,835,130	$0	$0	$0	$0	$0	$70,515,517

No longer participating:
Kittredge Mortgage

Re-Activated:
CCO Mortgage (Charter One)
Wells Fargo
First Brandon (aka Lake Sunapee)
National City
KeyBank

CY07 Number of loans

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	YTD TOTAL
NEW ENGLAND FCU	8	9	16	10	15	18	16						92
CHITTENDEN MTG SVCS	9	8	11	3	10	9	17						67
UNIVERSAL	5	5	5	7	13	9	9						53
COMMUNITY	3	1	4	3		6	8						25
MTG FINANCIAL	1	1	1	1	1	9	8						22
N.E. HOME LOAN	3		4	2	3	4	4						20
NORTHFIELD	3		3	1	1	8	4						20
HERITAGE FCU	2	3	1	7	1	1	2						17
SUMMIT	1	1	6		2	2	5						17
FIRST COMMUNITY			3	3	2	6							14
NORTH COUNTRY CU	4		3	1	1	2	3						14
TDBANKNORTH	2	2		3	3		4						14
VT STATE ECU	2	3	1	2	2	1	3						14
COUNTRYWIDE	2		1	2	3	3	1						12
LIBERTYQUEST	1		1	2	2	2	4						12
PEOPLES TRUST		1		3	1	4	1						10
UNION	2		3		3		2						10
VT FEDERAL CU			2	1		1	6						10
GMAC		1				3	2						6
BRATTLEBORO				2	1		2						5
OPPORTUNITIES CU			1				4						5
CT RIVER		1			2	1							4
MASCOMA	1		1	2									4
NAT'L BNK MIDDLE				1		2	1						4
CCO MORTGAGE			1			1	1						3
CTX				1	1	1							3
RIVER VALLEY CU					1	1	1						3
BANK OF BENN				1	1								2
FACTORY PT						2							2
LAKE SUNAPEE			1				1						0
LYNDONVILLE													0
NATIONAL CITY													0
VHFA (RD)													0
WELLS FARGO													0
KEY BANK													
TOTAL	49	36	69	58	69	96	109	0	0	0	0	0	484

No longer participating:
Kittredge Mortgage

Re-Activated:
CCO Mortgage (Charter One)
Wells Fargo
First Brandon (aka Lake Sunapee)
National City
KeyBank

VERMONT HOUSING FINANCE AGENCY
HOMEOWNERSHIP PROGRAM MONTHLY DELINQUENCY REPORT
July 31, 2007

Lenders	Total Loans	30 Days		60 Days		90+ Days		In Foreclosure		Total Delinquent		REO	
Chittenden Mortgage Services	1207	66	5.47%	23	1.91%	7	0.58%	14	1.16%	110	9.11%	1	0.08%
Bank of Bennington	65	5	7.69%	0	0.00%	0	0.00%	0	0.00%	5	7.69%	0	0.00%
Graystone Mortgage Company	2210	86	3.89%	19	0.86%	11	0.50%	21	0.95%	137	6.20%	1	0.05%
Union Bank	320	12	3.75%	3	0.94%	2	0.63%	2	0.63%	19	5.94%	0	0.00%
Brattleboro Savings & Loan	92	2	2.17%	1	1.09%	2	2.17%	0	0.00%	5	5.43%	0	0.00%
Community National Bank	331	15	4.53%	1	0.30%	1	0.30%	0	0.00%	17	5.14%	0	0.00%
Opportunities CU	131	4	3.05%	2	1.53%	0	0.00%	0	0.00%	6	4.58%	0	0.00%
Peoples Trust Co.	114	2	1.75%	2	1.75%	0	0.00%	0	0.00%	4	3.51%	0	0.00%
Mascoma Savings Bank	47	1	2.13%	0	0.00%	0	0.00%	0	0.00%	1	2.13%	0	0.00%
Factory Point Nat. Bank	62	1	1.61%	0	0.00%	0	0.00%	0	0.00%	1	1.61%	0	0.00%
Heritage Family Credit Union	138	2	1.45%	0	0.00%	0	0.00%	0	0.00%	2	1.45%	0	0.00%
New England Federal CU	480	4	0.83%	0	0.00%	0	0.00%	0	0.00%	4	0.83%	0	0.00%
CitiMortgage	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Connecticut River Bank	57	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Randolph National Bank	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Totals	**5258**	**200**	**3.80%**	**51**	**0.97%**	**23**	**0.44%**	**37**	**0.70%**	**311**	**5.91%**	**2**	**0.04%**
Totals Previous Month	**5200**	**202**	**3.88%**	**54**	**1.04%**	**12**	**0.23%**	**40**	**0.77%**	**308**	**5.92%**	**2**	**0.04%**
Totals Same Mo. Last Yr.	**4799**	**199**	**4.15%**	**50**	**1.04%**	**13**	**0.27%**	**41**	**0.85%**	**303**	**6.31%**	**1**	**0.02%**

Note: Of the loans in foreclosure, a total of 17 are under a Chapter 13 Bankruptcy Plan

Monthly Delinquency by Servicer

Lenders	July 2006	Aug 2006	Sept 2006	Oct 2006	Nov 2006	Dec 2006	Jan 2007	Feb 2007	March 2007	April 2007	May 2007	June 2007	July 2007
Bank of Bennington	1.52%	4.55%	1.52%	0.00%	4.55%	2.94%	6.06%	3.03%	3.13%	1.56%	4.62%	4.62%	7.69%
Brattleboro Savings & Loan	2.35%	3.53%	3.53%	3.57%	5.81%	7.87%	5.62%	5.62%	2.25%	1.11%	3.33%	6.67%	5.43%
Chittenden Mortgage Services	9.38%	8.39%	9.04%	8.08%	9.97%	1.08%	9.59%	9.34%	8.04%	7.27%	8.11%	7.97%	9.11%
CitiMortgage	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Community National Bank	5.72%	4.29%	6.27%	5.92%	5.70%	7.23%	6.29%	4.72%	3.73%	5.25%	5.57%	5.21%	5.14%
Connecticut River Bank	3.85%	3.70%	0.00%	0.00%	0.00%	3.64%	0.00%	0.00%	0.00%	0.00%	1.75%	0.00%	0.00%
Factory Point Nat. Bank	5.00%	1.56%	3.17%	1.67%	0.00%	0.00%	1.61%	1.61%	1.64%	1.64%	3.28%	0.00%	1.61%
Graystone	6.84%	6.38%	7.34%	6.75%	7.54%	7.65%	6.92%	6.88%	6.16%	6.35%	6.50%	6.95%	6.20%
Heritage Family CU	1.72%	2.56%	3.36%	3.31%	2.38%	2.38%	2.36%	2.31%	2.29%	0.00%	2.17%	1.44%	1.45%
Mascoma Savings Bank	2.70%	0.00%	2.50%	2.44%	2.44%	6.82%	2.22%	4.44%	2.22%	2.13%	2.13%	4.26%	2.13%
New England Federal CU	0.59%	0.56%	0.27%	0.26%	0.00%	0.74%	0.49%	0.95%	0.23%	0.68%	0.66%	1.07%	0.83%
Opportunites CU	8.28%	7.64%	6.34%	5.59%	6.38%	4.29%	6.62%	5.88%	4.44%	5.19%	3.01%	3.05%	4.58%
Peoples Trust Co.	3.09%	3.06%	3.92%	4.81%	4.76%	3.77%	4.72%	2.80%	0.93%	3.64%	4.50%	4.42%	3.51%
Randolph National Bank	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Union Bank	3.07%	4.32%	4.01%	3.06%	5.25%	6.13%	5.56%	4.67%	4.33%	4.39%	4.69%	5.31%	5.94%

HOMEOWNERSHIP DELINQUENCY REPORT
FISCAL YEAR 2008

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
Total Portfolio #	5258												5258
Total Portfolio $	482.5												482.5

NUMBER OF DELINQUENT LOANS

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	200												200
60 Days	51												51
90 Days	23												23
Foreclosure	37												37
Total Delq FY 08	311	0	0	0	0	0	0	0	0	0	0	0	311
Total Delq FY 07	303	285	317	287	337	367	330	316	271	272	295	308	307

PERCENT BY NUMBER OF DELINQUENT LOANS

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	3.80%												3.80%
60 Days	0.97%												0.97%
90 Days	0.44%												0.44%
Foreclosure	0.70%												0.70%
Total Delq FY 08	5.91%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	5.91%
Total Delq FY 07	6.31%	5.85%	6.42%	5.80%	6.65%	7.28%	6.52%	6.24%	5.30%	5.31%	5.73%	5.92%	6.11%

DOLLAR AMOUNT OF DELINQUENT LOANS

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	$13.4												$13.4
60 Days	$3.2												$3.2
90+ Days	$3.9												$3.9
Total Delq FY 08	$20.5	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$20.5
Total Delq FY 07	$17.2	$16.7	$18.8	$18.5	$20.6	$23.0	$20.5	$20.7	$16.8	$16.4	$19.1	$19.4	$19.0

REO INVENTORY REPORT
As of July 31, 2007

Mortgagor	REO Date	City/Town	Princ. Bal.	Interest	Expenses	Receipts (1)	Total Cost Basis	Valuation Allowance	List Amount (2)	Current Appraisal	Date Last Appraised	Original Appraisal	Loan Date	Type	Comments
Peryea	**2/26/2007**	**Rutland**	**$ 24,516**	**$ 5,970**	**$ 15,821**	**$ -**	**$ 46,307**	**$ -**	**$ 82,000**	**$ 92,000**	**3/28/07**	**$ 80,000**	**12/17/01**	**SF**	**Property sold on 8/7/07; excess proceeds go to RD**
Munyon	6/21/2007	Braintree	$ 45,275	$ 4,854	$ 9,597	$ -	$ 59,726	$ -	$ 75,000	$ 70,000	6/6/07	$ 51,000	12/31/96	SF	
2			**$ 69,791**	**$ 10,824**	**$ 25,418**	**$ -**	**$ 106,033**	**$ -**	**$ 82,000**	**$ 92,000**		**$ 80,000**			

REOS that are under deposit

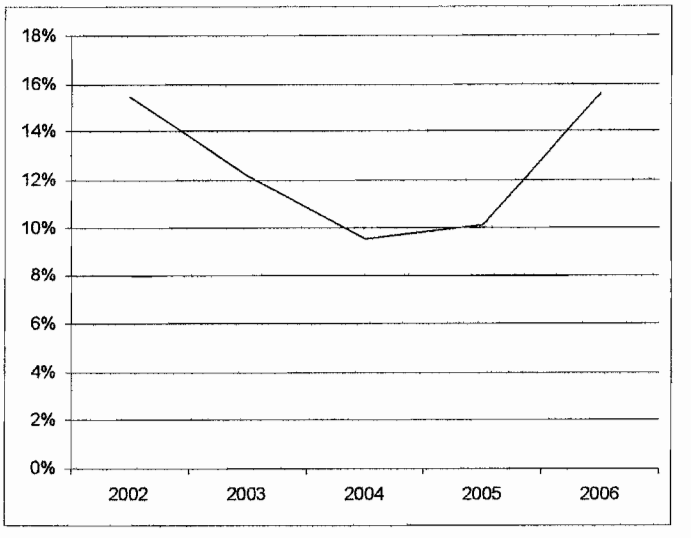
(1) Receipts column represents actual and projected/estimated mortgage insurance claim payments

(2) If Property is under deposit the List Price is the actual sale price.

MEMORANDUM

To: VHFA Board of Commissioners
From: Leslie Black-Plumeau, Research Analyst
Date: August 24, 2007
Re: VHFA's share of the single-family home sales market in 2006

Among all Vermont homes sold at prices within VHFA's limits, VHFA's share increased significantly in 2006, up to 16% from 10% the year before, as shown to the right:



At the county level, VHFA's share increased in all counties except Bennington, where the potential market is limited to first-time home buyers and by income limits that are the lowest in the state (for 1-2 person households).

	2002	2003	2004	2005	**2006**
Addison	12%	5%	5%	6%	**11%**
Bennington	9%	5%	8%	7%	**6%**
Caledonia	17%	13%	11%	13%	**16%**
Chittenden	14%	11%	8%	12%	**18%**
Essex	10%	4%	7%	5%	**11%**
Franklin	19%	14%	11%	11%	**18%**
Grand Isle	7%	8%	8%	2%	**11%**
Lamoille	20%	18%	15%	14%	**17%**
Orange	9%	12%	8%	5%	**13%**
Orleans	16%	9%	7%	6%	**11%**
Rutland	24%	19%	14%	12%	**18%**
Washington	19%	18%	12%	10%	**21%**
Windham	13%	9%	8%	10%	**12%**
Windsor	9%	10%	7%	9%	**10%**
Vermont	15%	12%	9%	10%	**16%**

Source: VHFA analyses of VHFA loan data and Vermont Property Transfer Tax data on primary homes sold for prices less than VHFA's purchase price limits. Excludes all mobile homes because few are likely to meet VHFA's property requirements.

These figures provide information not available elsewhere on trends associated with VHFA's place in the Vermont home sales market. It is important to remember, however, that they compare VHFA's activity to a broad set of home sales, including some that would not meet VHFA's requirements. Due to data limitations, we must include transactions regardless of the home buyer's income, first-time home buyer status, and credit history. We also must include sales of properties regardless of whether they meet VHFA's physical property standards and of whether they involve a mortgage at all.

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director

DATE: August 29, 2007

RE: **EXECUTIVE DIRECTOR'S REPORT**

Administration

Becky Greenough is volunteering with the United Way by conducting three Key Person training sessions around Chittenden County, the first of which was held August 22nd. The Key Persons return to their businesses and head up the United Way campaigns at their respective places of employment. Due to an illness with her co-presenter, Becky ran solo with the August 22nd presentation and had a great time getting everyone revved up for this year's campaign.

Homeownership, Finance and IS staff have been very busy planning for the October 1st Mitas Upgrade. Testing and retesting is where we are at this point in time. At the end of August an assessment will be made to identify any showstoppers and set the plan for the actual upgrade schedule.

The Agency held its staff summer outing at the Lake Monsters game on August 6th. Fun was had by all, especially the younger children, as it was Champ's birthday celebration and mascots from around Vermont were on hand to celebrate the big day!

Casey Klyszeiko's (summer intern) last day with the Agency was August 17th. During Casey's short three and one-half month tenure, he made a definite impact. His first project was working with Maura Collins and Leslie Black-Plumeau on research for the next issue paper – Seniors and Housing. He not only did research, but ended up writing the paper – of course with editing from Agency staff and other senior housing partners. He then went on to provide support to the Finance department for two months by filling the Staff Accountant vacancy. We were sorry to see him leave, but will be anxious to have him return during his winter break for some more exciting projects.

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Development

Staff have worked on bringing projects closer to closing, including: homeownership developments in Milton (Cameron's Run and Blackberry Commons) and Manchester (East Branch Farms), and multifamily developments (Armory Square in Windsor), an existing Section 8 development in St Johnsbury (Depot Square) and Derby Line. The Elmwood single family development in St Albans paid off its construction loan after many extensions. The Bemis Block and Hardwick Family developments in Hardwick, and South Village Apartments in Middlebury all moved smoothly towards construction completion, and staff anticipates open houses on these and other developments in the upcoming months.

Multifamily

Working with Legal, MF staff has begun to close restructured loans in connection with the Multi-Purpose bond issue. Following the Board's approval of the Cummings Street redevelopment project last month, staff has been working with Efficiency Vermont, owners and the project architect to determine the best solution for implementation of the heating system conversion and other site improvements. Discussions also continue on other redevelopment proposals including Canterbury North & South, Holy Angels, and Derby Line Gardens.

Champlain Housing Trust (CHT) has met with VSHA to discuss transfer of ownership in the Alburg Family Housing project to a new HFI entity. This is an old Section 8 project where Lake Champlain Housing purchased the general partner interest. The limited partners are not willing to provide needed additional capital. This is a very difficult project in a very low income community. VSHA and CHT are reluctant to take on the redevelopment of this property unless it has the full support of all funding sources that will be necessary to address the multiple problems facing this Watch List property. We have reduced our loan rate to help with cash flow while CHT and VSHA continue discussions and have engaged our construction inspector to review the 2005 CNA to get an updated view of what the rehab costs may now be.

Bill Cross, owner of the seven unit Monroe Street property in Burlington has continued to present us with challenges and we have now withheld six months of Housing Assistance Payments (HAP) because of his failure to respond or correct management review findings that date back to October 2006. In a meeting with Bill last month, he expressed his desire to opt out of the Section 8 program and prepay his VHFA loan. While he may be able to prepay his loan with us following our review and approval of his refinancing terms, he is unable to terminate his Section 8 contract prior to the end of its 30-year term (11/3/2013) without the written consent of HUD and VHFA. We have begun to look at our legal options in this escalating matter and have consulted with HUD on a potential default under the HAP contract.

On the lighter side, 2008 budget packages have now been mailed and are up on our website and annual budgets have begun to roll in for review and approval.

Homeownership

Pat Crady has been working with Liz Curry and the Homeownership Centers\Revolving Loan Funds to set up a process for lending funds that VHFA will receive through the Agency of Natural Resources. We hope to finalize those Memorandum's of Agreement by the middle of September.

Public Affairs

VHFA's next housing issue paper, "Housing and the Needs of Vermont's Aging Population," is scheduled for release the first week of September. Kudos to Casey Klyszeiko, our summer intern, who did a terrific job authoring this, as well as to staff who helped review and produce the paper, including Maura Collins, Leslie Black-Plumeau, and Craig Bailey.

The updated Housing Awareness Campaign video is in its final production stage and should be ready for release in September as well. A streamed copy will be available on the Awareness website, www.housingawareness.org, and individual DVDs will be sent to Commissioners as part of our planned statewide distribution.

Likewise, the next edition of our popular electronic newsletter, Housing Matters, will be released September 4th. Look for your e-mailed copy that day.

The Public Affairs Department has been gearing up for the NCSHA annual conference. In addition to John's moderating a panel discussion, he will also be part of a VHFA team going out with Habitat for Humanity on Saturday, September 15th to help work on their rebuilding efforts. Rick Jean, Scott Baker, and Renee Couture and her husband, Craig Anderson, will also be on the team.

And John and Becky are working on the November, 2008 housing conference. John interviewed a possible keynote speaker—Michelle Kennedy, who lives in Chelsea and spent several months as a homeless single mother. She has written a book, "Without A Net: Middle Class and Homeless (With Kids) in America," about her experience, and she has given speeches around the country on homelessness. John is also preparing request letters to sponsors for support for the conference and will be organizing the conference advisory committee in the coming weeks.

Finance

Having closed the new multi-purpose bond resolution the week of July 23rd, the bond working group immediately began working on another single family issue due to the continued high demand for single family mortgages. Due to the structure of the new multi-purpose indenture, there was some debate and negotiation about whether the best economic option for the Agency was to do the new single family deal under the old single family indenture or the new multiple purpose indenture. After some research, debate, and negotiation, the decision was made to issue under the new indenture and we will retain Wells Fargo as the trustee. The bond working group has been working diligently to structure and price a new single family bond deal that will meet

the Agency's needs through the end of calendar year 2007. Retail pricing was completed on August 22nd and institutional pricing was completed on August 23rd. This has been a very challenging process for us to get an acceptable rate. The market pressures caused by the sub-prime mortgage crisis have really affected the interest of long term invertors. Surprisingly, this has not yet affected conventional mortgage rates as much.

The entire Finance team has been focused on completing the year-end financial close and preparing for the audit. Pre-work was completed on time before the KPMG audit team arrived on August 20th for two weeks of on-site audit work. The Finance team is determined to complete the audit and publish year-end financials on time and on budget. So far the auditors are happy with the timeliness and the quality of the team's work.

The Finance Team also continued its hard work on the Mitas systems upgrade. Lisa Clark continues to do a nice job representing the department in meetings with the VHFA project team as well as with Mitas. There has been a lot of progress in resolving open issues and converting Crystal Reports. The Finance staff is doing as much testing as possible in between completing audit work.

Ashley Lamell started her employment at the Agency on August 6th. Ashley is a recent graduate from Plymouth State University in New Hampshire where she was on the Dean's List or President's List for eight straight semesters while also playing varsity women's soccer for four years. Ashley has worked for the Chittenden Services Group as well as Central Supplies in Randolph, Vermont where she performed various accounting tasks including accounts payable.

Another highlight of the month was the promotion of Lisa Clark to Senior Financial Analyst. Lisa recently celebrated her 10th anniversary at VHFA. Lisa has done a terrific job supporting Scott Baker, the Investment Manager, and Tim Gutchell, Controller, in the preparation of the Agency's quarterly and annual financial statements. Lisa has also assisted in the tracking and monitoring of investments, arbitrage compliance calculations, and coordination of the SF Trustee operational activity. Over the last couple of years Lisa has taken on responsibility for the coordination of all computer system needs of the finance department, including process reviews, system upgrade implementations and problem resolution. This has been a critical role lately in preparing for the upcoming conversion to the 2007 Mitas release. Congratulations to Lisa on her well-deserved promotion.

Other

September 15-18, myself and several other staff will be attending the annual meeting of the National Council of State Housing Agencies in New Orleans. John Fairbanks, Rick Jean, Renee Couture and Scott Baker have volunteered to go a day early and work on a "build" in one of the destroyed neighborhoods.

September 26–28 the National Association of State and Local Equity Funds will be holding their annual meeting in Burlington. NASLEF represents organizations similar to Housing Vermont. VHFA will be one of the sponsors. If anyone is interested in attending any of the sessions please let Lori know.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director

DATE: September 24, 2007

RE: CONFIRMATION OF UPCOMING VHFA BOARD MEETING

This is to notify you that the next meeting of the Vermont Housing Finance Agency Board of Commissioners has been confirmed. The meeting will be held:

Monday, October 1, 2007
State Office Complex, Stanley Hall, Room #107
Waterbury

9:30 a.m. – 2:00 p.m.

Attached are the Agenda and Board packet. Please feel free to contact me should you have any questions prior to the meeting. Please contact Lori Gilding at lgilding@vhfa.org if you wish to request that items be removed from the Board meeting consent agenda; the deadline is 12:00 p.m. Friday, September 28th.

Directions to the Waterbury VIT Site
From the north and the South -Take I-89 to exit 10. Turn right at exit ramp if coming from the North. Take left at end of exit ramp if coming from the South. Go to the "T" and turn left. Travel through the village to the second stop light at Park Street. Turn right. This is the North Entrance to the State Office Complex. The first brick building on the left is Stanley Hall. Turn left into the parking lot. Enter through the main entrance off the parking lot.

From Route 2 east - Take Route 2 into Waterbury. Go to the stoplight at Park Street. (This is the North Entrance to the State Office Complex.) Stanley Hall is the first brick building on the left. Turn Left into the parking lot. The Main Entrance is off the parking lot.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

VHFA BOARD MEETING AGENDA
State Office Complex
Stanley Hall – Room 107
Waterbury, VT
Monday, October 1, 2007
9:30 a.m. – 2:00 p.m.

Review and Approval of September 5, 2007 Board Minutes — Enclosure

Consent Agenda: ***Action Requested****

- Derby Line Garden Apartments, Derby Line – Perm Loan — Davis/Enclosure

Development - Loans and Tax Credits ("TC")

- Meadowlane Apartments, Milton – Const & Perm Loans, TC — Davis/Enclosure

Finance

- FY2007 Draft Financial Statements — Ken Deon, KPMG/Email

Other

- HomeOwnership Centers Counseling Hotline — Carpenter
- New Orleans Slide Show — Fairbanks

Adjournment

Reports: ***FYI Only***

- Tax Credit Status Report — Reid/Enclosure
- General Fund Budget Report — Gutchell/Enclosure
- VHFA Response Subprime and Adjustable Rate Mortgages — Crady/Enclosure
- Summary of Homeownership Activities / Reports — Crady/Enclosure
- Interest Housing Fact — Black-Plumeau/Enclosure
- Executive Director's Report — Carpenter/Enclosure

** Call Lori at 652-3404 or e-mail lgilding@VHFA.org by noon Sept 28th to request items be removed from the Consent Agenda*

Vermont Housing Finance Agency

VHFA Board of Commissioners Meeting Minutes

Vermont Housing Finance Agency
164 St. Paul Street, Burlington
Wednesday, September 5, 2007
9:30 a.m.
Conference Call

VHFA Board Members Present via Conference Call:
Lisa Mitiguy Randall – Chair, Rob Alberts, Paul Beaulieu, Dagyne Canney, Kevin Dorn, Bart Frisbie, Beth Pearce (designee for Spaulding), Gus Seelig

VHFA Board Members Absent:
Thomas Candon (designee for Thabault)

Staff: Dave Adams, Sarah Carpenter, Tom Connors, Clarence Davis, Joe Erdelyi, Lori Gilding, Pat Loller, Ann Marie Plank, Cindy Reid, Kim Roy

Guests: Kathy Beyer, Housing Vermont; Mike Toth, George K. Baum & Company

Chair Randall called the meeting to order at 9:35 a.m. A quorum of the Board was present.

BOARD MINUTES

Mr. Seelig made a motion to approve the August 6, 2007 Board of Commissioners meeting minutes with one correction on page 5. Mr. Seelig would like the record to reflect that Mr. Seelig and Ms. Randall had different recollections of when the zero percent loans would be repaid. He also wanted the record to reflect the general confusion by all regarding the zero percent loans. Mr. Dorn seconded the motion which was unanimously approved with the correction. Mr. Alberts, Mr. Beaulieu, Mr. Frisbie and Ms Pearce abstained from the vote.

CONSENT AGENDA

Mr. Frisbie requested West River Assisted, Townshend – Additional Construction Financing be removed from the Consent Agenda. Mr. Beaulieu made a motion to approve the item on the Consent Agenda (restated here):

~ Resolution Re: Bridge Financing For Cameron's Run, Milton

Mr. Dorn seconded the motion which was unanimously approved.

DEVELOPMENT

West River, Assisted, Townshend

Mr. Frisbie voiced his concern as to why additional financing was needed so late into the project and why there appeared to be about a 21% overrun on the project. Ms. Reid explained that the additional funds requested were not because of overruns, but for a bridge loan to cover an equity bridge from state credits. She explained that the loan would be short term, secure and as soon as the equity investors put their money into the project, the loan to VHFA would be repaid.

Ms. Pearce made a motion to approve the Resolution Re: Construction Financing for West River Valley Assisted Living, Townshend. Mr. Beaulieu seconded the motion which was unanimously approved

Downtown Crossing, Bennington

Mr. Erdelyi reviewed his memo for Downtown Crossing, Bennington to increase the amount of allocated housing credit. (The staff is authorized to approve up to 5%, however this increase exceeds that amount, requiring Board approval.) He informed the Board that he learned from the IRS that the Agency received its national pool of credits and the amount of credit available went up $14,000 to $15,000 within the last month. Mr. Dorn made a motion to approve the Resolution Re: Increase In Proposed Allocation Of Allocated Housing Credits For Downtown Crossing, Bennington. Ms. Canney seconded the motion which was unanimously approved.

Passumpsic North & South, St. Johnsbury

Mr. Erdelyi summarized his memo requesting construction and permanent financing and bond credits for Passumpsic North and South, St. Johnsbury. He explained the finance package that VHFA put together recognizing all Housing Vermont has done to maintain its assets, but, at the same time, ensuring that VHFA enforces the provisions of the HAP contract.

Mr. Frisbie asked if the Agency endorsed the proposal, would the Agency be disregarding HUD's rules. Ms. Carpenter explained HUD's rules and how the Agency has handled similar transactions in the past. She further explained that when the acquisition took place in 1997 it was owned by NCIC and sold to Gilman Housing and Housing Vermont. At the time of the sale, Gilman Housing and Housing Vermont inherited the limited partners and their obligations. For various reasons, the transaction to purchase one of the existing limited partner's interest, did not follow VHFA's procedures. Mr. Seelig explained that NCIC wanted to get out of affordable housing and this transaction occurred at the initiation of the State.

Ms. Carpenter informed the Board that after numerous discussions, the financing package proposed will net the same results as what the Agency has typically done with transfers in the past and will meet HUD standards. She also informed the Board that this financing will put the project on solid financial ground.

Mr. Beaulieu made a motion to approve the Resolution Re: Construction and Permanent Financing and Proposed Use of Bond Housing Credits for Passumpsic North and South, St. Johnsbury. Mr. Alberts seconded the motion which was unanimously approved.

OTHER

VHFA Representative on the Housing Vermont Board of Directors

Ms. Carpenter reviewed a letter from Housing Vermont requesting approval of the recommended appointments to its Board of Directors. Ms. Randall, Ms. Pearce and Mr. Dorn expressed concern that it appeared the Agency is responding to Housing Vermont's recommendations of who the Agency should appoint to their Board as opposed to being more proactive earlier in the process. The general consensus from everyone was that more of an evaluation process must take place. After discussion, the Board decided that in the future the Board would like more involvement in the process and review for selection of new and existing Housing Vermont Board members. Mr. Dorn requested that the record reflect that next year the Board be presented with Housing Vermont's recommendations for new appointees no later than June 1st. This would allow VHFA's Board of Directors time to evaluate the nominees.

Mr. Seelig made a motion to approve the slate of Board members presented by Housing Vermont and next year's slate to be presented by June 1st. Mr. Beaulieu seconded the motion which was approved by a majority of the Board members present. Ms. Pearce opposed the motion.

Ms. Carpenter suggested the Board might be interested in reviewing how Housing Vermont was setup and structured. Housing Vermont was set up as an independent entity for a number of reasons. HVT Board members must ultimately be responsible for Housing Vermont interests.

Refinancing Programs

Mr. Beaulieu asked if there were refinance programs through VHFA to help individuals who have high interest rate loans. Ms. Carpenter stated that currently there are no such programs other than the support the HomeOwnership Centers provide. She said the Agency is not easily posed to provide a refinance product at this time. Ms. Randall informed the Board that the credit union is seeing more people who are trying to refinance because of the rise in rates and adjustments. Ms. Randall suggested providing more seed money to the HomeOwnership Centers to provide more counseling and possibly providing a list of other resources for the homeowner in need. Mr. Adams informed the Board that the HomeOwnership Centers do not have the funds to hire additional counselors. Mr. Adams informed the Board he would speak with Pat Crady, Director of Homeownership Program, to initiate some type of hotline or advertising directed to resources, or another lender or credit counselor to assist the homeowners in need. Mr. Alberts informed the Board that United Way has a 211 hotline that may be able to provide some support to the homeowner. Ms. Carpenter will update the Board at the next meeting.

Sabin's Pasture
Mr. Dorn informed the Board that a purchase agreement has been submitted by the Vermont Trust for Public Land (TPL) to purchase land on the edge of Montpelier (Sabin's Pasture). Should the sale go through, the land could be preserved instead of slated for the original 600 housing units that were to be built. Mr. Dorn stated this land is the last reasonable developable parcel of land in Montpelier. He stated that even though some of the land may be dedicated to affordable housing the fact remains that the State is losing an opportunity for the development of affordable housing on one of the best pieces of land remaining in Montpelier. He underscored his belief that the Board must be concerned about the loss and the Board needs to be continually active to educate Vermonters.

Mr. Seelig commented that TPL has the option to purchase the land, but in all likelihood will then turn to the public for resources to buy. Mr. Seelig believes that there will be an opportunity to influence the sale of the land. Mr. Seelig believes that Staff will be involved. He does not believe they will borrow for the land or fundraise. He thinks the land trust will have a very carefully thought out exit strategy for the purchase of the land if funding is not available.

Armory Square
Mr. Seelig informed the Board that he met with Senator Leahy's staff regarding Armory Square and they do have an earmark in the Senate budget for the project. The budget will not cover the entire gap in one year, but Mr. Seelig was optimistic that it would cover a significant portion. He reported that progress continues and that Housing Vermont has a plan to cover the gap for the short-term until the Federal money becomes available.

Audit
Ms. Carpenter informed the Board that the Agency is intending to have a review of the audit at the October 1st meeting. She asked if the Audit/Risk Management Committee wanted to meet to review the draft prior to the Board meeting. The committee decided to hold a conference call to review the audited financial statements at the end of September, just prior to October 1st meeting.

Miscellaneous - Other
Mr. Adams updated the Board on the Green Mountain Mobile Home Park project in Pownal. He informed the Board that it is under a purchase and sales agreement with Housing Foundation, Inc. The project is moving forward and they will be applying to the VCDP Board for acquisition funding.

Ms. Carpenter informed the Board that the Homeownership and Finance software upgrade is going well. She commended the staff for doing a great job.

Mr. Beaulieu made a motion to adjourn the meeting. Mr. Dorn seconded the motion and the meeting was adjourned at 10:40 a.m.

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Clarence E. Davis, Development Underwriter

DATE: September 13, 2007 for Board Meeting of October 1, 2007

RE: Request for Financing Derby Line Gardens-Derby Line

Name:	Derby Line Gardens	**Location:**	Derby Line
Housing Type:	Senior - Sec 8 Rental	**Unit Type:**	Flats
Unit Count:	11	**Unit Sizes:**	1-bedroom units avg. 605 sf
Total Cost of Construction	N/A	**Cost / Sq Ft**	$82.00 cost per square foot
		Sponsor:	Gilman Housing Trust
Request to VHFA	$270,000 Multifamily Permanent Loan.		
Other Funding:	VHCB, VCIL, Efficiency Vermont, NeighborWorks & HOME funds.		

Recommendation: Staff recommends that the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board authorize the Executive Director to issue a Letter of Interest and/or a Commitment Letter to finance this property upon satisfactory completion of staff underwriting and due diligence.

Project Summary: Derby Line Gardens is a HUD Section 8 subsidized senior housing project consisting of 11 one bedroom units (including one handicapped accessible unit) located at 197 Main Street in the historic village of Derby Line. Gilman Housing Trust will acquire and improve this property acting as the sole developer. The property is fully occupied and all of its residents are elderly households with incomes below 50% Area Median Income. The facility is comprised of 2 building linked together by a common area and laundry.

The goal of this acquisition is to preserve a 28 year-old subsidized senior apartment complex in Derby Line, as well as continuing the stewardship of a significant local historical building. It should be noted that the project has been a part of the VHFA portfolio for all 28 years. Upon acquisition of the property the following capital improvements will be made: painting, roofing electrical and mechanical upgrades and new construction for the center third of the building which will include new windows, custom cabinets, tubs, new bathroom tile and tub/sink

surrounds. Modifications are also planned to accommodate energy and water conservation improvements that have become available in recent years.

The buildings are surrounded by gardens with space for tenant tended plots.

This project has been in the Agency's portfolio for a number of years and has been well cared for by the current owners'. The property is encumbered by a VHFA Mortgage, HAP Contract and a VHFA Preservation Agreement (expires 2019). Both the HAP contract date of expiration and the maturity date of the mortgage are March of 2009.

Staff has received an appraisal and capital needs assessment and are in the process of reviewing them. Staff would recommend that approval of this request be contingent on the satisfactory review of both documents.

This project is not eligible for the acquisition credits under the housing Credit Program and will not be unless the current owner retains ownership until November 2009. Waiting until November 2009 to access acquisition credits would not be advantageous to the project. In March 2009 the current HAP contract will expire and unless there is financing in place the rents would likely fall to a level that would not support any amortizing debt.

In light of the above staff recommends that the board grant Gilman Housing Trusts' request for $270,000.00 in permanent financing which will allow them to acquire, improve and maintain this very important SEC 8 senior rental project.

20-Sep-07 **Derby Line Gardens**

Total Residential Units:	11	Increase in Income from Rental Units:	1.50%
Housing Credit Restricted Units:	11	Increase in Income from Other Sources:	1.50%
Percent Restricted:	100.00%	Increase in Income from Commercial:	0.00%
Total Development Cost:	771,380	Expense increase:	2.40%
Total Development Cost per Unit:	70,125	Vacancy Rate:	3%
Total Development Cost Per SF:	102	Partner's Tax Rate:	0%
		Long Depreciation Schedule:	0.0 years
Max Credit Potential:	25,037	Short Depreciation Schedule:	0 years
Credit Amount Allocated:	0	Sponsor's Estimated Yield:	

LIHTC - 9%	3.49%	(Sept 2007)
LIHTC - 4%	3.49%	

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage	270,000	35.00%	7.00%	30	30
NeighborWorks	77,000	9.98%	3.00%	30	deferred
Additional VHCB	165,000	21.39%	0.00%	30	deferred
VHCB	110,000	14.26%	0.00%	30	deferred
REEP & VCIL	10,500	1.36%	0.00%	0	contribution
Project Reserves	0	0.00%	0.00%	0	
HOME	125,000	16.20%	0.00%	0	
VHCB Feasibility	10,000	1.30%	0.00%	0	contribution
Deferred fee/Dev Loan	0	0.00%	0.00%	30	deferred
Tax Credit Equity LP		0.00%	N/A	N/A	
Historic equity	0	0.00%	N/A	N/A	
Tax Credit Equity	0	0.00%	N/A	N/A	
TOTAL SOURCES	767,500	99.50%			

USES

Acquisition	528,600	68.53%
Construction Hard Costs	93,830	12.16%
Soft Costs	148,950	19.31%
TOTAL USES	771,380	100.00%
Gap	3,880	

20-Sep-07 **Derby Line Gardens**

		Budget	Per Unit	Per s.f.	Allocation of Sources VHCB Terms:___	HOME Terms:___	VCDP Terms:___	Debt Terms:___	Equity Terms:___	Other Terms:___	TOTAL SOURCES
	ACQUISITION										
1	Land	40,000	3,636	5.29							0
2	Purchase of Building(s)	480,000	43,636	63.53							0
3	Demolition (without replacement)		0	0.00							0
4	Property Appraisal	3,500	318	0.00							0
5	Legal - Title and Recording	5,100	464	0.68							0
	Subtotal - Acquisition	528,600	48,055	69.97							
	CONSTRUCTION HARD COSTS										
6	Rehabilitation	82,835	7,530	10.96							0
7	New Building(s)		0	0.00							0
8	Accessory Buildings		0	0.00							0
9	Sitework		0	0.00							0
10	Commercial Space Costs (if any)		0	0.00							0
11	General Requirements		0	0.00							0
12	Contractor Overhead		0	0.00							0
13	Contractor Profit		0	0.00							0
14	Construction Contingency	8,000	727	1.06							0
15	Construction Management		0	0.00							0
16	Construction Bond Fee		0	0.00							0
17	Hazardous Materials Abatement	2,995	272	0.40							0
18	Off-Site Improvements		0	0.00							0
19	Furnishings, Fixtures, & Equipment		0	0.00							0
20	Other (_____)		0	0.00							0
	Subtotal - Hard Costs	93,830	8,530	12.42							
	SOFT COSTS										
21	Architectural		0	0.00							0
22	Engineering		0	0.00							0
23	Legal/Accounting	12,000	1,091	1.59							0
24	Relocation		0	0.00							0
25	Environmental Assessment		0	0.00							0
26	Energy Assessment		0	0.00							0
27	Permits/Fees	400	36	0.05							0
28	Independent Market Study		0	0.00							0
29	Construction Period Insurance		0	0.00							0
30	Construction Interest	0	0	0.00							0
31	Construction Loan Origination Fee	4,050	368	0.54							0
32	Taxes During Construction		0	0.00							0
33	21,556	9,000	818	1.19							0
34	Marketing		0	0.00							0
35	Tax Credit Fees	0	0	0.00							0
36	Soft Cost Contingency	4,500	409	0.60							0
37	Permanent Loan Origination Fee		0	0.00							0
38	Lender's Counsel's Fee	3,500	318	0.46							0
39	Inspection Fee	3,000	273	0.40							0
	Capital Needs Assesment	2,000	182	0.26							
	SYNDICATION COSTS										
40	Organizational (Partnership)	0	0	0.00							0
41	Bridge Loan Fees and Expenses		0	0.00							0
42	Syndication Consultant	0	0	0.00							0
43	Tax Opinion		0	0.00							0
	DEVELOPER'S FEES										
44	Developer's Fees	90,000	8,182	11.91							0
45	Deferred Fees	0	0	0.00							0
46	Consultant Fees	8,500	773	1.13							0
	RESERVES										
47	Working Capital	0	0	0.00							0
48	Rent-up (Deficit Escrow) Reserve		0	0.00							0
49	Other Operating Reserves		0	0.00							0
50	Sinking Fund		0	0.00							0
51	Replacement Reserves	12,000	1,091	1.59							0
	Subtotal - Soft Costs	148,950	13,541	19.72							
	TOTAL DEVELOPMENT COSTS	771,380	70,125	102	0	0	0	0	0	0	0

20-Sep-07 **Derby Line Gardens**

HC Restricted Units

Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br		0	0	0	0	0
1 Br		605	11	756	0	99,792
2 Br		0	0	0	0	0
3 Br		0	0	0	0	0
New bldg. 10,000 SF		0	0	0	0	0
Common Space		900	0	0	0	0
	Totals	7,555	11			99,792

Non-HC Restricted Units

Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br		0	0	0	0	0
1 Br		0	0	0	0	0
2 Br		0	0	0	0	0
3 Br		0	0	0	0	0
4+ Br		0	0	0	0	0
	Totals	0	0			0

All Units

Grand Totals	7,555	11		99,792
Less Vacancy		3.00%		(2,994)
NET RENT				96,798

OTHER INCOME

Laundry	800
Parking	0
Commercial Space Income	
Other	

TOTAL INCOME	97,598

20-Sep-07

Derby Line Gardens

	Check all Applicable									A					B						C					
Building #	Unit #	HOME Unit	Lead Paint Unit	Project Based Assistance	Tax Credit Unit	VHCB Restricted	Accessible	Adaptable	Unrestricted	Number of Bedrooms	Proposed Square Footage	Proposed Rent	Utility Allowance for Tenant-Paid Utilities	Gross Rent (Rent + Tenant-Paid Utilities)	OCCUPIED BY: Income level of residents to be served:						AFFORDABLE TO: Units affordable to residents at:					
															<30%	<50%	<60%	<80%	<100%	>100%	30%	50%	60%	65%	80%	100%+
1	1			1		1	1			1.00	605	756	0	756			1				1					
	2			1		1	1			1.00	605	756	0	756			1				1					
	3			0		1	1			1.00	605	756	0	756			1				1					
	4			1		1				1.00	605	756	0	756			1				1					
	5			1		1				1.00	605	756	0	756			1				1					
	6			1		1				1.00	605	756	0	756			1				1					
	7			1		1				1.00	605	756	0	756			1				1					
	8			1		1				1.00	605	756	0	756			1				1					
	9			1		1				1.00	605	756	0	756			1				1					
	10			1		1				1.00	605	756	0	756			1				1					
	11			1		1				1.00	605	756	0	756			1				1					
Common Space											900		0	0							0					
													0	0												
													0	0												
													0	0												
Total # Units	**11**	**0**	**0**	**11**	**0**	**11**	**3**	**0**	**0**	**Totals:**	7,555	8,316		**Total # Units:**	0	0	11	0	0	0	12	0	0	0	0	0

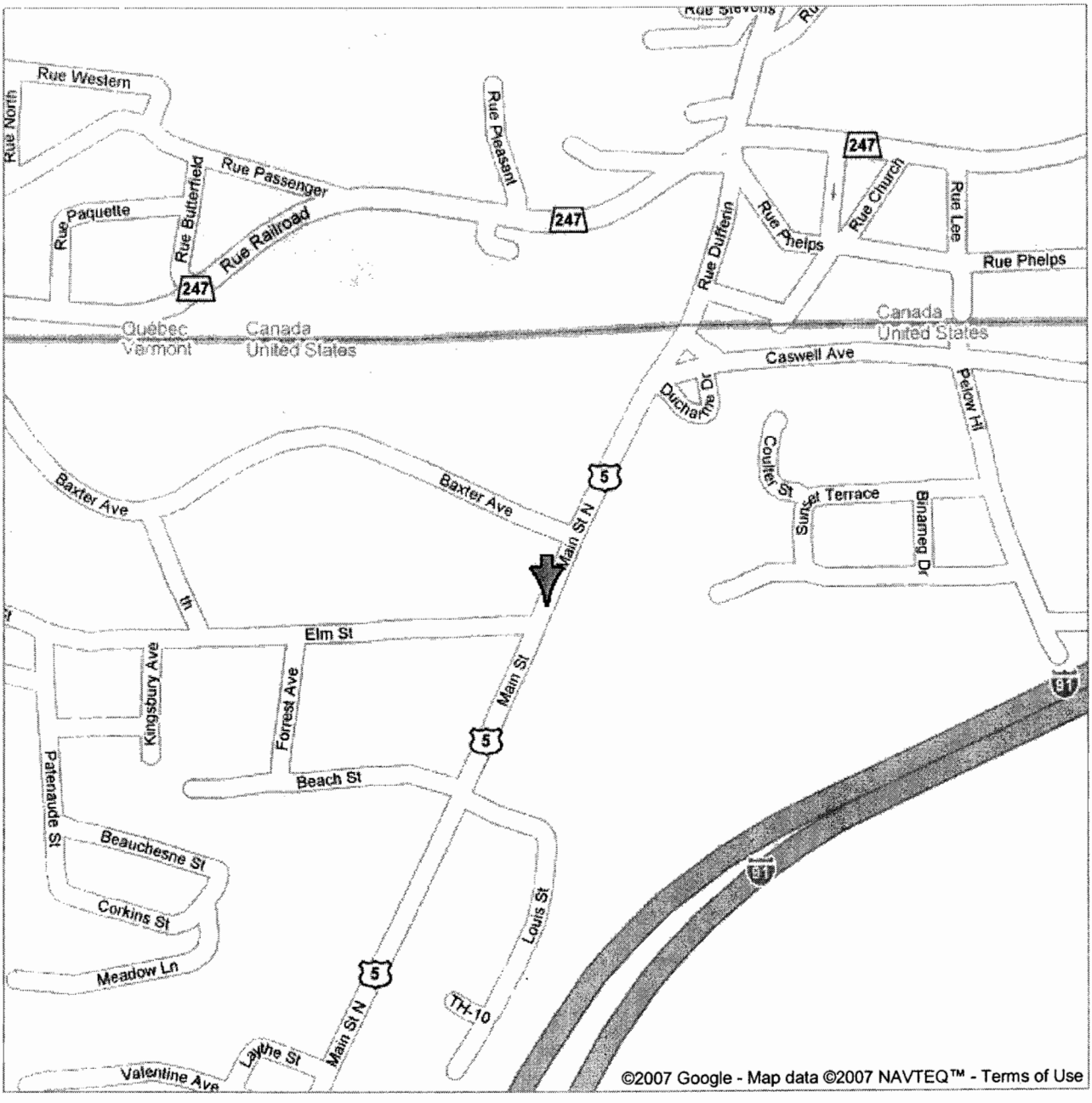
20-Sep-07 **Derby Line Gardens**

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	9,492	791	72	9.51%
Supportive Services		0	0	
Audit/Accounting	1,500	125	11	
Legal	500	42	4	0
Support Services	1,500	125	11	
Compliance Monitoring		0	0	
Marketing		0	0	
Other	1,700	142	13	
TOTAL ADMINISTRATIVE	14,692	1,224	111	
Utilities				
Electricity	6,800	567	52	
Fuel	11,000	917	83	
Water and Sewer	4,400	367	33	
Fire Alarm / Emergency		0	0	
Other		0	0	
TOTAL UTILITIES	22,200	1,850	168	
Maintenance				
Maintenance / Janitor Payroll	1,920	160	15	
Janitor Supplies		0	0	
Exterminating		0	0	
Trash Removal	1,900	158	14	
Snow Removal	1,500	125	11	
Grounds	2,200	183	17	
Repairs Material	1,200	100	9	
Repairs Contract	3,200	267	24	
HVAC Repairs / Maintenance	2,000	167	15	
Elevator Contract / Repairs		0	0	
Painting and Decorating	3,500	292	27	
Other		0	0	
TOTAL MAINTENANCE	17,420	1,452	132	
Real Estate Taxes	5,500	458	42	
Property Insurance	2,600	217	20	
Replacement Reserves	8,000	667	61	
Primary Debt Service	21,556	1,796	163	
Other "must pay" debt service		0	0	
Other		0	0	
Total	91,968	7,664	697	

Google Maps

Address **197 Main St**
Derby Line, VT 05830

Save trees. Go green!
Download Google Maps for mobile
Text maps to 466453



VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: PERMANENT FINANCING FOR DERBY LINE GARDENS, VILLAGE OF DERBY LINE

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow monies and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, an application has been submitted to the Agency by Gilman Housing Trust (the "Borrower") involving the permanent financing of eleven (11) units of rental housing in the Village of Derby Line (the "Development"); and

WHEREAS, the application contemplates a new mortgage loan for the permanent financing and rehabilitation of the Development with the new mortgage interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds; and

WHEREAS, the Borrower 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; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Clarence Davis dated September 13, 2007, containing information and recommendations about the Development (the "Memorandum");

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 to be incurred by the Borrower 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 Borrower undertaking the Development will increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency 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 loan.

6. The Borrower is financially responsible and is a qualified housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a new mortgage loan to the Borrower for the permanent financing of the Development based on the recommendations in the attached Memorandum. 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 Borrower in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a new mortgage loan to the Borrower for the permanent financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter shall be conditioned on the satisfaction by the Borrower of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

3. The Executive Director and the Loan Review Committee will establish the final source and amount of the loan for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines.

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Clarence E. Davis, Development Underwriter

DATE: September 18, 2007

RE: Request for Construction & Permanent Financing and Allocated Housing Credits: Meadowlane Apartments, Milton

Name:	Meadowlane Apartments	**Location:**	Milton
Housing Type:	Senior Housing	**Unit Type:**	Flats
Unit Count:	36 units 35 tax credit units	**Unit Sizes:**	18 1-BR @ 695 s.f. 16 1 BR @ 630 s.f. 2 2-BR @ 820 s.f.
Total Cost:	$5,971,935	**Per S.F. Acquisition & Construction Cost:**	$139
Credits Requested:	$295,000 (9%)	**Sponsor:**	Housing Foundation Inc.
Loans Requested:	$3,500,000 construction $1,100,000 Const./perm Taxable	**Other Funding:**	VCDP, VHCB, HOME, Rural Development 515 & 538, Efficiency Vermont, VCIL

Recommendation: Staff recommends that the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolutions ("It is hereby determined:"), and that the Board authorize the Executive Director to issue a Letter of Interest and/or a Commitment Letter to finance this property upon satisfactory completion of staff underwriting and due diligence; and authorize staff to issue the appropriate documentation according to the Qualified Allocation Plan.

Project Background: Meadowlane Apartments currently consists of 20 independent senior apartments with Section 8 rental assistance on all units. Built by the current owner, Milton Associates in 1980, the apartment complex is located on 3.4 acres at 36 Villemarie Ave. in Milton, VT. This parcel is conveniently located approximately .25 miles from Post Office, grocery, bank, hardware, etc. and 250 yards off U.S. Route 7. The Champlain Valley Agency on Aging provides case management, meals on wheels, insurance counseling, transportation services and senior center meals to over 200 seniors in Milton, many of them to residents of Meadowlane. HFI will seek to continue this partnership with CVAA.

The owner pre-paid the financing in 1997 and there are now no restrictions on the sale of the property other than approval by VSHA and HUD. Additionally, the subsidized rents in place are lower than market rents. Housing Foundation Inc. (HFI) has signed a Purchase & Sale Agreement with the owner to both preserve the existing 20 units and construct 16 additional units. The parcel has appropriate zoning and is large enough for 16 additional units to be built. HFI has applied to USDA Rural Development (RD) for financing through their 515 program, rental assistance for 15 units, and a 538 program loan guarantee and interest rate subsidy for a proposed VHFA permanent loan. In addition, the sponsor has applied to VHCB (December decision) and VCDP (December decision) for funding.

The buildings together approximate 15,693 square feet. The site is mostly flat with few trees, no discernable ledge, and an easement for connection to the municipal wastewater system is available and will be utilized; the current on-site wastewater disposal field will be abandoned. Electricity is provided by the Central Vermont Public Service. Natural gas is provided by Vermont Gas Systems. The buildings have a large, private courtyard between them. The drive and parking is asphalt with spaces for 40 cars. There is a 1,200 square foot community room in building #1 with kitchen and laundry.

There are currently 18 one-bedroom (780 s.f.); and 2 two-bedroom apartments (871 s.f.). The construction is concrete slab, wood clapboard siding, combination asphalt shingle and metal roof. Each unit has an individual natural gas fired boiler (HeatMaker). There is one 82 gallon hot water heater in the common area for entire complex. There are call buzzers in all bedrooms and baths with emergency lights on the outside of the units the strobe when the buzzer is activated.

The complex is fully occupied; 100% of the units receive Section 8 (project based rental assistance) through the Vermont State Housing Authority (VSHA). The owner reports no vacancies of length in 25 years. Currently the Section 8 rents are below market in the area, meaning the development may be at risk for conversion to market rate housing.

The existing buildings are in relatively good condition as evidenced by the recent capital needs assessment and the inspection done by the project's architect and engineer. The work needed on the existing buildings includes; new roofing and siding, some window replacement and conversion to a more efficient central heating plant system. .

The proposed project includes the construction of 16 units of new senior housing along with Rural Development 515 funding and RD rental assistance. This new building will be fully adaptable and have at least 2 fully accessible units. Meadowlane Housing Associates Limited Partnership would own the entire project, with HFI as General Partner and VSHA as property management agent. The existing Section 8 contract administration may need to be transferred from VSHA to another entity due to the relationship between them and HFI. All state and local permits have been obtained at this point by HFI.

The benefits of this project are that 20 units of senior housing will be preserved and that 16 new units will be developed bringing new rental assistance to an underserved population. This development will utilize the RD 538 loan guarantee program to reduce the interest rate by the Agency which will leverage more debt. In addition, HFI is applying for RD 515 funds with rental assistance for the 16 new units. HFI is requesting allocated credit for this development to help reduce the demand on the other State public funding sources.

Tax Credit Discussion:
This senior project is eligible for ceiling credits as it is bringing new federal dollars and resources into the State. Two top tier criteria within the Consolidated Plan Priorities are met: 1) rehab of existing housing; and 2) the project maintains the historic settlement pattern. One second tier criteria is met: the housing is affordable to households below 30% of area median income. The Allocation Plan requires that projects meet at least three top tier and one other criteria. This project is one shy of meeting the requirement. However, it does preserve affordability of a project which is at-risk in the market, in that it could be converted to market rate apartments and command a higher cash flow, displacing the low income seniors who reside there, so *staff is recommending that the Board waive this requirement.* Staff is also recommending that the Board waive the mixed-income requirement for this development due to fact that there is a demonstrated need for subsidized senior housing in this market area and the property has a high occupancy history.

Summary of Request to VHFA:
For the 20 unit acquisition and rehabilitation project and the 16 unit construction project, the sponsors are seeking: and staff recommends $3,500,000 in taxable construction financing $1,100,000 in taxable construction/permanent financing and $295,000 in ceiling (9%) Housing Credits.

24-Sep-07 **Meadowlane Apts, Milton**

Total Residential Units:	36	Increase in Income from Rental Units:	1.75%
Housing Credit Restricted Units:	35	Increase in Income from Other Sources:	1.50%
Percent Restricted:	97.22%	Increase in Income from Commercial:	0.00%
Total Development Cost:	6,061,935	Expense increase:	3.00%
Total Development Cost per Unit:	168,387	Vacancy Rate:	5%
Total Development Cost Per SF:	177	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
Max Credit Potential:	306,626	Short Depreciation Schedule:	7 years
Credit Amount Allocated:	**295,000**	Sponsor's Estimated Yield:	86.56%
VT State Credit	0		
LIHTC - 9%	8.15%	Sept 07	
LIHTC - 4%	3.49%	Sept 07	

SOURCES		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage - RD	1,000,000	16.50%	1.00%	50	30
VHFA w/ 538 guarantee	1,100,000	18.15%	5.55%	30	30
HOME	363,240	5.99%	5.50%	30	deferred
VCDP Planning Grant	26,695	0.44%		Cap Contribution	
VHCB	445,500	7.35%	0.00%	30	deferred
VCDP	525,000	8.66%	0.00%	30	deferred
REEP & VCIL	13,000	0.21%	0	Cap Contribution	
Deferred Development Fee	35,000	0.58%	0	deferred	
Tax Credit Equity LP	2,553,500	42.12%	N/A	N/A	
	6,061,935	100.00%			

USES		
Acquisition	1,657,000	27.33%
Construction Hard Costs	3,114,540	51.38%
Soft Costs	1,290,395	21.29%
TOTAL USES	6,061,935	100.00%

Gap	**0**	Rate	Term (months)	Interest
Construction Loan	3,500,000	7.75%	10	113,021

General Partner's Capital Contribution	25,535	1.00%
Limited Partner's Capital Contribution	2,527,965	99.00%
Total Equity	2,553,500	

24-Sep-07 **Meadowlane Apts, Milton** 2,776,040

	Total Project	TOTAL 36 UNITS Budget	Existing 20 Units	New 16 UNITS Budget
	ACQUISITION			
1	Land	155,000	100,000	55,000
2	Purchase of Building(s)	1,490,000	1,490,000	
3	Demolition (without replacement)	0		
4	Property Appraisal	5,000	3,000	2,000
5	Legal - Title and Recording	7,000	3,500	3,500
	Subtotal - Acquisition	1,657,000		60,500
	CONSTRUCTION HARD COSTS			
6	Rehabilitation	590,040	590,040	
7	New Building(s)	2,186,000		2,186,000
8	Accessory Buildings	0		
9	Sitework	0		
10	Commercial Space Costs (if any)	0		
11	General Requirements	0		
12	Contractor Overhead & profit	0		
13	Contractor Profit	0		
14	Construction Contingency	277,000	57,000	220,000
15	Construction Management	0		
16	Relocation	20,000	20,000	
17	Hazardous Materials Abatement	0		
18	Off-Site Improvements	0		
19	Furnishings, Fixtures, & Equipment	41,500	23,000	18,500
20		0		
	Subtotal - Hard Costs	3,114,540		2,424,500
	SOFT COSTS			
21	Architectural / Engineering	201,000	36,000	165,000
22	Survey	5,345	3,345	2,000
23	Legal	17,000	6,500	10,500
24	Cost Certification audit	5,000	1,500	3,500
25	Environmental Assessment	1,500	1,500	0
26	Civil Engineering	22,500	8,000	14,500
27	Permits/ Sewer Connect Fees	101,500	44,500	57,000
28	Impact Fees -	68,000		68,000
29	Compaction/Testing	6,000		6,000
30	Independent Market Study	1,200		1,200
31	Construction Period Insurance	8,000		8,000
32	Construction Interest	120,000	45,000	75,000
33	VCDP Admin	6,500	3,000	3,500
34	RD 538 Fees	16,500	8,000	8,500
35	Inspection Fee	4,500		4,500
36	Marketing	1,500		1,500
37	Tax Credit Fees	10,500		10,500
38	Soft Cost Contingency	3,500		3,500
39	VHFA Lender's Council Fee	4,000		4,000
43	Capital Needs Assessment	1,850		1,850
	SYNDICATION COSTS			
44	Organizational (Partnership)	1,000		1,000
45	Bridge Loan Fees and Expenses	15,000		15,000
46	Syndication Consultant	2,500		2,500
47	Bank Interest buydown fee	49,500	29,500	20,000
	DEVELOPER'S FEES			
48	Developer's Fees	415,000	185,000	230,000
49	Deferred Fee	35,000	15,000	20,000
50	Consultant Fees	70,000	35,000	35,000
	RESERVES			
51	RD Working Capital	26,500	8,000	18,500
52	Rent-up (Deficit Escrow) Reserve	10,000	5,000	5,000
53	Replacement Reserves	0		
54	Partnership Operating Reserve	60,000	30,000	30,000
55	Replacement Reserves	0		
	Subtotal - Soft Costs	1,290,395		825,550
	TOTAL DEVELOPMENT COSTS	6,061,935	2,751,385	3,310,550

[redacted]Meadowlane Apts, Milton

		Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	155,000					
2	Purchase of Building(s)	1,490,000	1,490,000		1,490,000		
3	Demolition (without replacement)	0			0		
4	Property Appraisal	5,000	5,000		5,000		
5	Legal - Title and Recording	7,000	7,000		7,000		
	Subtotal - Acquisition	1,657,000					
	CONSTRUCTION HARD COSTS						
6	Rehabilitation	590,040		590,040	590,040		
7	New Building(s)	2,186,000		2,186,000	2,186,000		
8	Accessory Buildings	0		0	0		
9	Sitework	0		0	0		
10	Commercial Space Costs (if any)	0					
11	General Requirements	0		0	0		
12	Contractor Overhead & profit	0		0	0		
13	Contractor Profit	0		0	0	0	
14	Construction Contingency	277,000		277,000	277,000		
15	Construction Management	0		0	0	0	
16	Relocation	20,000		20,000	20,000		
17	Hazardous Materials Abatement	0		0	0		
18	Off-Site Improvements	0		0	0	0	
19	Furnishings, Fixtures, & Equipment	41,500		41,500	41,500	0	
20	0	0		0	0	0	
	Subtotal - Hard Costs	3,114,540					
	SOFT COSTS						
21	Architectural / Engineering	201,000		201,000	201,000		
22	Survey	5,345		5,345	5,345		
23	Legal	17,000		17,000	17,000		
24	Cost Certification audit	5,000		5,000	5,000		
25	Environmental Assessment	1,500		1,500	1,500		
26	Civil Engineering	22,500		22,500	22,500	0	
27	Permits/ Sewer Connect Fees	101,500		101,500	101,500		
28	Impact Fees -	68,000		68,000	68,000		
29	Compaction/Testing	6,000		6,000	6,000		
30	Independent Market Study	1,200		1,200	1,200		
31	Construction Period Insurance	8,000		8,000	8,000		
32	Construction Interest	120,000		120,000	120,000		
33	VCDP Admin	6,500		6,500	6,500		
34	RD 538 Fees	16,500		16,500	16,500		
35	Inspection Fee	4,500		4,500	4,500		
36	Marketing	1,500					
37	Tax Credit Fees	10,500					
38	Soft Cost Contingency	3,500		3,500	3,500		
39	VHFA Lender's Council Fee	4,000		4,000	4,000		
43	Capital Needs Assessment	1,850					
	SYNDICATION COSTS						
44	Organizational (Partnership)	1,000					
45	Bridge Loan Fees and Expenses	15,000					
46	Syndication Consultant	2,500					
47	Bank Interest buydown fee	49,500					
	DEVELOPER'S FEES						
48	Developer's Fees	415,000		415,000	415,000		
49	Deferred Fee	35,000		35,000	35,000		
50	Consultant Fees	70,000		70,000	70,000		
	RESERVES						
51	RD Working Capital	26,500					
52	Rent-up (Deficit Escrow) Reserve	10,000					
53	Replacement Reserves	0					
54	Partnership Operating Reserve	60,000					
55	Replacement Reserves	0					
	Subtotal - Soft Costs	1,290,395					
	TOTALS	6,061,935	1,502,000	4,226,585	5,687,085	0	
	LESS: Amount of Non-qualified Financing			1,000,000		0	
	LESS: Adjustment for per unit cost limits	100.00%		0			
	LESS: Historic tax Credit (Residential Portion)			0	0	20%	Historic Credit Rate
	Total Eligible Basis		1,502,000	3,226,585		0	Annual Historic Credit
	TIMES: Adjusted for QCT/DDA	100.00%		3,226,585			
	TIMES: Applicable Fraction	97.22%	1,460,278	3,136,958			
	Total Qualified Basis		1,460,278	3,136,958	5,687,085		Long Term Depreciable Basis
	TIMES: Applicable Percentage		3.49%	8.15%	27.5		Depreciation Schedule
	Total Annual Credit Qualified		50,964	255,662	206,803		Annual Depreciation
	Total Tax Credits Requested	295,000		306,626	41,500		Short Term Depreciable Basis
	Estimated Net Syndication Proceeds **(excluding historic credit equity)**	2,553,500			7		Depreciation Schedule
	Estimated Yield - Housing Credit Syndication	86.56%			5,929		Annual Depreciation
	Equity Gap	0					
	Credits Needed to fill Equity Gap	0					

0.00

24-Sep-07 **Meadowlane Apts, Milton**

Existing Buildings	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
1 Br	Sect 8	695	18	780	0	168,480
2 Br	Sect 8	820	2	952	0	22,848
					0	0
New Building					0	0
1 Br	RD RA	630	16	780	0	149,760
					0	0
Common Space		10,060				
	Totals	34,290	36			341,088
		Less Vacancy	5.00%			(17,054)
					NET RENT	324,034
		OTHER INCOME				
		Laundry				2,500
		Interest				1,550
		Commercial Space Income				0
		Other				0
					TOTAL INCOME	328,084

24-Sep-07 **Meadowlane Apts, Milton**

	Check all Applicable									A					B						C					
Building #	**Unit #**	**HOME Unit**	**Lead Paint Unit**	**Project Based Assistance**	**Tax Credit Unit**	**VHCB Restricted**	**Accessible**	**Adaptable**	**Unrestricted**	**Number of Bedrooms**	**Proposed Square Footage**	**Proposed Rent**	**Utility Allowance for Tenant-Paid Utilities**	**Gross Rent (Rent + Tenant-Paid Utilities)**	**OCCUPIED BY: Income level of residents to be served:**						**AFFORDABLE TO: Units affordable to residents at:**					
															<30%	**<50%**	**<60%**	**<80%**	**<100%**	**>100%**	**30%**	**50%**	**60%**	**65%**	**80%**	**100%+**
1	1-18			1	18					1	695	780	0	780			X				X					
1	19			1	1					2	820	952	0	952			X				X					
1	20			1	1					2	820	952	0	952			X				X					
2	21	1		1	1	1	1			1	630	780	0	780			X				X					
	22	1		1	1	1	1			1	630	780	0	780			X				X					
	23	1		1	1	1	1			1	630	780	0	780			X				X					
	24	1		1	1	1	1			1	630	780	0	780			X				X					
	25	1		1	1	1		1		1	630	780	0	780			X				X					
	26	1		1	1	1		1		1	630	780	0	780			X				X					
	27	1		1	1	1		1		1	630	780	0	780			X				X					
	28	1		1	1	1		1		1	630	780	0	780			X				X					
	29			1	1	1		1		1	630	780	0	780			X				X					
	30			1	1	1		1		1	630	780	0	780			X				X					
	31			1	1	1		1		1	630	780	0	780												
	32			1	1	1		1		1	630	780	0	780												
	33			1	1	1		1		1	630	780	0	780												
	34			1	1	1		1		1	630	780	0	780												
	35			1	1	1		1		1	630	780	0	780												
	36			1	1	1		1		1	630	780	0	780												
Total # Units	**30**	**8**	**0**	**36**	**36**	**16**	**4**	**12**	**0**	**Totals:**				**Total # Units:**	0	0	36	0	0	0	36	0	0	0	0	0

form revision date: 2/27/97

24-Sep-07 **Meadowlane Apts, Milton**

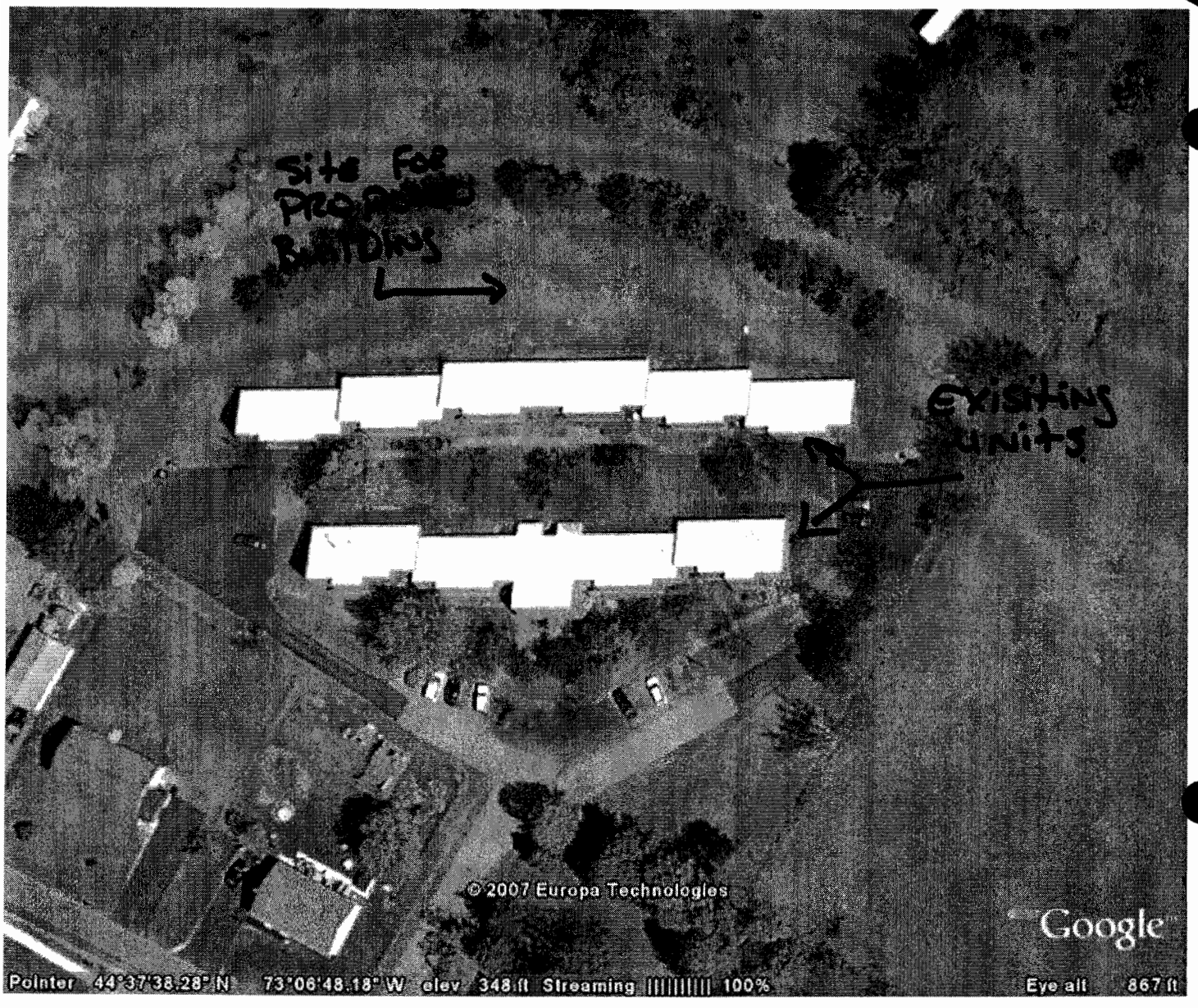
	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	22,688	1,891	53	6.9%
Site Management Payroll	13,000	1,083	30	
Audit/Accounting	6,000	500	14	
Legal	500	42	1	
Compliance Monitoring	1,728	144	4	
Marketing	600	50	1	
Other	3,200	267	7	
TOTAL ADMINISTRATIVE	47,716	3,976	110	
Utilities				
Electricity	16,200	1,350	38	
Fuel	20,520	1,710	48	
Water and Sewer	12,636	1,053	29	
Fire Alarm / Emergency	2,500	208	6	
Other		0	0	
TOTAL UTILITIES	51,856	4,321	120	
Maintenance				
Maintenance / Janitor Payroll	20,000	1,667	46	
Maintenance Overhead		0	0	
Exterminating	0	0	0	
Trash Removal	2,050	171	5	
Snow Removal	10,500	875	24	
Grounds	2,200	183	5	
Repairs Material	3,150	263	7	
Repairs Contract	1,800	150	4	
HVAC Repairs / Maintenance	0	0	0	
Elevator Contract / Repairs	1,500	125	3	
Painting and Decorating	600	50	1	
Other	500	42	1	
TOTAL MAINTENANCE	42,300	3,525	98	
Real Estate Taxes	28,000	2,333	65	per unit month excl. ds & res. 435
Property Insurance	18,000	1,500	42	
Replacement Reserves	18,000	1,500	42	
Primary Debt Service		0	0	
Other "must pay" debt service		0	0	
Other	2,225	185	5	910
Total	208,097	17,341	482	

190,097

form revision date: 2/27/97

24-Sep-07 **Meadowlane Apts, Milton**

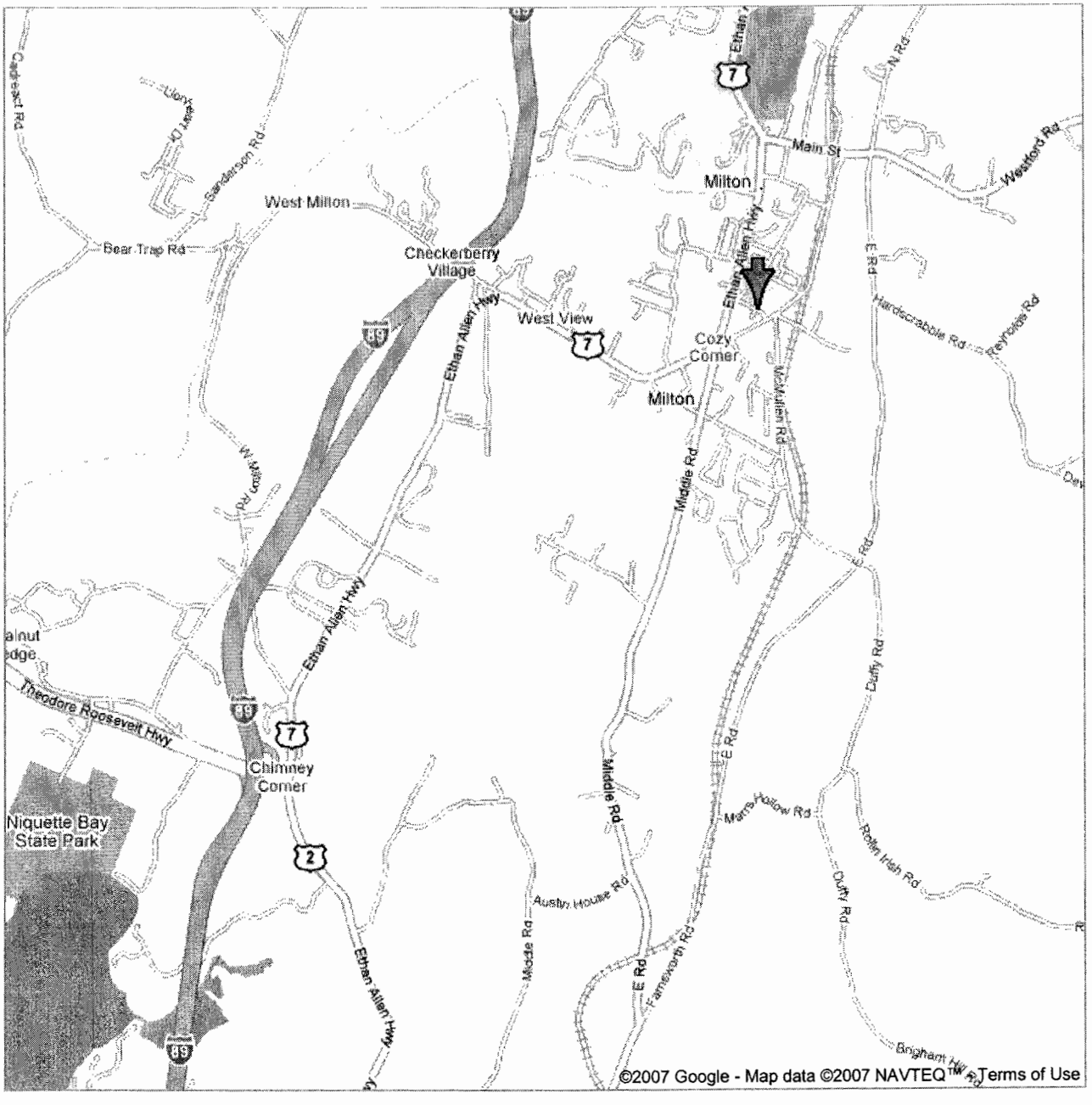
Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
RD 1% Loan, No Interest Credit															
Operating Income															
Gross Rent	341,088	347,057	353,131	359,310	365,598	371,996	378,506	385,130	391,870	398,728	405,705	412,805	420,029	427,380	434,859
Other Income	4,050	4,111	4,172	4,235	4,299	4,363	4,428	4,495	4,562	4,631	4,700	4,771	4,842	4,915	4,989
Vacancy and other losses	(17,054)	(17,353)	(17,657)	(17,966)	(18,280)	(18,600)	(18,925)	(19,257)	(19,593)	(19,936)	(20,285)	(20,640)	(21,001)	(21,369)	(21,743)
Total Operating Income	328,084	333,815	339,646	345,580	351,617	357,759	364,009	370,368	376,839	383,422	390,120	396,936	403,870	410,926	418,104
Operating Expenses															
Total Expenses (excl. Reserves)	190,097	195,800	201,674	207,724	213,956	220,375	226,986	233,795	240,809	248,033	255,474	263,139	271,033	279,164	287,539
Reserves	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000
Sub-Total Operating Expense	208,097	213,800	219,674	225,724	231,956	238,375	244,986	251,795	258,809	266,033	273,474	281,139	289,033	297,164	305,539
Total Operating Expense	208,097	213,800	219,674	225,724	231,956	238,375	244,986	251,795	258,809	266,033	273,474	281,139	289,033	297,164	305,539
Net Operating Income	119,987	120,015	119,973	119,856	119,661	119,385	119,024	118,573	118,029	117,388	116,646	115,797	114,837	113,762	112,566
Less Primary Debt Service	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423
Less Secondary Debt Service	75,363	75,363	75,363	75,363	75,363	75,363	75,363	75,363	75,363	75,363	75,363	75,363	75,363	75,363	75,363
Annual Cash Flow	19,201	19,229	19,187	19,070	18,875	18,599	18,238	17,787	17,244	16,603	15,860	15,011	14,051	12,976	11,780
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash	19,201	19,229	19,187	19,070	18,875	18,599	18,238	17,787	17,244	16,603	15,860	15,011	14,051	12,976	11,780
DCR	119.05%	119.08%	119.04%	118.92%	118.73%	118.45%	118.10%	117.65%	117.11%	116.47%	115.74%	114.89%	113.94%	112.87%	111.69%
Cumulative Cash Flow															
Beginning Balance	26,500	45,899	65,473	85,151	104,859	124,521	144,054	163,372	182,384	200,996	219,106	236,609	253,394	269,346	284,342
Deposits	19,201	19,229	19,187	19,070	18,875	18,599	18,238	17,787	17,244	16,603	15,860	15,011	14,051	12,976	11,780
Interest 1.5%	199	344	491	639	786	934	1,080	1,225	1,368	1,507	1,643	1,775	1,900	2,020	2,133
Withdrawals	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	45,899	65,473	85,151	104,859	124,521	144,054	163,372	182,384	200,996	219,106	236,609	253,394	269,346	284,342	298,254
Cumulative Replacement Reserves															
Beginning Balance	0	18,135	36,271	54,543	72,952	76,499	95,073	113,786	117,639	136,522	155,546	174,712	194,023	213,478	233,079
Deposits	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000
Interest 1.5%	135	136	272	409	547	574	713	853	882	1,024	1,167	1,310	1,455	1,601	1,748
Withdrawals	0	0	0	0	(15,000)	0	0	(15,000)	0	0	0	0	0	0	0
Ending Balance	18,135	36,271	54,543	72,952	76,499	95,073	113,786	117,639	136,522	155,546	174,712	194,023	213,478	233,079	252,827
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income	119,987	120,015	119,973	119,856	119,661	119,385	119,024	118,573	118,029	117,388	116,646	115,797	114,837	113,762	112,566
Plus Reserves	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000
RD Return on Equity	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)
RD Loan Guarantee Fee	(5,427)	(5,349)	(5,267)	(5,180)	(5,089)	(4,992)	(4,890)	(4,781)	(4,667)	(4,546)	(4,418)	(4,283)	(4,141)	(3,990)	(3,831)
Less Interest Expense	(90,588)	(90,695)	(90,813)	(90,944)	(91,087)	(91,243)	(91,412)	(91,597)	(91,797)	(92,013)	(92,245)	(92,496)	(92,765)	(93,054)	(93,364)
Less Long Depreciation	(206,803)	(206,803)	(206,803)	(206,803)	(206,803)	(206,803)	(206,803)	(206,803)	(206,803)	(206,803)	(206,803)	(206,803)	(206,803)	(206,803)	(206,803)
Less Short Depreciation	(5,929)	(5,929)	(5,929)	(5,929)	(5,929)	(5,929)	(5,929)	0	0	0	0	0	0	0	0
Taxable Income (Loss)	(174,259)	(174,260)	(174,339)	(174,500)	(174,746)	(175,081)	(175,510)	(170,108)	(170,737)	(171,473)	(172,321)	(173,286)	(174,372)	(175,586)	(176,932)
Cash Flow	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings	60,991	60,991	61,019	61,075	61,161	61,278	61,429	59,538	59,758	60,016	60,312	60,650	61,030	61,455	61,926
Plus Tax Credits	295,000	295,000	295,000	295,000	295,000	295,000	295,000	295,000	295,000	295,000					
After Tax Cash Flow	355,991	355,991	356,019	356,075	356,161	356,278	356,429	354,538	354,758	355,016	60,312	60,650	61,030	61,455	61,926
Total Years 15															
Reinvestment Rate 7.50%															
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Current After Tax Cash Flows	355,991	355,991	356,019	356,075	356,161	356,278	356,429	354,538	354,758	355,016	60,312	60,650	61,030	61,455	61,926
Future Value of Cash Flows at Yr 15:	1,053,333	979,846	911,555	848,092	789,114	734,301	683,359	632,310	588,561	547,896	86,586	80,996	75,818	71,019	66,571

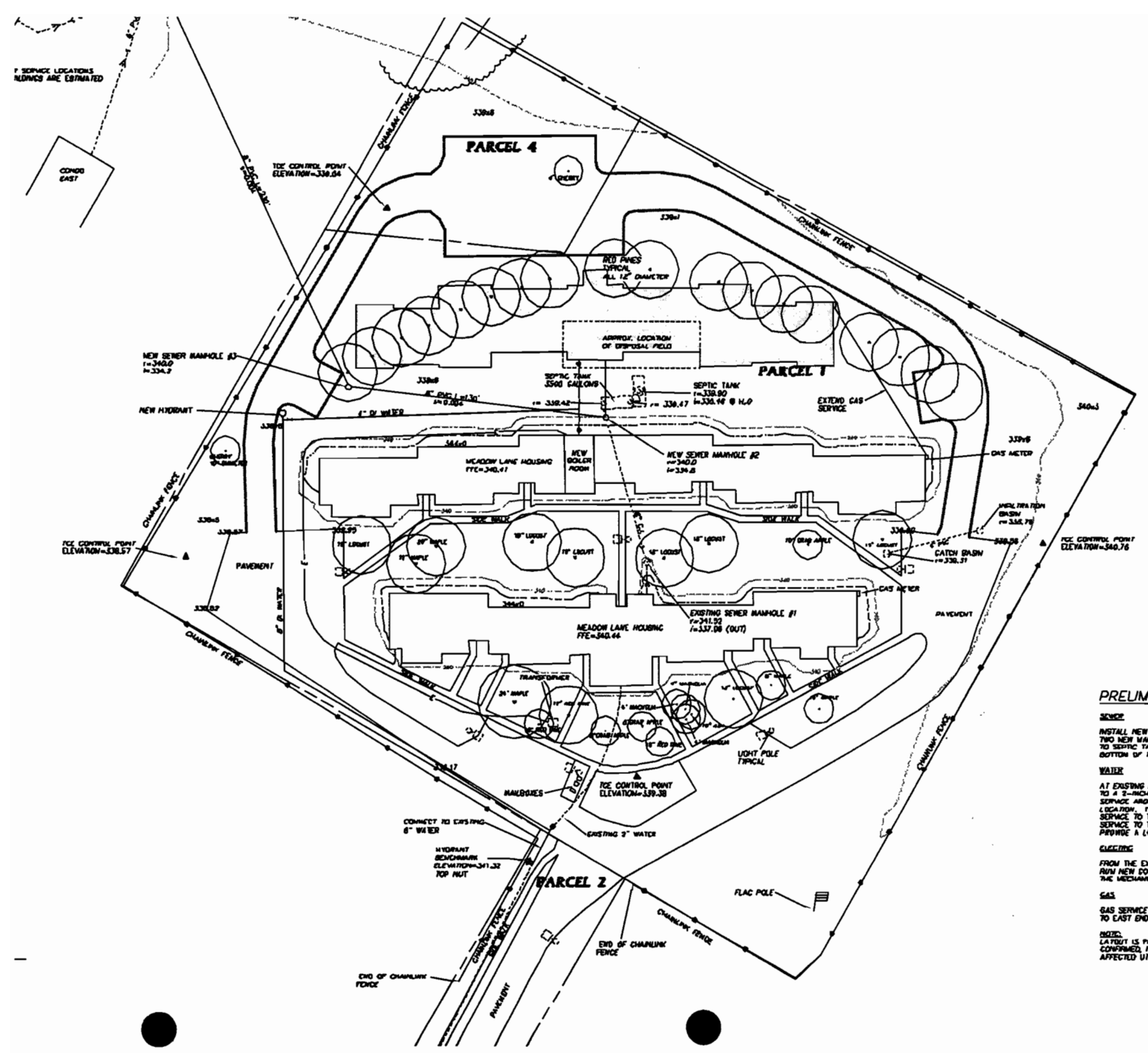

Site For Proposed Buildings
Existing Units
© 2007 Europa Technologies
Google
Pointer 44°37'38.28" N 73°06'48.18" W elev 348 ft Streaming 100%
Eye alt 867 ft

Google Maps

Address **36 Villemaire Ln**
Milton, VT 05468

Save trees. Go green!
Download Google Maps for mobile
Text maps to 466453





PREUMINARY UTILITIES PLAN:

SEWER

INSTALL NEW 8-INCH SEWER FROM EXISTING MANHOLE ON PARCEL 3 AND TWO NEW MANHOLES. CONNECT EXISTING 8-INCH SERVICE FROM BUILDING TO SEPTIC TANK TO AN 8". PUMP OUT EXISTING SEPTIC TANKS, BREAK BOTTOM OF TANKS, FILL WITH SAND, CRUSH TOPS, AND BURY IN PLACE.

WATER

AT EXISTING HYDRANT ON PARCEL 2, THE 8-INCH SERVICE IS REDUCED TO A 2-INCH SERVICE TO THE BUILDINGS. CONTINUE THE 8-INCH SERVICE AROUND THE SOUTH AND WEST SIDE TO A NEW HYDRANT LOCATION. FROM THE NEW HYDRANT LOCATION, INSTALL A 4-INCH SERVICE TO THE MECHANICAL ROOM. CONNECT THE EXISTING 2-INCH SERVICE TO THE EXTENDED 8-INCH SERVICE ON THE SOUTH SIDE TO PROVIDE A LOOPED WATER SERVICE.

ELECTRIC

FROM THE EXISTING TRANSFORMER ON THE SOUTH SIDE OF THE BUILDING RUN NEW CONDUIT AROUND THE WEST SIDE OF THE BUILDINGS AND INTO THE MECHANICAL ROOM.

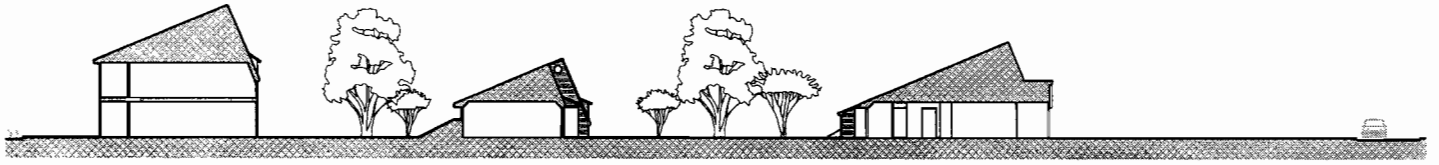
GAS

GAS SERVICE EXISTS ON THE EAST SIDE OF THE BUILDINGS. CONTINUE TO EAST END OF NEW BUILDING.

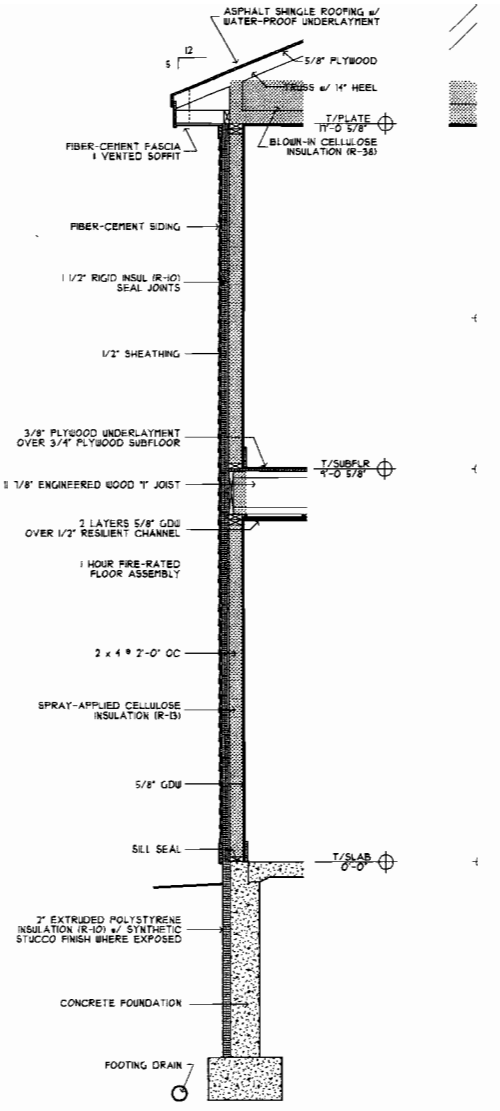
NOTE:

LAYOUT IS PRELIMINARY. CAPACITY OF EXISTING UTILITIES HAS NOT BEEN CONFIRMED, NOR HAS PROPOSED LOCATIONS BEEN REVIEWED BY AFFECTED UTILITY COMPANIES.

SITE PLAN
1" = 20'-0"



SITE SECTION
1/20" = 1'-0"



TYPICAL WALL SECTION
1/2" = 1'-0"

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: CONSTRUCTION AND PERMANENT FINANCING AND PROPOSED ALLOCATION OF ALLOCATED HOUSING CREDITS FOR MEADOWLANE APARTMENTS, MILTON

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow monies and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, an application has been submitted to the Agency by Housing Foundation, Inc. (the "Sponsor") on behalf of a to be formed limited partnership in which the Sponsor or its subsidiary will be the general partner (the "Borrower") involving the acquisition, rehabilitation and new construction of a total of thirty-six (36) units of senior rental housing in the Town of Milton (the "Development"); and

WHEREAS, the application contemplates a mortgage loan for construction and permanent financing for the Development with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds; and

WHEREAS, the Sponsor qualifies and the Borrower 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

WHEREAS, the Agency administers the allocation of the federal Low Income Housing Tax Credits (both Allocated Housing Credits and Bond Housing Credits) and the State Housing Credits under the State's Qualified Allocation Plan; and

WHEREAS, the Governor of the State of Vermont has approved the 2005-2006 Qualified Allocation Plan; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Clarence Davis dated September 18, 2007, containing information, conditions and recommendations about the Development (the "Memorandum");

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 to be incurred by the housing sponsors 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 sponsors undertaking the Development will increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency 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 loan.

6. The Sponsor is financially responsible and is a qualified housing sponsor within the meaning of the Act. The Borrower will be required to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsor for construction and permanent financing of the Development based on the recommendations in the attached Memorandum. 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 Sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the Borrower for construction and permanent financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsor as the representative of the Borrower. The Commitment Letter shall be 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.

3. The Executive Director and the Loan Review Committee will establish the final source and amount of the loan for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines, and the conditions, if any, described in the Memorandum.

4. The recommendations for the allocation of Allocated Housing Credits contained in the Memorandum which is attached and incorporated by this reference are hereby approved.

5. The Executive Director and the appropriate staff are hereby authorized to take such actions as are described in the 2005-2006 Qualified Allocation Plan regarding the proposed allocation of federal Allocated Housing Credits in the amount of $295,000.00 for Meadowlane Apartments in the Town of Milton, Vermont.

KPMG

VERMONT HOUSING FINANCE AGENCY

Letter to the Commissioners

June 30, 2007

KPMG LLP
P.O. Box 564
Burlington, VT 05402

Suite 400
356 Mountain View Drive
Colchester, VT 05446

September 27, 2007

The Commissioners of
Vermont Housing Finance Agency
Burlington, Vermont

Ladies and Gentlemen:

We have audited the financial statements of Vermont Housing Finance Agency (the Agency) as of and for the year ended June 30, 2007, and issued our report thereon dated September 27, 2007. Under our professional standards, we are providing you with the attached information related to the conduct of our audit.

This report to the Commissioners is intended solely for the information and use of the Commissioners and management and is not intended to be and should not be used by anyone other than these specified parties. This report is not intended for general use, circulation or publication and should not be published, circulated, reproduced or used for any purpose without our prior written permission in each specific instance.

Very truly yours,

KPMG LLP

KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative.

Our Responsibility Under Professional Standards

We have a responsibility to conduct our audit of the financial statements in accordance with professional standards. In carrying out this responsibility, we planned and performed the audit of the business-type activities and each major fund of the Agency for the year ended June 30, 2007 to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the financial statements are detected.

In addition, in planning and performing our audit of the financial statements, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. An audit of the financial statements does not include examining the effectiveness of internal control and does not provide assurance on internal control.

Accounting Policies and Alternative Treatments

Significant Accounting Policies

The significant accounting policies used by the Agency are described in Note 2 to the financial statements of which we have reviewed and concur with.

Unusual Transactions

We noted no transactions during the year ended June 30, 2007 that were both significant and unusual, or transactions for which there was a lack of authoritative accounting guidance or consensus.

Management Judgments and Accounting Estimates

The preparation of the financial statements requires management of the Agency to make certain estimates and assumptions relating to the reported amounts of liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period.

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates, such as the allowance for loan losses and the fair value of investments, are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. We determined that the Commissioners are informed about the process used by management in formulating particularly sensitive accounting estimates and about the basis for our conclusions regarding the reasonableness of those estimates.

Instances of Fraud and Abuse

During our audit we performed certain procedures required under professional auditing standards designed to identify fraud and abuse that should be considered in formulating our opinion on the financial statements. We were not informed of any instances of fraud that required an expansion of our audit procedures or adjustment to the financial statements.

Audit Adjustments and Uncorrected Misstatements

In connection with our audit of the Agency's financial statements, we have not identified any significant financial statement misstatements that have not been corrected in the Agency's books and records as of and for the year ended June 30, 2007.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the Agency's financial statements and our auditors' report thereon does not extend beyond the financial information identified in our auditors' report, and we have no obligation to perform any procedures to corroborate other information contained in Management's Discussion and Analysis. We will, however, read the other information released by the Agency, other than bond offerings, that contain the financial statements for matters that cause us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

Disagreements with Management

There were no disagreements with management on financial accounting and reporting matters that, if not satisfactorily resolved, would have caused a modification of our auditors' report on the Agency's June 30, 2007 financial statements.

Consultation with Other Accountants

To the best of our knowledge, management has not consulted with or obtained opinions, written or oral, from other independent accountants during the year ended June 30, 2007.

Major Issues Discussed with Management Prior to Retention

We generally discuss a variety of matters with management each year prior to our retention as the Agency's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Material Written Communications

We have confirmed an understanding of the nature, scope and extent of our engagement for audit services with the Agency in our contract. Agency management has provided their representation dated September 27, 2007 containing certain representations regarding the financial statements and underlying assertions.

Attached to this report please find copies of the following material written communications between management and us:

1) Engagement letter; and
2) Management representation letter

Independence

Our professional standards and other regulatory requirements specify that we communicate to you in writing, at least annually, all independence-related relationships between our firm and the Agency and provide that we are independent accountants with respect to the Agency.

With respect to the Agency, we are independent accountants within the meaning of Rule 101 of the Code of Professional Conduct of the American Institute of Certified Public Accountants and the independence standards outlined in *Government Auditing Standards* as issued by the Comptroller General of the United States.

KPMG's System of Quality Control and Related Matters

The enclosed document entitled, "KPMG – Our System of Quality Controls", including the attached addendum, is being provided to communicate to you matters related to KPMG's system of quality control.

Audit and Related Fees

The fees for this year's audit services were $55,000. We performed no non-audit services for the Agency during the year under audit.

KPMG

KPMG LLP
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Burlington, VT 05402

Telephone 802 651 5600
Fax 802 651 5678
Internet www.us.kpmg.com

Suite 400
356 Mountain View Drive
Colchester, VT 05446

May 7, 2007

Mr. Paul Beaulieu
Chairman of the Audit Committee
Vermont Housing Finance Agency
164 St. Paul Street
P.O. Box 408
Burlington, VT 05402-0408

Dear Mr. Beaulieu:

This letter amends our engagement letter dated April 6, 2005 confirming our understanding to provide professional audit services to Vermont Housing Finance Agency by substituting the attached Appendix I for the Appendix I originally attached to our engagement letter.

The attached Appendix I lists the services to be rendered and related fees to provide each specified service for the identified time period. Except as specified therein, all provisions of the aforementioned engagement letter remain in effect until either the board of directors or we terminate this agreement or mutually agree to the modification of its terms.

We shall be pleased to discuss this letter with you at any time. For your convenience in confirming these arrangements, we enclose a copy of this letter. Please sign in the space provided and return the copy to us.

Very truly yours,

KPMG LLP

Kenneth F. Deon
Managing Partner

ACCEPTED:

VERMONT HOUSING FINANCE AGENCY.

Authorized Signature

CHAIR AUDIT/RISK MANAGEMENT COMMITTEE
Title

5/11/07
Date

KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative.

KPMG

Appendix I

Fees for Services

Based upon our discussions with and representations of management, our fees for services we will perform are estimated as follows:

Audit of statement of net assets of Vermont Housing Finance Agency as of June 30, 2007, the related statements of revenues, expenses and changes in net assets and cash flows for the year ended June 30, 2007.	$55,000

Our fees are based upon estimated hours of 400. The hours have been estimated based upon the following standard scope assumptions:

- The Agency will close its books and prepare all financial statements, related notes and any supplementary information in accordance with U.S. generally accepted accounting principles (GAAP).
- We will receive the completed financial statements from management in sufficient time to enable us to issue our report in accordance with mutually agreed-upon timetable, which will be finalized before significant fieldwork begins.
- We will receive appropriate assistance from the Agency's staff in regards to the preparation on detailed supporting schedules, including incidental account analysis, and other documentation.
- There will be no audit adjustments, uncorrected misstatements, material weaknesses or significant deficiencies relative to financial statements or federal programs.
- There will be no significant or unusual events or transactions or other changes in operations not reflected in the Agency's financial statements for the year ended June 30, 2006.
- There will be no significant changes in relevant GAAP, auditing standards generally accepted in the United States of America.

The above estimates are based on the level of experience of the individuals who will perform the services. Circumstances encountered during the performance of these services that warrant additional time or expense could cause us to be unable to deliver them within the above estimates. We will endeavor to notify you before any additional hours are incurred.

Where KPMG is reimbursed for expenses, it is KPMG's policy to bill clients the amount incurred at the time the good or service is purchased. If KPMG subsequently receives a volume rebate or other incentive payment from a vendor relating to such expenses, KPMG does not credit such payment to the client. Instead, KPMG applies such payments to reduce its overhead costs, which costs are taken into account in determining KPMG's standard billing rates and certain transaction charges which may be charged to clients.

vhfa

Vermont Housing Finance Agency

September 27, 2007

KPMG LLP
P.O. Box 564
Burlington, VT 05402

Ladies and Gentlemen:

We are providing this letter in connection with your audit of the financial statements of Vermont Housing Finance Agency (the Agency), as of and for the year ended June 30, 2007, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, net assets, changes in net assets, and cash flows of the Agency in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation in the financial statements of financial position, changes in financial position, and cash flows in conformity with U.S. generally accepted accounting principles. We are also responsible for establishing and maintaining effective internal control over financial reporting.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit:

1. The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles.

2. We have made available to you:

   a. All financial records and related data.

   b. All minutes of the meetings of the Board of Commissioners, or summaries of actions of recent meetings for which minutes have not yet been prepared.

3. Except as disclosed to you in writing, there have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

4. There are no:

   a. Violations or possible violations of laws or regulations, whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

   b. Unasserted claims or assessments that our lawyers have advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards (SFAS) No. 5, *Accounting for Contingencies*.

   c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by SFAS No. 5.

   d. Material transactions, for example, grants or encumbrances, that have not been properly recorded in the accounting records underlying the basic financial statements.

   e. Events that have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the financial statements.

5. We believe there are no uncorrected financial statement misstatements

6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent, deter and detect fraud. We understand that the term "fraud" includes misstatements arising from fraudulent financial reporting and misstatements arising from misappropriation of assets.

   Misstatements arising from fraudulent financial reporting are intentional misstatements, or omissions of amounts or disclosures in financial statements to deceive financial statement users. Misstatements arising from misappropriation of assets involve the theft of an entity's assets where the effect of the theft causes the financial statements not to be presented in conformity with U.S. generally accepted accounting principles.

7. We have no knowledge of any fraud or suspected fraud affecting the entity involving:

   a. Management,

   b. Employees who have significant roles over financial reporting,

   c. Others where the fraud could have a material effect on the financial statements.

8. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.

9. The Company has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

10. We have no knowledge of any officer or director of the Company, or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate or mislead you during your audit.

11. The Agency has no:

    a. Commitments for the purchase or sale of services or assets at prices involving material probable loss.

    b. Loss to be sustained as a result of other-than-temporary declines in the fair value of investments.

12. The Agency has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.

13. The Agency has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

14. Receivables reported in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance-sheet date and have been appropriately reduced to their estimated net realizable value.

15. The following have been properly recorded or disclosed in the (consolidated) financial statements.

    a. Related party transactions including sales, purchases, loans, transfers, leasing arrangements, guarantees, ongoing contractual commitments and amounts receivable from or payable to related parties. We understand that the term "related party" refers to affiliates of the enterprise; entities for which investments are accounted for by the equity method by the enterprise; trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management; principal owners of the enterprise; its management; members of the immediate families of principal owners of the enterprise and its management; and other parties with which the enterprise may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. Another party also is a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests

    b. Guarantees, whether written or oral, under which the Company is contingently liable.

    c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and lines of credit or similar arrangements.

    d. Agreements to repurchase assets previously sold, including sales with recourse.

e. Changes in accounting principle affecting consistency

16. The Agency has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities, except as discussed in item 36.

17. The Agency has identified and properly accounted for all non-exchange transactions, if any.

18. The following information about financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk has been properly disclosed in the financial statements:

a. Extent, nature, and terms of financial instruments with off-balance-sheet risk;

b. The amount of credit risk of financial instruments with off-balance-sheet credit risk and information about the collateral supporting such financial instruments; and

c. Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments.

19. Capital assets, including infrastructure assets, are properly capitalized, reported and, if applicable, depreciated. There are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

20. Deposits and investment securities are properly classified and reported.

21. The financial statements properly classify all funds and activities.

22. The Agency is responsible for the identification of and compliance with all aspects of laws, regulations, contracts or grants that could have a material effect on the basic financial statement amounts in the event of noncompliance including legal and contractual provisions for reporting specific activities in separate funds and has disclosed those aspects of laws, regulations, contracts, or grants to you.

23. The Agency has complied, in all material respects, with applicable laws, regulations, contracts and grants that could have a material effect on the basic financial statements in the event of noncompliance.

24. Net asset components (invested in capital assets, restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.

25. The Agency has complied with all tax and debt limits and with all debt related covenants.

26. The Agency has presented all supplementary information. This information has been measured and prepared within prescribed guidelines.

27. The Agency has not elected to apply the option allowed in paragraph 7 of GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Activities*, and therefore does not follow any Statement of Financial Accounting Standards issued after November 30, 1989.

28. We have received opinions of counsel upon each issuance of tax-exempt bonds that the interest on such bonds is exempt from federal income taxes under the Internal Revenue Code of 1986, as amended. There have been no changes in the use of property financed with the proceeds of tax-exempt bonds, or any other occurrences, subsequent to the issuance of such opinions, that would jeopardize the tax-exempt status of the bonds. A provision has been made, where material, for the amount of any required arbitrage rebate.

29. The Agency is responsible for determining the fair value of certain investments as required by GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The amounts reported represent the Agency's best estimate of fair value of investments required to be reported under the Statement. The Agency also has disclosed the methods and significant assumptions used to estimate the fair value of its investment, and the nature of investments reported at amortized cost.

30. All funds that meet the quantitative criteria in GASB Statement No. 34 for presentation as major are identified and presented as such, and all other funds that are presented as major are considered to be particularly important to financial statement users by management.

31. Expenses have been appropriately classified in or allocated to function and programs in the statement of activities, and allocations have been made on a reasonable basis.

32. Interfund, internal and intra-entity activity and balances have been appropriately classified and reported.

33. The Agency has identified and made the appropriate disclosures for all derivative instruments not reported at fair value in the financial statements in accordance with GASB Technical Bulletin 03-1, *Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets*.

34. Revenues are appropriately classified in the statement of activities within program revenue and general revenues.

35. We have disclosed to you all accounting policies and practices we have adopted that, if applied to significant items or transactions, would not be in accordance with U.S. generally accepted accounting principles (GAAP). We have evaluated the impact of the application of each such policy and practice, both individually and in the aggregate, on the Company's current period financial statements, and the expected impact of each such policy and practice on future periods' financial reporting. We believe the effect of these policies and practices on the financial statements is not material. Furthermore, we do not believe the impact of the application of these policies and practices will be material to the financial statements in future periods.

36. The Agency has disclosed that it estimates that approximately $9.47 million of loans carried as loan assets may need to be forgiven in order to be in compliance with current tax law. The Agency intends to be in compliance with such law.

Further, we confirm that we are responsible for the fair presentation in the (consolidated) financial statements of financial position, results of operations, and cash flows in conformity with U.S. generally accepted accounting principles.[4]

Very truly yours,

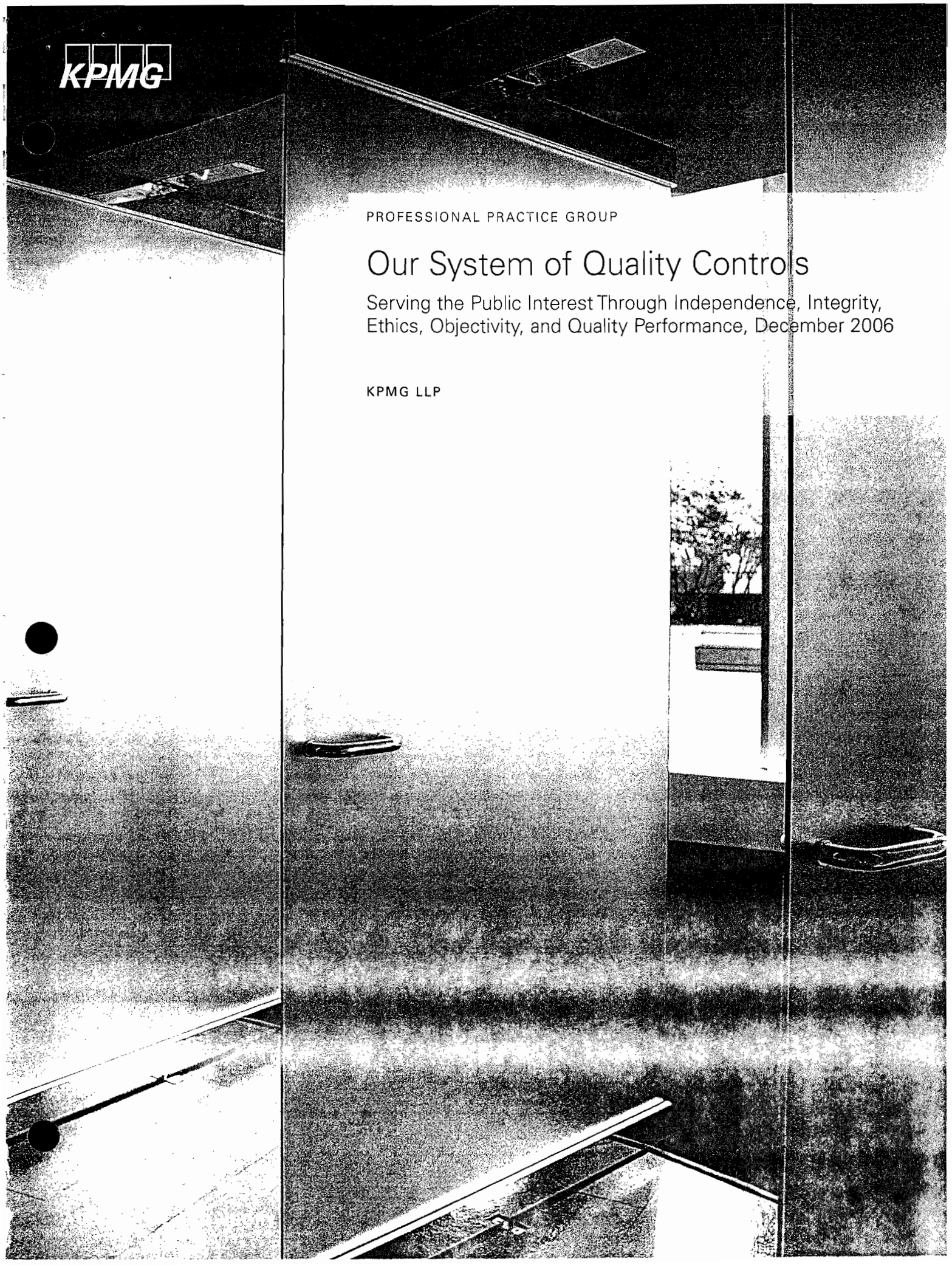
Vermont Housing Finance Agency

Name _____
Sarah E. Carpenter
Executive Director

Name _____
Thomas R. Connors
Chief Financial Officer

Name _____
Timothy Gutchell
Controller

Name _____
Scott Baker
Investment Manager



KPMG

PROFESSIONAL PRACTICE GROUP

Our System of Quality Controls

Serving the Public Interest Through Independence, Integrity, Ethics, Objectivity, and Quality Performance, December 2006

KPMG LLP

Our Quality Statement PROMISE OF PROFESSIONALISM

Our *Promise of Professionalism* to our clients and the capital markets we serve is the basis for everything we do at KPMG and the foundation for our strategic priorities of *Professionalism and Integrity, Employer of Choice,* and *Global Strength and Consistency.*

Our operating and leadership structure is designed to enable KPMG to provide outstanding service to our clients, be responsive to the marketplace and to our regulators, and succeed on a foundation of professionalism and integrity.

Clearly, our professionals are the most important component of the quality service we provide, and it is essential that we support our professionals with a system of quality controls that ensures their success.

KPMG has made significant enhancements to its system of quality controls over the past three years, including the separation within the firm of responsibility for Operations, Professional Practice/Risk Management, and Legal and Compliance. This separation was implemented at the top of the firm, by assigning our Deputy Chairman responsibility for Professional Practice/Risk Management, and establishing an Executive Vice Chair position for Operations and an Executive Vice Chair position for Legal and Compliance, each of whom reports directly to the Chairman.

The other key components of our system of quality controls are:

- KPMG's Code of Conduct, which defines the values and standards by which KPMG does business and outlines the resources available to help partners and employees achieve compliance with them.
- Professional Practice Committee, which oversees the development, dissemination, and monitoring of policies and guidance to enhance the firm's professional practice, risk management, and quality control processes.
- The Department of Professional Practice (DPP)—Audit and Advisory, which provides ongoing technical guidance and support to field professionals on a real-time basis.
- KPMG International's Global Services Centre (GSC), which develops the methodologies and supporting technology tools used in our audit and advisory service processes.
- Independence policies supported by integrated, Web-based systems to facilitate firm and personnel compliance with independence requirements.
- An Ombudsman, who investigates, resolves, and documents issues brought to that individual's attention involving the firm's U.S. Securities and Exchange Commission (SEC) audit clients, including audits of foreign operations of those clients.
- The oversight of professional performance, including concurring partner reviews, triennial peer reviews, and our internal Quality Performance and Compliance Program (QPCP).
- The Ethics and Compliance Committee of the Board, which promotes and monitors the activities and processes that manifest KPMG's commitment to the establishment and maintenance of ethics and compliance with laws, rules, and regulations applicable to the firm as well as its partners and employees.
- The Legal and Compliance Committee, which oversees the firm's program for ethics and compliance.
- KPMG International's Audit Committee Institute (ACI), a resource that helps audit committees and senior management implement effective audit committee processes and updates KPMG partners and employees on current issues affecting audit committees.
- The Audit Quality Council, which provides key strategic direction in the ongoing development of our professionals and their audit tools as well as guidance for our audit practice.
- The Audit Methodology and Training Partner program, in which partners in firm leadership positions play a critical and active role in improving overall audit quality.
- The Quality Review Action Items Group, which develops action plans and accompanying steps to address findings from internal and external reviews.
- Internal Audit, which is responsible for the development and execution of a risk-based audit plan, including an ongoing review of our Ethics and Compliance program.
- Management Review Panel, which addresses issues relating to noncompliance with firm policy, including discipline, training, and continuing professional education (CPE) requirements.

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Our System of Quality Controls

KPMG maintains a system of quality controls for its audit practice that is designed to meet or exceed the expectations of audit committees (our clients) as well as the rules and standards issued by the Public Company Accounting Oversight Board (PCAOB) and the American Institute of Certified Public Accountants (AICPA). Integrating key policies and procedures, this system also facilitates compliance with relevant rules and regulations of the Sarbanes-Oxley Act of 2002, the SEC, professional standards, and the firm's standards of quality.

KPMG's system of quality controls applicable to its audit practice encompasses the following:

- Commitment to Professionalism and Integrity established by the tone at the top
- Engagement performance
- Independence, integrity, ethics, and objectivity
- Personnel management, including training and professional development
- Rigorous procedures for acceptance and continuance of clients and engagements
- Monitoring

To support this system, KPMG separates the responsibility for oversight of professional practice, risk management, and quality control from the responsibility for managing the firm's business activities. KPMG's Deputy Chairman, the most senior position in the firm other than the firm's Chairman, is responsible for firmwide risk management; all professional practice matters, including oversight of the Professional Practice Group; regulatory relationships; approval of all new service offerings; and development of all methodologies and tools. The following groups support the Deputy Chairman.

Professional Practice Committee
The Professional Practice Committee, chaired by the Deputy Chairman, oversees the development and monitoring of policies and the dissemination of guidance designed to enhance the firm's professional practice, risk management, and quality control processes. This committee also includes the Executive Vice Chair of Legal and Compliance; National Partner in Charge of Professional Practice; National Partners in Charge of Risk Management—Audit, Advisory, and Tax; National Partner in Charge—Area Professional Practice; Area Professional Practice Partners; National Managing Partners of Audit, Advisory, and Tax; National Partner in Charge of Washington National Tax; National Partner in Charge of the Global Services Centre; National Partner in Charge of Independence; and National Partner in Charge of Information Technology Services.

Area Professional Practice Partners and Professional Practice Partners
Each of our six geographic areas (Northeast, Midatlantic, Southeast, Midwest, Southwest, and West) has a designated area professional practice partner. These experienced partners provide risk management, professional practice, and quality leadership and direct adherence to firm policy and professional standards within their respective areas. Their roles are to (1) support and advise the partners in their areas on client-related matters, (2) assimilate information pertaining to the professional risks of the firm, (3) provide reasonable assurance that firm and professional policies are followed, and (4) continuously review and improve firm policies.

To enhance and strengthen their roles, these partners report to a senior partner with overall responsibility for area professional practice rather than to area operating leadership. These partners are supported in their roles by a network of audit, tax, and advisory partners who serve as professional practice/risk management partners for their offices or service lines.

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Professional Practice Group

The Professional Practice Group consists of more than 200 partners, directors, senior managers, and other professionals who support the firm's professionals in meeting their responsibilities in the areas of accounting and financial reporting, SEC reporting matters, auditing and attestation standards, advisory services, and independence. The Professional Practice Group includes the Department of Professional Practice (DPP)—Audit and Advisory, Washington National Tax, and the Risk Management groups for each function (Audit, Tax, and Advisory).

Department of Professional Practice—Audit and Advisory

DPP—Audit and Advisory supports our audit and advisory practices by providing technical guidance to client service professionals on engagement-related issues and by assisting in communications with the client on those issues, developing and disseminating topic-specific guidance on emerging technical and professional issues, and consulting on and assisting with firm and individual issues pertaining to compliance with regulatory and professional standards, independence rules, and regulations. Through liaisons with the SEC and PCAOB as well as active participation in the standards-setting processes at the Financial Accounting Standards Board (FASB), the Governmental Accounting Standards Board, the AICPA, the Emerging Issues Task Force (EITF), and other similar organizations, DPP professionals develop and represent KPMG's positions on current topics being addressed by regulatory and standards-setting bodies.

Washington National Tax

Washington National Tax provides leadership and support to maintain consistency in the overall quality and depth of tax services provided to clients by the firm. This group issues guidance on existing and emerging tax rules and regulations, participates in the development of firmwide tax positions, and consults with tax professionals on client-related matters. Through these activities, Washington National Tax helps our tax professionals understand and comply with the firm's policies and procedures.

Risk Management Groups (Audit, Advisory Services, and Tax)

The Risk Management groups (Audit, Advisory Services, and Tax) consist of partners and other professionals charged with promoting quality and controlling risk for the audit, advisory, and tax practices, respectively. These groups are responsible for developing risk management policies, including the firm's client acceptance and retention processes, and for monitoring compliance with the firm's policies and procedures through its internal quality review programs. Risk Management—Audit also coordinates the external quality review programs for the audit practice and is the firm's primary liaison with the PCAOB inspection team.

In addition, Risk Management—Tax approves tax service offerings and monitors compliance with standards of practice for tax services established by the firm, the AICPA, the IRS, and other governmental authorities.

Legal and Compliance

In addition to professional practice and risk management, ethics and integrity are also an integral part of the firm's quality control process. Reporting directly to the firm's Chairman, the Executive Vice Chair of Legal and Compliance is responsible for the firm's ethics and compliance program as well as legal affairs, public affairs, and litigation strategy management and resolution. In addition to serving as the firm's Chief Legal Officer, this role also serves as Chief Compliance Officer and chairs the firm's Legal and Compliance Committee. The Ethics and Compliance Group, Office of General Counsel, Government Affairs, Internal Audit Group, and Firmwide Security support this position.

Ombudsman

To help ensure the integrity of the compliance reporting process, KPMG also has an Ombudsman, whose role is to oversee the investigation, resolution, and documentation of issues brought to that individual's attention involving the firm's SEC audit clients, including audits of foreign operations of those SEC audit clients of the U.S. firm, and other professional practice matters that are not resolved through the firm's normal resolution process. The Ombudsman operates under the firm's principles of confidentiality and nonretaliation and investigates and resolves any reports involving an SEC audit client that are brought to that individual's attention or filed through the Ethics and Compliance Hotline. In this role, the Ombudsman reports directly to the firm's Chairman and provides reports on ombudsman matters to the Legal and Compliance Committee and the Ethics and Compliance Committee of the Board.

KPMG separates the responsibility for oversight of professional practice, risk management, and quality control from the responsibility for managing the firm's business activities.

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Quality Control Elements

Professional practice, risk management, and quality control are also the responsibilities of every KPMG partner and employee, who are expected to understand, apply, and adhere to KPMG's policies and associated procedures at all times.

Our policies reflect individual quality control elements to help ensure that all KPMG partners and employees act with integrity and objectivity, perform their work with diligence, and comply with applicable laws, regulations, and professional standards. This section summarizes those policies and procedures.

Engagement Performance

Fundamental to our audit quality are our quality controls, which are embedded throughout the firm's audit engagement process. These quality controls include policies and guidance to help ensure that the work performed by engagement personnel meets applicable professional standards, regulatory requirements, and the firm's standards of quality. Engagement performance encompasses all phases of the design and execution of an engagement, including the firm's audit methodology and the review, supervision, consultation, documentation, and communication of audit results.

The KPMG Audit

KPMG International's Global Services Centre comprises professionals who develop and regularly update the methodologies that constitute the audit process, in cooperation with the U.S. firm's Department of Professional Practice. The KPMG Audit serves as the foundation of our integrated audit model and is facilitated by Training and Methodology Teams, a group of partners and senior managers who provide direct guidance on audit methodology to engagement teams in their geographic areas.

The KPMG Audit is, where applicable, an integrated audit model, which incorporates both the audit of reporting on issuers' financial statements and the audit of internal control over financial reporting. Our methodology encompasses the following workflow:

PLANNING

- Perform risk assessment procedures and identify risks
- Determine audit strategy
- Determine planned audit approach

CONTROL EVALUATION

- Understand accounting and reporting activities
- Evaluate design and implementation of selected controls
- Test operating effectiveness of selected controls
- Assess control risk and risk of significant misstatement

SUBSTANTIVE TESTING

- Plan substantive procedures
- Perform substantive procedures
- Consider if audit evidence is sufficient and appropriate

COMPLETION

- Perform completion procedures, including final review of financial statements
- Perform overall evaluation
- Form an audit opinion
- Communicate to the audit committee or other authorized oversight body on the appropriateness of the entity's accounting policies and any internal control deficiencies

The KPMG Audit addresses both manual and information technology controls and includes integration of the firm's information technology professionals into the core audit engagement team when appropriate.

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The firm has embedded forensic audit techniques in the audit process for certain engagements, and has reinforced and enhanced communications pertaining to the engagement team's professional skepticism with respect to potential fraud factors.

The quality of the KPMG Audit is supported by several groups, including:

- The Audit Quality Council, which provides key strategic direction into the firm's ongoing strategy related to development of our professionals and the audit tools they use, and guidance to support our audit practice.
- The Audit Methodology and Training Partner program, in which partners in firm leadership positions play a critical role in improving overall audit quality by planning and developing our training strategy and content and by conducting audit training programs on methodology, guidance, and tools.
- KPMG International's Audit Committee Institute, a resource that communicates with member firm clients and other audit committee members and senior management to enhance their awareness of, commitment to, and ability to implement effective audit committee processes. ACI also provides KPMG partners and employees with information on current issues affecting audit committees.

Supervision, Review, and Support for the Engagement Team

KPMG's supervision, review, and consultation guidelines for audit work include:

- Review and approval of engagement planning and analysis prior to the start of significant fieldwork
- Review of all work papers by another KPMG professional, including review by the engagement partner of key work papers in high-risk audit areas
- Assignment of a concurring review partner to all financial statement audit engagements
- Approval of a completion document that summarizes significant issues by various parties, including the engagement partner and concurring reviewer
- In-depth technical reviews by the concurring review partner in certain situations

The concurring reviewers are partners who are independent of the audit engagement teams, having no engagement responsibilities other than those relating to the independent and impartial review of the financial statements and selected work papers. Before the firm issues its audit report, these individuals review the key elements of each audit, the appropriateness of the financial statements and related disclosures, and the key conclusions of the audit partner with respect to the audit.

Partners who perform concurring reviews of all public company audits have received internal training and credentials to serve as SEC Reviewing Partners. These individuals are the firm's top technical partners and are highly knowledgeable in SEC accounting and reporting matters.

Internal consultation with others is encouraged and in certain circumstances required. Technical support for each engagement team comes from a network that includes the Department of Professional Practice as well as the professional practice partners.

Resolution of Differences of Opinion

The firm has established protocols for consultation regarding, and documentation of, significant accounting and auditing matters, including procedures to resolve differences of opinion on engagement issues. Consultation with a team member at a higher level of responsibility than either of the differing parties usually resolves such differences. In other circumstances, the matter may be elevated through the chain of responsibility for resolution by DPP.

Document Retention

The firm's formal document retention policy governs matters such as the retention period for audit work papers and other records relevant to an engagement in accordance with the relevant SEC and PCAOB rules as well as other applicable regulatory bodies' standards and regulations.

Our quality controls are embedded throughout the firm's audit engagement process and include policies and guidance to help ensure that the work performed by engagement personnel meets applicable professional standards, regulatory requirements, and the firm's standards of quality.

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Independence

To help ensure KPMG's independence, the firm, its partners and management group, and the personnel assigned to each engagement must be free from financial interests in and prohibited relationships with the client, its management, its directors, and its significant owners. KPMG monitors compliance with its independence policies through an integrated, Web-based, automated independence compliance system as well as through the compliance audit process.

This system contains an inventory of SEC registrants and their affiliates and the securities they have issued. KPMG's SEC audit clients and affiliates are marked "restricted" in the system. Before purchasing a security or securing a loan or other financial relationship, professionals must use the independence search engine to determine if the entity is restricted. Partners and managers are required to report all of their investments in the tracking system, which automatically notifies professionals if their investments become restricted.

The firm also requires all professionals to take annual independence training and affirm their independence using an electronic confirmation system. This confirmation is signed upon commencement of employment at the firm, every year thereafter, and at key promotions. In addition, the confirmation is used to evidence the individual's compliance with and understanding of KPMG's independence policies.

KPMG has established processes that communicate independence policies and procedures to our personnel. We require adherence to applicable independence requirements and ethical standards, which meet the standards promulgated by the PCAOB, SEC, AICPA, Independence Standards Board (ISB), Government Accountability Office (GAO), and all other applicable regulatory bodies. These policies and procedures, which cover areas such as personal independence, post-employment relationships, partner rotation, and approval of audit and non-audit services, are monitored continuously to keep abreast of current developments.

Some of these policies include:

Personal Independence

- Each professional is responsible for maintaining his or her personal independence.
- Partners, managers, and those providing professional services may not have direct or material indirect investments in audit clients and their affiliates.
- Certain other financial relationships with audit clients and their affiliates (e.g., loans, credit cards, insurance products, and brokerage accounts) are either prohibited or subject to limitations.
- Close family members of certain KPMG partners and employees may not hold certain accounting and financial reporting roles within audit clients and their affiliates.

Post-employment Relationships

- KPMG professionals are required to report promptly to the firm any discussions or contacts between themselves and an audit client regarding possible employment.
- KPMG professionals engaged in discussions or negotiations regarding possible employment with an audit client are immediately removed from the audit engagement.
- If a professional accepts employment with a client, the ongoing engagement team gives active consideration to the appropriateness or necessity of modifying the audit procedures to adjust for the risk of circumvention by the former professional of the firm.
- Former KPMG professionals may join certain SEC audit clients in a financial reporting oversight role only after the required "cooling-off" period.

Partner Rotation

Audit partners are required to periodically rotate assignments on audit clients. Under the Sarbanes-Oxley Act of 2002 and the SEC's independence rules, the firm's audit partners are subject to specific rotation requirements that limit the number of years an individual partner may provide services to a client. To comply with these requirements, the firm implemented the Partner Rotation System, which assists lead audit engagement partners in monitoring partner assignments and initiating partner changes on public audit clients. Additionally, KPMG has designated the National Partner in Charge of Risk Management—Audit to investigate and document the circumstances surrounding any proposed changes in authority, reassignment, or termination of a lead audit engagement partner or concurring reviewer responsible for issuing the firm's audit report on the financial state-

KPMG monitors compliance with its independence policies through an integrated, Web-based, automated independence compliance system as well as through the compliance audit process.

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ments of a public company, other than for independence reasons, required partner rotation, or normal partner retirement. Our monitoring system also aids in the development of timely transition plans that help the firm deliver consistent quality service to its clients. The process of monitoring and tracking service time and partner rotation is subject to compliance testing as part of our Quality Performance and Compliance Program.

Approval of Audit and Non-audit Services

The lead audit engagement partner approves all audit and non-audit services provided to SEC audit clients and their affiliates and also obtains pre-approval from the audit committee. For engagements subject to GAO standards, the firm requires approval by the lead audit engagement partner before commencement of such services. The firm's proprietary system, Sentinel, facilitates compliance with these policies and, at the same time, is used to identify and manage potential conflicts of interest within and across member firms in the KPMG International network. Together with our policies, Sentinel helps the firm resolve any potential conflicts of interest, prevent the provision of prohibited services to SEC and certain non-public audit clients, and ensure that permitted services are properly pre-approved.

Ethics and Integrity

The firm's Code of Conduct reflects the values and principles embodied in KPMG's policies and underscores KPMG's commitment to ethics and integrity. The Code of Conduct details the values and standards of behavior expected of all KPMG partners and employees. Partners and employees complete annual ethics training on relevant Code of Conduct topics, and each year acknowledge that they agree to comply with the Code.

The Code of Conduct underscores KPMG's commitment to ethics and integrity and details the values and standards of behavior expected of all KPMG partners and employees.

Ethics and Compliance Hotline

To further our commitment to integrity and ethical culture, KPMG, through a third-party provider, maintains the Ethics and Compliance Hotline. The firm encourages use of the hotline as an alternative reporting channel when KPMG partners and employees feel uncomfortable reporting concerns about possible illegal, unethical, or improper conduct through normal channels. Anyone working with the firm in a business context, including clients, vendors, and other member firms' professionals working on engagements with U.S.-based clients, may file reports by calling the toll-free number, 1-877-576-4033,* or by submitting a report via the Web at www.kpmgethics.com. Additionally, any reports filed through the hotline that involve an SEC audit client or other professional practice matters are directed to the firm's Ombudsman for further investigation and resolution. Reports are handled confidentially, and anonymously if requested, and retaliation or retribution of any kind for "good faith" reporting is prohibited.

In 2006, KPMG International also implemented the KPMG International Hotline, which functions in a similar manner to the Ethics and Compliance Hotline described above. This hotline is a vehicle for KPMG International employees; partners, employees, and clients of member firms; and other parties to confidentially report possible illegal, unethical, or improper conduct in violation of KPMG International's Global Code of Conduct.

Compliance Testing

The Ethics and Compliance Group is responsible for compliance testing and monitoring of key firm policy areas. To confirm our professionals' and the firm's independence, the group audited the financial relationships of approximately 200 individuals subject to the independence requirements and performed continuous audits of the firm's financial interests in FY2006. Additionally, approximately 400 audits were performed to test the client and engagement acceptance process. The group also monitors compliance in areas such as firm licensing, individual licensing, firm CPE requirements, and privacy.

Client Confidentiality and Privacy

KPMG's policies and Code of Conduct require its personnel to maintain the confidentiality of client or former client information, including privacy of personally identifiable information, in accordance with professional standards and privacy-related laws. The firm also requires its professionals to affirm their understanding of the PCAOB, AICPA, and firm rules governing treatment of confidential client information at commencement of employment, as part of its annual Code of Conduct confirmation, and upon promotion to the management group. Additionally, the firm mandates privacy training for all partners and employees in conjunction with its Privacy and Safe Harbor Certification Program.

* This number can be dialed only within the United States and Canada. If dialing outside the United States and Canada, first dial the country's AT&T Direct Access number, which is available at www.consumer.att.com/global/english/away/directservice.html, and then the toll-free number, 1-877-576-4033.

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Audit quality is continually emphasized to our client service professionals through timely training and communication of accounting, auditing, and reporting matters.

Furthermore, to help protect the confidentiality of client information and KPMG proprietary data in the event that a KPMG personal computer is lost or stolen, the firm has installed encryption software on its personal computers to prevent unauthorized access to the computer's files or data.

Objectivity

Independence, integrity, ethics, and objectivity are the pillars of our firm. Thus, we work diligently to avoid even the appearance of a conflict of interest. KPMG personnel are vigilant at all times to recognize actual and potential conflicts of interest, identifying them at the earliest opportunity to resolve, manage, or avoid the conflict. Conflicts of interest may preclude KPMG from accepting a client or an engagement.

When a potential conflict of interest is identified, the engagement partner addresses the situation with DPP, the Office of General Counsel, or both. Generally, before agreeing to pursue the engagement, the parties involved in the professional service are notified of the potential conflict of interest and, if it is resolved, the engagement is further evaluated using the firm's normal engagement acceptance process.

If the engagement is accepted, it may be necessary to establish "ethical dividers" with respect to the professionals assigned and to communicate with appropriate parties. If a potential conflict cannot be resolved the engagement or prospective client is declined.

Conflict Check System

Sentinel is used to identify and manage potential conflicts of interest within and across member firms in the KPMG International network. In addition, engagement teams proposing to provide audit services to a new client are required to request additional analysis in the form of a *Conflict and Independence Search Report* from the Ethics and Compliance Group. Any potential conflict issues identified are resolved in consultation with other parties, and the resolution of all matters is documented. Positive confirmation regarding the resolution of all potential conflicts must be requested and received, along with the approval of DPP or the professional practice partner, before signing an engagement letter.

Personnel Management

The firm's personnel management system encompasses the areas of:

- Recruiting and hiring
- Development and training
- Engagement assignment
- Supervision
- Performance evaluation and compensation
- Licensing
- Partner admissions and promotions

Recruiting and Hiring

All candidates for professional positions submit résumés, are interviewed, and are subject to background checks for which information provided is verified through independent sources. Prior to hiring, candidates are provided access to the firm's resources to ascertain and confirm their independence. Any situations involving independence or conflicts of interest must be resolved before the individual can begin employment with KPMG. Upon joining the firm, personnel are also required to complete online training programs on independence, ethics, respect and dignity, and security, in addition to any job-related modules.

Development and Training

Our policies require our professionals to maintain their technical competence and to comply with applicable regulatory and professional requirements. In regard to continuous learning, an important element of the firm's Employer of Choice strategic priority, we provide opportunities to help our professionals meet their continuing professional education requirements as well as their own professional development goals. Recent enhancements to our training and development programs include course prerequisites and proficiency tests, varied delivery methods, and interactive, Web-based sessions that enable our professionals to take self-study courses; attend classroom courses at the national, area, and local levels; and participate in Web-based seminars in real time. KPMG also maintains an online system that helps professionals monitor compliance with their CPE requirements.

In addition, the firm requires its professionals to complete KPMG's annual training on independence standards and the ethical standards embedded in our Code of Conduct. We also encourage our professionals to stay abreast of technical updates by attending internal and external industry-specific training programs and conferences as well as reviewing pertinent bulletins and periodicals. Audit quality is continually emphasized to our client

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service professionals through timely training and communication of accounting, auditing, and reporting matters.

Engagement Assignment

KPMG assigns an individual to specific engagements by evaluating his or her skill sets, relevant professional and industry experience, and the nature of the assignment or engagement. The area managing partner and the area professional practice partner approve engagement partner and concurring reviewer assignments to public company audit clients and certain higher-focus non-public audit clients. For all other non-public company audit clients, engagement partner and concurring reviewer assignments require approval from the professional practice partner and business unit partner in charge.

Supervision

Supervision entails directing the efforts of professionals who are involved in accomplishing the objectives of the audit and determining whether those objectives are accomplished. Elements of supervision include instructing and guiding professionals, keeping informed of significant issues, reviewing the work performed, reconciling issues, and agreeing on appropriate conclusions. Each KPMG audit professional is evaluated for adequate performance and documentation of work, as well as for results that are consistent with the conclusions presented in the auditor's report.

Performance Evaluation and Compensation

All professionals, including partners, undergo annual goal setting and performance evaluations conducted by performance managers who are familiar with the professionals' performance. Each professional is evaluated on his or her attainment of agreed-upon goals, demonstration of skills/behaviors, and adherence to KPMG values. Skills/behaviors evaluated include quality focus and professionalism, technical knowledge, accountability, business and strategic focus, leading and developing people, continuous learning, and relationship building.

A 9-Box Performance Model has been developed to help provide a richer, multi-dimensional assessment of an individual's skills/behaviors and values as well as performance results. It provides a consistent framework for leadership and performance managers to use in positioning and discussing performance, career development, and assignment options. The model itself is a simple matrix in which the horizontal axis represents adherence to our values and individual skills/behaviors and the vertical axis represents achievement of results. Each box represents a different combination of these two dimensions.

The results of the annual performance evaluation directly affect compensation of KPMG personnel, including partners, and in some cases their continued association with the firm. The firm also has developed the Partner Career Architecture program, which provides guidance on how the firm determines our partners' compensation based on their roles and responsibilities.

Partner compensation is determined annually by our Management Committee and approved by our Board of Directors. The area professional practice partners have significant involvement in evaluating the performance and compensation of the partners in their respective areas. Partner compensation is based on a targeted allocation and is adjusted according to a partner's quality performance and actual responsibilities. Incentive compensation is not available to our partners.

Audit quality is the most heavily weighted factor in evaluating and compensating audit partners. One of the factors considered in the compensation of tax partners who participate in audit engagements includes achievement of appropriate audit-related professional practice goals, e.g., support of the integrated audit in both controls assessment and tax provision review. Our policies for setting compensation amounts will not allow an audit partner, as defined by the SEC, to be compensated for the sale of non-audit services to his or her audit client. Additionally, our process for setting compensation meets the requirements of the Sarbanes-Oxley Act and the SEC rules.

Licensing

KPMG requires that client service professionals who are eligible to hold a certified public accountant (CPA) license (i.e., who have passed the CPA exam and met applicable state educational and experience requirements) be licensed to practice in the states where their home offices are located, and that they meet all CPA licensing requirements in any other state(s) in which they practice public accounting.

The firm closely monitors license expiration and renewal for its professionals using a database that automatically generates a notification when a license is due to expire. Professionals who fail to obtain or renew a license on a timely

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KPMG recognizes that rigorous client acceptance and continuance policies are vitally important to the firm's ability to provide high-quality professional services.

basis or fail to provide accurate and complete licensing information to the firm on a timely basis may be subject to disciplinary action up to and including termination of employment.

Partner Admissions and Promotions
Our process for admission to the partnership is rigorous and thorough, involving the appropriate members of KPMG leadership. Each candidate for the partnership, whether via potential direct-entry hire or internal nomination, is reviewed and interviewed by several members of firm leadership, including a professional practice/risk management partner and a Board member. Furthermore, the Principal in Charge of Firmwide Security conducts extensive background checks and the Principal in Charge of the Ethics and Compliance Group coordinates a comprehensive compliance review for each partner candidate.

Acceptance and Continuance of Clients and Engagements
KPMG recognizes that rigorous client acceptance and continuance policies are vitally important to the firm's ability to provide high-quality professional services. We have established policies and procedures for deciding whether to accept or continue a client relationship and whether to perform specific services for a particular client.

Prospective Client Evaluation Process
Prior to accepting an audit client, a partner performs an evaluation of the client and its principals, its business, and other service-related matters, as appropriate. This evaluation includes a background investigation of the entity and selected senior management personnel.

Factors considered during the client acceptance process include, but are not limited to:
- Client-related matters (financial strength, reputation, accounting policies and practices, and character of management personnel)
- Business-related matters (industry, products, and competitors)
- Service-related matters (firm competency and technical risk associated with services requested)
- Independence-related matters (employment-related matters, financial relationships, investments, loans, and non-audit services)

In addition to conducting public background checks on the prospective client and selected senior management employed by the prospective client, the firm investigates and evaluates potential independence issues and conflicts of interest. If a potential independence issue or conflict cannot be resolved satisfactorily, in accordance with professional and firm standards, the prospective client or engagement is declined.

Prospective client evaluations require approval of the professional practice partner and the business unit partner in charge. SEC audit clients and certain other entities require additional approvals by the area professional practice partner and the applicable Risk Management group.

Continuance Process
Engagement partners are required to review and evaluate their existing audit and attestation clients with their professional practice partner at least annually. A client continuance evaluation is a process of formal approvals by various parties, including the area professional practice partner in certain situations. The objective of these reviews is to identify those clients that may require additional evaluation procedures and those instances where we should discontinue our professional association with the client.

Factors that require or might indicate additional evaluation procedures include, but are not limited to:
- New legal, regulatory, or professional requirements that alter our reporting responsibilities and professional risks
- A significant change in the nature, size, or structure of a client's business
- A significant change in client management
- Particular audit findings (e.g., control weaknesses or proposed adjustments to financial statements)
- A restatement of financial statements
- Investigation of the client by a regulatory body or audit committee

KPMG uses a Web-based tool, known as KRisk, to manage, control, and document its client acceptance and continuance process.

Monitoring
Monitoring procedures involve ongoing consideration and evaluation by the firm of the following matters:
- Relevance and adequacy of the firm's policies and procedures
- Appropriateness of the firm's guidance materials and practice aids
- Effectiveness of professional development activities
- Compliance with professional and firm standards, policies, and procedures

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Internal Inspection Processes

KPMG meets the industry's monitoring requirement through the implementation of its internal inspection, the Quality Performance and Compliance Program.

Components of the QPCP include:

- A central, full-time review team that resides in the Risk Management—Audit group and consists of partners and managers, supplemented by other individuals with applicable industry and technical knowledge
- Regular reviews of individual partners following a three-year rotating schedule
- Reviews of general and functional controls, including independence, client acceptance and continuance, personnel evaluations, CPE compliance, licensing, and document retention
- Provision of results of the review to geographic areas with the requirement that area leadership prepares and implements action plans based on the results
- Frequent, real-time reporting of approved firmwide results and action plans to our audit professionals
- Training for audit professionals to communicate the results, implement the action plans, and emphasize corresponding changes in firm policies and guidance

Regulatory External Reviews

The enactment of the Sarbanes-Oxley Act in 2002 resulted in the creation of the PCAOB, the mission of which is to oversee the auditors of public companies in order to protect the interests of investors and further the public interest in the preparation of informative, fair, and independent audit reports. To assist it in fulfilling its mission, the PCAOB conducts periodic inspections of registered firms. KPMG is subject to annual inspection by the PCAOB. The most recent PCAOB inspection report on KPMG is accessible through the PCAOB's Web site at www.pcaobus.org/Inspections/Public_Reports/index.aspx#k.

External Peer Review

To comply with licensing requirements of state boards of accountancy and the GAO, KPMG undergoes a triennial external peer review conducted by another Big Four firm. The firm's most recent peer review report was issued by PricewaterhouseCoopers LLP (PwC) in March 2006 on KPMG's system of quality control for its non-public accounting and auditing practice for the year ended March 31, 2005. The peer review report opinion was unmodified (a "clean" opinion), reflecting the overall high quality of our practice. The peer review report and related documents are accessible through the AICPA's peer review public file Web site at www.aicpa.org/centerprp/publicfile01.htm.

KPMG meets the industry's monitoring requirement through the implementation of its internal inspection, the Quality Performance and Compliance Program.

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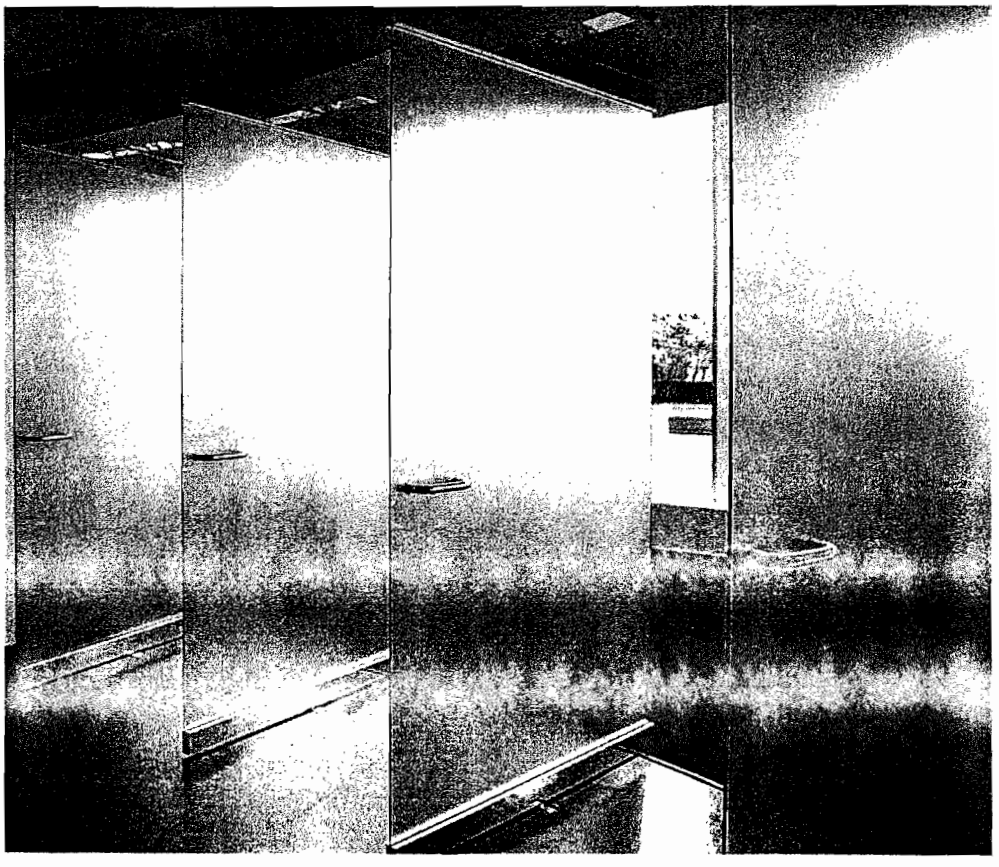
Conclusion

We are confident that our firm's tone at the top, structure, policies, and procedures support our professionals and enable them to provide the highest level of audit quality in an independent, objective, and ethical manner, maintaining public and stakeholder confidence.

As businesses and markets evolve, we pledge to keep pace by continuing our substantial investment in the research and development needed to maintain audit quality and by keeping abreast of changing public and regulatory expectations in the audit environment.

KPMG will continue to provide its professionals with training, technology-based tools, and audit methodologies that contribute to high-quality audits.

We encourage you to contact KPMG with any comments or questions you may have.



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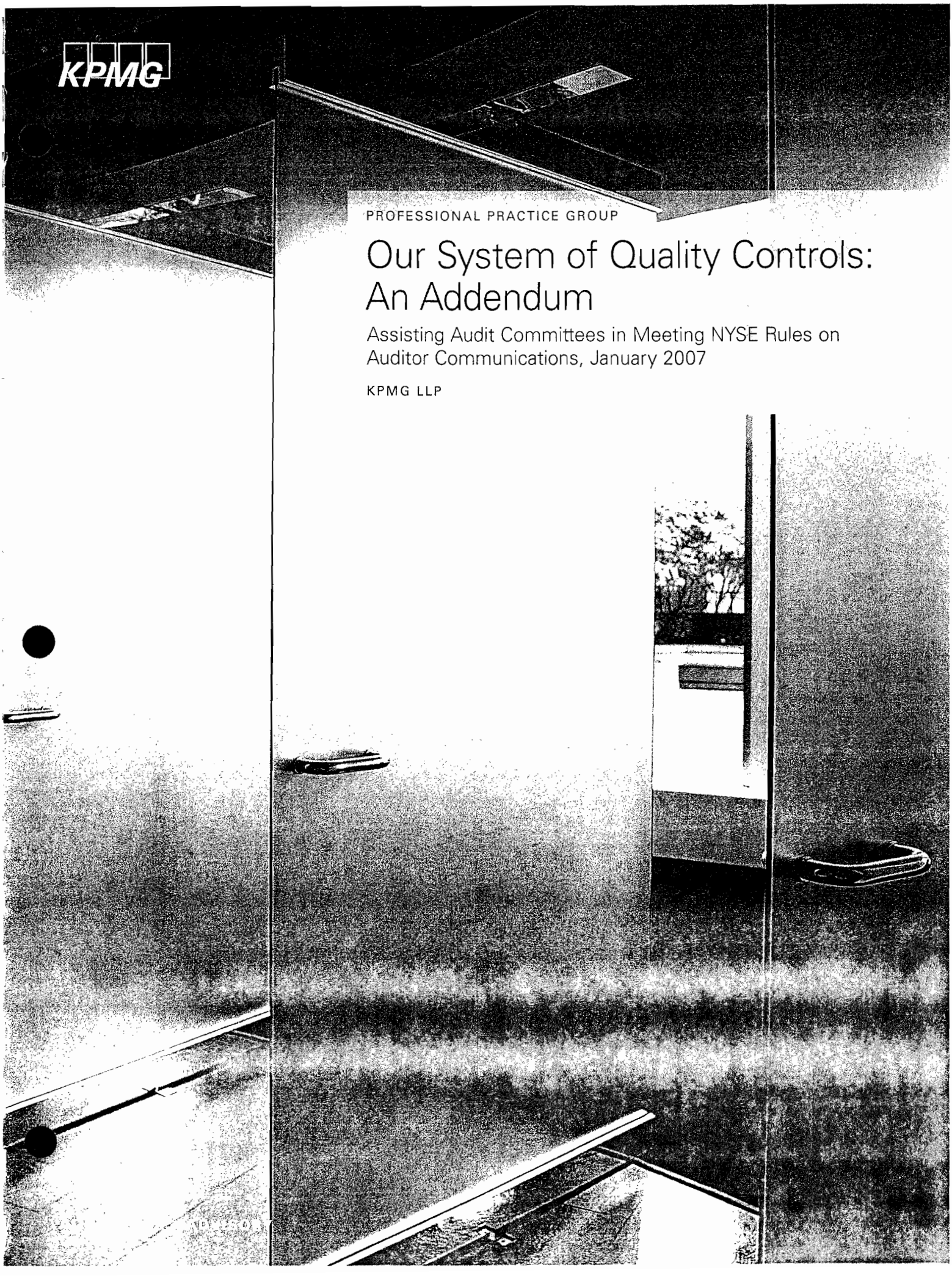


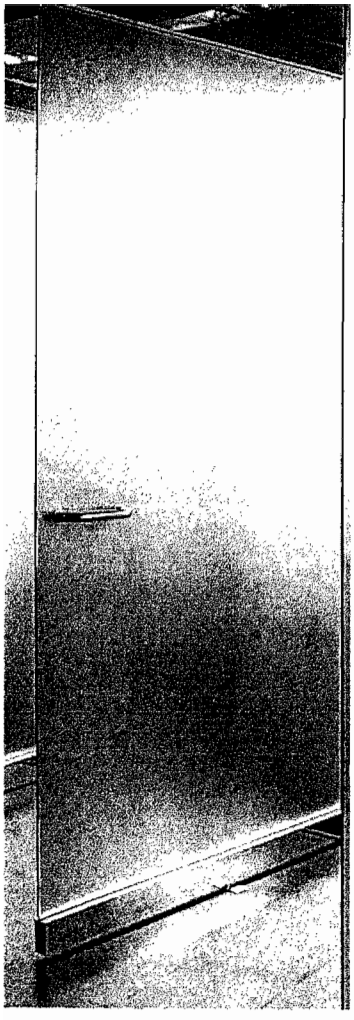
KPMG

PROFESSIONAL PRACTICE GROUP

Our System of Quality Controls: An Addendum

Assisting Audit Committees in Meeting NYSE Rules on Auditor Communications, January 2007

KPMG LLP



KPMG continuously reviews its policies and practices to respond to changes in regulatory or professional requirements.

Quality Control

KPMG LLP maintains a system of quality controls for its audit practice that is designed to meet or exceed the rules and standards adopted or issued by the Public Company Accounting Oversight Board (PCAOB) and the requirements of the American Institute of Certified Public Accountants (AICPA). The accompanying document, *Our System of Quality Controls: Serving the Public Interest Through Independence, Integrity, Ethics, Objectivity, and Quality Performance,* describes that system and encompasses:

- Commitment to Professional Excellence established by the tone at the top
- Independence, integrity, ethics, and objectivity
- Personnel management, including training and professional development
- Rigorous procedures for acceptance and continuance of clients and engagements
- Engagement performance
- Systematic monitoring

KPMG continuously reviews its policies and practices to respond to changes in regulatory or professional requirements.

Regulatory External Reviews

The enactment of the Sarbanes-Oxley Act (the Act) in 2002 resulted in the creation of the PCAOB, the mission of which is to oversee the auditors of public companies to protect the interests of investors and further the public interest in the preparation of informative, fair, and independent audit reports. To assist it in fulfilling its mission, the PCAOB conducts periodic inspections of registered firms.

Since its inception, the PCAOB has completed three periodic inspections of KPMG. A summary of these inspections follows.

For its 2006 inspection, as in prior inspections of KPMG, the PCAOB selected a cross section of KPMG offices and audit engagements to review. In addition, the PCAOB performed certain procedures relating to KPMG's executive and national offices. As of December 2006, while the PCAOB has substantially completed these procedures on the firm's 2006 inspection, KPMG has yet to receive the PCAOB's report.

The PCAOB is expected to release its final report of its 2005 inspection of KPMG in January 2007. Upon release, the public portions of the report will be available on the PCAOB's Web site, www.pcaobus.org /Inspections/Public_Reports/index.aspx#k. The public report issued by the PCAOB does not include those sections of the report that are, under the Act, nonpublic. While Part II of the PCAOB 2005 inspection report will not be made public, the firm would be pleased to discuss with our clients significant information contained in the report.

In 2004 the PCAOB undertook and completed its first full-scope annual inspection with respect to KPMG. On September 29, 2005, the PCAOB released its final report of its 2004 inspection of KPMG. The public portions of the report are available on the PCAOB's Web site, www.pcaobus.org/Inspections/Public_Reports /2005/KPMG_LLP.pdf.

In 2003, in anticipation of KPMG's registration with the PCAOB, the firm voluntarily agreed to a limited inspection by the PCAOB. In August 2004, the PCAOB released its final report on its limited inspection of KPMG, the public portions of which can be found on the PCAOB's Web site, www.pcaobus.org/Inspections/Public _Reports/2003/KPMG.pdf. In March 2006 the PCAOB determined that KPMG had addressed the quality control criticisms in the nonpublic portion of the 2003 report to the PCAOB's satisfaction for purposes of section 104(g)(2) of the Act. As a result, under the Act, the PCAOB did not make public any criticisms of the firm's quality control policies that may have been cited in the report.

In December 2002, at the request of the Securities and Exchange Commission, the Transition Oversight Staff (TOS), formerly the Public Oversight Board, issued its *Report on the Independence Quality Control Systems of the Four Reviewed Firms* to the SEC. KPMG received an unmodified report. The full report contained 16 specific deficiencies in the Big Four firms' systems and controls. Only one such item, however, was attributable to KPMG: it suggested that we conduct more audits of personal information submitted by KPMG

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partners and managers to test compliance with independence requirements. KPMG now conducts in excess of 160 such audits per year as part of a rigorous review process to meet current regulatory and professional standards. The full report issued by the TOS is accessible through the TOS Web site, www.oversightstaff.org/12_19_02A.pdf.

Internal Quality Reviews

KPMG conducts an annual internal review of its accounting and auditing practice through its Quality Performance and Compliance Program (QPCP). The QPCP is designed to meet the quality control element of monitoring as required by professional standards promulgated by the PCAOB. For the five-year period ended December 31, 2006, our QPCP did not identify any issues considered to have a material effect on the conduct of the firm's accounting and auditing practice. Like most companies with quality review programs, we identify areas for continuous improvement and disseminate our findings to our professionals through written communications, internal training tools, and periodic partner, manager, and staff meetings. These areas also are emphasized in subsequent years of the QPCP to gauge the extent of continuous improvement.

External Peer Reviews

KPMG's system of quality controls for its accounting and auditing practice for our nonpublic clients is subjected to peer review triennially. PricewaterhouseCoopers (PwC) completed our most recent external peer review in March 2006. The review resulted in PwC issuing an unmodified report on KPMG's system of quality controls with respect to our accounting and auditing practice for our nonpublic clients. As is customary in a majority of peer reviews, a letter of comment issued by PwC accompanied the peer review report. There are no matters reported that we consider to have a material effect on the conduct of KPMG's accounting and auditing practice for its nonpublic clients. However, we are required to report to the AICPA as to our progress on such matters by January 31, 2007. The most recent peer review report and letter of comment, our letter of response, and the AICPA acceptance letter on our peer review are public documents and are accessible through the AICPA's peer review public file Web site, www.aicpa.org/centerprp/publicfile01.htm.

Review Action Plans

As part of KPMG's continuous improvement and quality control program, the firm has a dedicated working group that develops an action plan and accompanying steps designed to address the findings from both internal and external reviews. We communicate the results and action steps to all professionals using written communications, training programs, and meetings.

Governmental or Other Inquiries

Currently, KPMG is not aware of any inquiry or investigation by governmental or regulatory authorities against the firm or any of its partners that might adversely affect the firm's operations or its ability to fulfill its obligations as independent auditor to its clients.

In the last five years, KPMG believes that inquiries or investigations by governmental or regulatory authorities have not resulted in material revisions to its quality control or other procedures other than the undertakings with respect to the Department of Justice (DoJ) matter. However, in resolving certain other regulatory inquiries or investigations, the firm agreed to enhance specific areas of its policies relating to SEC engagements. Solely in the interest of completeness, KPMG notes the following:

In August 2005 the firm entered into a deferred prosecution agreement (DPA) with the U.S. Attorney's Office for the Southern District of New York, resolving both the Internal Revenue Service examination and the DoJ investigation into past tax shelter activities and related conduct.

Under the terms of the DPA, KPMG agreed to (1) make three monetary payments to the U.S. government, over time, totaling $456 million; (2) impose permanent restrictions and elevated standards on its tax practice; (3) fully cooperate with the government's larger ongoing investigation into the tax shelter activities; (4) submit to the oversight and monitoring of its compliance for three years by an independent monitor; (5) maintain an Ethics and Compliance Program that meets U.S. Sentencing Guidelines and includes related training and a hotline to anonymously contact the monitor; and (6) enter into a closing agreement with the IRS that provides for enhanced oversight and regulatory compliance of the firm for up to two years after the termination of the monitor. Under the DPA, the DoJ was required by December 31, 2006, to review KPMG's compliance with the agreement, and if compliant to seek dismissal of the charges. In accordance with these provisions of the agreement, the charges against KPMG were dismissed on January 3, 2007.

KPMG served as the DoJ's auditor at the time of the DPA, and we continue to serve as its auditor today.

In September 2004 the Office of Federal Housing Enterprise Oversight (OFHEO) released its preliminary report on its investigation into the accounting practices of Federal National Mortgage Association (Fannie Mae), a former client of the firm. The investigation focused on Fannie Mae's accounting policies for hedge accounting for derivative instruments and deferred purchase price adjustments on mortgages. The OFHEO concluded that Fannie Mae's accounting policies for these items did not comply with generally accepted accounting principles (GAAP), and in December 2004 the SEC reaffirmed that conclusion. While acknowledging and accepting the SEC's decision as the final arbiter of GAAP with respect to public companies, the firm believes that the SEC's conclusion does not reflect systemic deficiencies in KPMG's quality controls or other procedures.

In May 2006 the OFHEO released its final report on its special examination into the accounting practices of Fannie Mae. The report does not identify any significant new accounting issues. The report does, however, describe how individual officers and employees of Fannie Mae actively worked to mislead the KPMG audit engagement team, including disguising and withholding information from KPMG. With the release of this report, Fannie Mae has agreed to comprehensive settlements resolving matters with the OFHEO and the SEC. It has

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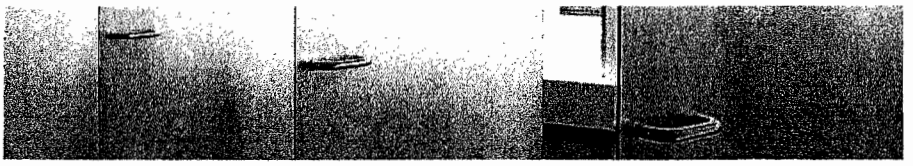

been publicly reported that the PCAOB also is investigating the matter. KPMG will, as is its policy, cooperate fully with all regulatory investigations.

In January 2003 the SEC filed suit against the firm, three then-current partners, and one former partner in connection with the firm's audits of a former client, Xerox. A fourth then-current partner was added to the suit in the fall of 2003. On April 19, 2005, as part of the settlement of the matter, KPMG consented to the entry of an administrative order by the SEC censuring the firm and obligating it to undertake certain enhancements to its audit practices and procedures, including (1) oversight of lead engagement or concurring review partner changes on SEC client engagements; (2) additional "whistleblower" channels of communication; (3) enhanced documentation of consultations with firm specialists or other internal or external individuals; (4) training on evaluating period-end journal entries; and (5) formalizing the process by which audit professionals document a client's accounting practices that depart from U.S. GAAP and assessing the materiality of any such departures. This settlement is a final resolution of all Xerox-related matters between the SEC and the firm itself. As is typical in SEC settlements, the firm neither admitted nor denied the allegations against it. As of February 22, 2006, all former and current KPMG partners involved with this matter agreed to settlement of the respective SEC charges against them.

In October 2004 the SEC announced a settlement with the firm, three of its current or former partners, and one manager with respect to the firm's audits and reviews of the financial statements of Gemstar-TV Guide International, Inc., a former client of KPMG. Among other things, the settlement with the SEC required KPMG to modify certain of its consultation and documentation policies when a registrant has informed the audit engagement team that it is considering restating previously issued financial statements. In addition, the firm provided training to its partners and managers in certain technical topics. As part of the settlement, the firm neither admitted nor denied the allegations against it.

In May 2005, in connection with the Gemstar matter (which involved audits performed by a KPMG office in the state of California), the California Board of Accountancy and KPMG entered a stipulated settlement in which KPMG acknowledged that it had been censured by the SEC and agreed to be placed on probation for three years. The order of probation in no way limits or interferes with the firm's ability to practice in California or elsewhere. The firm has been and remains properly licensed in California.

In August 2002 the California Board of Accountancy (the Board) issued a decision regarding KPMG's audits of the financial statements of Orange County, California, for fiscal years 1992 and 1993, following a nine-month trial in 2000 before an administrative law judge. While the Board did not find a misstatement of the county's financial statements for those years (which have not been restated), it determined to place the firm and certain members of the engagement team on probation for their role in the audits. The Board's decision did not affect KPMG's ability to practice in California or elsewhere. The probationary periods for this matter have ended.

Currently, KPMG is not aware of any inquiry or investigation by governmental or regulatory authorities against the firm or any of its partners that might adversely affect the firm's operations or its ability to fulfill its obligations as independent auditor to its clients.

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KPMG

VERMONT HOUSING FINANCE AGENCY

Management Letter

June 30, 2007

KPMG LLP
P.O. Box 564
Burlington, VT 05402

Suite 400
356 Mountain View Drive
Colchester, VT 05446

October 1, 2007

Board of Commissioners
Vermont Housing Finance Agency

Ladies and Gentlemen:

We have audited the financial statements of Vermont Housing Finance Agency, as of and for the year ended June 30, 2007, and have issued our report thereon dated September 27, 2007. In planning and performing our audit of the financial statements of the Agency, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We have not considered internal control since the date of our report.

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarized as follows:

Investment Policy

The Agency has implemented an investment policy to help manage risk exposure and maintain liquidity necessary for future cash needs. Any deviation from the investment policy requires the approval by the Treasurer, Chief Financial Officer and the Investment Officer, in addition the VHFA Board of Commissioners is required to provide its consent. Although a detailed listing of investments is periodically provided to the Board of Commissioners, there is no formal approval of the Agency's investment strategy.

Recommendation:

We recommend that investments held by VHFA be formally reviewed and approved by the Board of Commissioners periodically.

Management's Response:

As mentioned in this letter, VHFA has had a formal investment policy in place for many years. However, management acknowledges that the Agency should implement a more formal process for reviewing and approving its investments with the Board of Commissioners on a periodic basis. The Agency plans to review its investment policy and make any needed revisions before the end of this fiscal year. The Agency will also plan to review its investment portfolio with the Audit/Risk Committee and secure formal approval from the Board as part of that process.

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Manual Journal Entries

The Agency does not have a process in place for reviewing, approving, and maintaining documentation of non recurring manual journal entries.

Recommendation:

We recommend that the Agency implement a formal process for reviewing and approving all non recurring manual journal entries. The review of journal entries should include evidence of sign off by management on the journal entry form.

Management's Response:

VHFA's current quarterly closing process includes the reconciliation of all cash accounts to bank statements, and the reconciliation of all other balance sheet accounts to ancillary data, which management feels mitigates to a certain extent the lack of a formal journal entry approval process. However, management acknowledges the benefit of having a process for formally signing off on non-recurring manual journal entries. The Agency has a small financial staff, generating a large number of journal entries, which could make a formal sign-off process quite cumbersome and time-consuming. VHFA is in the middle of upgrading its financial software systems. Once the new systems conversion is complete, the Agency will identify how to leverage new systems functionality to improve its processes and evaluate the most efficient and cost effective process for approving journal entries to minimize any possible risk in the journal entry process.

Accrued Vacation Policy

The vacation policy at VHFA allows employees to accrue a maximum number of days per year based on the employee's years of service with the Agency. The policy is based on the calendar year end therefore at the end of the Agency's fiscal year, June 30, 2007 employees could potentially have larger balances accrued than allowed under the current policy.

Recommendation:

We recommend that the Agency align their vacation policy with the June 30, 2007 fiscal year end rather than with the calendar year end.

Management's Response:

Management understands the benefit of minimizing the Agency's liability reported at the end of the fiscal year. The Agency will evaluate the materiality of the difference created by a change in policy and weigh it against the cost of changing processes and the set up of our systems with our third party payroll processor. Our initial evaluation is that the cost would outweigh the benefit of making this change. Our current vacation accrual reflects the current policy, which is in fact a conservative approach. Also, if we change our policy to be based on the fiscal year, it will be inconsistent with all our other benefit programs which are based on a calendar year.

****

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the Agency's organization gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

This report is intended solely for the information and use of the Board of Commissioners, management, and others within the Agency and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

KPMG LLP

VHFA FY2007 Financial Statements
Summary of Highlights
Board of Commissioners Meeting
October 1, 2007

Financial Highlights:

The VHFA showed strong financial results in Fiscal Year 2007. The financial statements reflect a significant increase in volume of single family loan originations. Results compared to the operating budget were favorable in both revenues and expenses.

A summary of the financial highlights follows:

- Total assets increased by $110.4 million or 15.2% for the year ended June 30, 2007 versus the prior year.
    - Cash and investments increased by $13.4 million or 7.3%, representing bond proceeds held in acquisition funds at year end awaiting the purchase of mortgages, and the increase in fair value of investments.
    - Total Mortgage and Construction Loans Receivable increased by $94.6 million or 17.9%. Mortgage loan originations were $173 million for the year (21.8% over last year), including $134 million of single family mortgages – our most productive year ever.
    - Restricted net assets includes approximately $7.9 million of Multi-family mortgages (net of $1.5 million of loan loss reserves) which were funded by excess yield from mortgages related to the Agency's 1995 and 1999 Multi-family bond issues.
- Bonds and notes payable increased by $104 million (16.2%). This includes three new single family bond issues, one new multi-family issue, and construction financing on 22 multi-family projects.
- Operating income for the year was $3.2 million. This includes loan write-offs of $800 thousand for the 0% loans and $160 thousand of Ventures loans. (Otherwise, actual gain on foreclosures was $42 thousand). The Operating Fund budget achieved a surplus of $174.7 thousand versus a planned surplus of $86.6 thousand. Operating highlights include:
    - Operating revenues were $6.4 million over prior year (15.7%) and $7.7 million over budget, due to the effects of a mortgage loan portfolio shifting to slightly higher rates following years of decreasing interest rates.
    - There was a gain on the market value of investments of $298K for the year
    - The gain on bond redemptions increased net assets by $132 thousand in fiscal year 2007 compared to a reduction in net assets of $170 thousand caused by a loss on bond redemptions in the prior year.
    - Operating expenses had a positive variance to budget of $80.4 thousand, partly due to three main areas: employee benefits (lower than expected premiums), consulting (training for new CFO) and trustee fees ($40 thousand settlement with Bank of New York)

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VERMONT HOUSING FINANCE AGENCY

Financial Statements and
Required Supplementary Information

June 30, 2007

(With Independent Auditors' Report Thereon)

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VERMONT HOUSING FINANCE AGENCY

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Independent Auditors' Report

The Honorable Thomas M. Salmon
State Auditor of the State of Vermont and
The Commissioners
Vermont Housing Finance Agency:

We have audited the accompanying financial statements of the business-type activities and each major fund of the Vermont Housing Finance Agency as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Vermont Housing Finance Agency as of June 30, 2007, and the respective changes in financial position and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis on pages 2 to 6 is not a required part of the financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

September 27, 2007

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VERMONT HOUSING FINANCE AGENCY

Management's Discussion and Analysis

June 30, 2007

(Unaudited)

This section of the Vermont Housing Finance Agency's (the Agency) annual Financial Report presents management's discussion and analysis of its financial performance and significant changes in financial position for the fiscal year ended June 30, 2007. Readers are encouraged to consider the information presented in conjunction with the financial statements as a whole.

Overview of the Agency

The Agency was created in 1974 by an Act of the General Assembly of the State of Vermont. 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 authorized to issue bonds and other obligations to fulfill its corporate purposes up to a total outstanding amount of $900 million. Obligations of the Agency do not constitute debt of the State of Vermont and are payable solely from the revenues or assets of the Agency.

The majority of the Agency's funding has been provided from the proceeds of sales of tax-exempt and taxable bonds and notes and advances from lending institutions. Since September 1974, the Agency has issued $2.3 billion aggregate principal amount of bonds, notes and line of credit borrowings, of which $744.8 million was outstanding as of June 30, 2007, to finance its various programs. The proceeds of the debt have been or will be used to make mortgage loans to sponsors of multi-family residential housing units for persons and families of low and moderate income in the State, to purchase mortgage loans on single family residential housing units for persons and families of low and moderate income in the state, and to make loans to finance certain other multi-family housing developments. The bonds are secured pursuant to the terms of the resolutions under which they were issued.

Overview of the Financial Statements

The Agency's financial statements consist of three parts – Management's Discussion and Analysis, the basic financial statements and the notes to the financial statements. The basic financial statements include the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. The notes to the basic financial statements are intended to provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Summary of Net Assets

The Agency's Statement of Net Assets consists primarily of single family and multi-family mortgage loans, cash and investments, and related bonds and notes payable. It also includes a portfolio of mortgage loans financed through its Operating Fund, as well as a variety of other assets such as property and equipment, other receivables, and deferred charges.

Cash and investments are used to fund loan purchases, bond debt service, and reserve funds, and are typically held in guaranteed investment contracts or other investment vehicles, as authorized in accordance with the Agency's investment policy.

(Continued)

VERMONT HOUSING FINANCE AGENCY

Management's Discussion and Analysis

June 30, 2007

(Unaudited)

The following table summarizes the net assets of the Agency as of June 30, 2007 with comparative data from the prior fiscal year.

Assets	2007	2006	Percentage change 2007-2006
Cash and investments	$ 195,605,193	182,245,067	7.3
Loans receivable, net	623,559,508	529,001,950	17.9
Other assets	19,468,097	17,002,028	14.5
Total assets	838,632,798	728,249,045	15.2
Liabilities			
Bonds and notes payable	744,782,327	640,810,463	16.2
Other liabilities	11,770,746	8,855,993	32.9
Total liabilities	756,553,073	649,666,456	16.5
Net Assets			
Invested in capital assets	1,625,755	1,690,221	(3.8)
Restricted:			
Bond and other requirements	65,006,102	61,297,505	6.1
Excess yield loans	7,970,043	8,349,379	(4.5)
Unrestricted	7,477,825	7,245,484	3.2
Total net assets	$ 82,079,725	78,582,589	4.5

Total assets increased by $110.4 million or 15.2% for the year ended June 30, 2007 when compared to the year ended June 30, 2006, primarily as a result of:

- Cash and investments increased by $13.4 million, or 7.3%. This represents bond proceeds held in acquisition funds at year end awaiting the purchase of mortgages, and the increase in fair value of investments.
- Total Mortgage and Construction Loans Receivable increased by $94.6 million, or 17.9%. Loan originations increased by $31 million, or 21.8% over the prior fiscal year. In fiscal year 2007 principal collections decreased by $154,000, or 0.2% from the prior year.
- Included in restricted net assets is approximately $7.9 million of Multi-Family mortgages (net of $1.5 million of loan loss reserves) which were funded by excess interest income received (excess yield) from mortgages related to the Agency's 1995 and 1999 Multi-Family bond issues. The excess yield represents mortgage interest earned in excess of that permitted by federal tax laws. Subsequent to this year end, the loans related to the Agency's 1995 issuance were transferred as part of a refunding and new bond issue. To be in compliance with the aforementioned tax laws, the Agency estimates that it may eventually forgive a portion of these loans, prior to the final maturity of bonds in these series. The Agency feels it's

(Continued)

reserves are adequate to cover any risk and will continue to analyze and adjust its reserves in accordance with the level of risk.

The following table summarizes the change in mortgage loans receivable for the year ended June 30, 2007, with comparative data from the prior fiscal year:

	2007	2006	Percentage change 2007-2006
Beginning balance	$ 529,001,950	465,703,753	13.6
Mortgage loan originations	173,649,434	142,604,540	21.8
Principal collections	(78,305,453)	(78,460,206)	(0.2)
Loans transferred to REO status	(804,336)	(931,632)	(13.7)
Loan loss provision	17,914	85,495	(79.0)
Ending balance	$ 623,559,509	529,001,950	17.9

The following table summarizes the changes in bonds, notes payable, and lines of credit borrowings for the fiscal year are as follows (in thousands):

	Balance at June 30, 2006	Increases	Decreases	Balance at June 30, 2007
Bonds payable	574,785	152,110	(63,662)	663,233
Notes payable	51,757	20,000	(15,190)	56,567
Lines of credit borrowings	14,268	30,795	(20,081)	24,982
Total debt	640,810	202,905	(98,933)	744,782

Total liabilities of the Agency increased by $106.9 million, or 16.5% for the year ended June 30, 2007 when compared to the year ended June 30, 2006, primarily as a net result of:

- Three new bond series of Single Family Housing Bonds were issued totaling $148.8 million in bonds and $20 million in notes. These proceeds were used to finance single family mortgage purchases and to refund $11 million in Housing Program Series 7 bonds.
- Total principal payments on bonds were $63.7 million including $49.4 million of Single Family Housing Bonds that were redeemed prior to maturity as a result of mortgage loan prepayments received.
- Twenty-two Multi-Family loan program construction projects were funded with $30.8 million of notes payable from lending institutions.
- $4.1 million of direct placement bonds were issued to provide permanent financing for 10 Multi-family projects.

(Continued)

VERMONT HOUSING FINANCE AGENCY

Management's Discussion and Analysis

June 30, 2007

(Unaudited)

- With the exception of direct placement bonds, all bond issues are rated by Moody's Investors service and Standard and Poor's with a minimum stand alone rating of A. Many Agency bond issues carry bond insurance, which upgrades the bond rating to AAA.

Summary of Revenues, Expenses and Changes in Net Assets

The Agency's operating revenues consist primarily of interest income on mortgage and construction loans, investment income, and miscellaneous fee income. Operating expenses consist of bond interest expense and other debt financing costs, operational expenses, and mortgage servicing fees.

The following summarizes the changes for the year ended June 30, 2007 with comparative data from the prior fiscal year.

	2007	2006	Percentage change 2007-2006
Operating revenues:			
Interest on loans	$ 36,078,654	31,413,101	14.9
Interest on investments	10,436,069	8,772,556	19.0
Fee income	853,495	765,665	11.5
Other revenue	64,378	61,823	4.1
Total operating revenues	47,432,596	41,013,145	15.7
Operating expenses:			
Financing costs	37,979,645	32,469,627	17.0
Operational expenses	4,310,066	4,192,544	2.8
Mortgage servicing	1,155,529	973,310	18.7
Loan losses	921,371	(101,943)	(1,003.8)
(Gain) Loss on bond redemptions	(132,514)	169,833	(178.0)
Total operating expenses	44,234,097	37,703,371	17.3
Operating income	3,198,499	3,309,774	(3.4)
Nonoperating revenues:			
Net appreciation (depreciation) in fair value of investments	298,637	(1,118,366)	(126.7)
Increase in net assets	3,497,136	2,191,408	59.6
Net assets at beginning of year	78,582,589	76,391,181	2.9
Net assets at end of year	$ 82,079,725	78,582,589	4.5

(Continued)

VERMONT HOUSING FINANCE AGENCY

Management's Discussion and Analysis

June 30, 2007

(Unaudited)

For the year ended June 30, 2007, net assets increased $3,497,136, compared to a increase of $2,191,408 for the prior year. The $1,305,728 change in net assets when comparing 2007 to 2006, was primarily the result of the following:

- Total operating revenues increased $6.4 million or 15.7% in fiscal year 2007, due to the effects of a mortgage loan portfolio shifting to slightly higher rates following years of decreasing interest rates.
- There were no changes to the provision for operating or multi-family loan loss reserves in fiscal year 2007 compared with provisions of $2.7 million and $1.5 million, respectively, in fiscal year 2006. The provision for loan loss reserves has been reviewed by management and the Audit/Risk Committee of the Agency's Board of Commissioners and deemed to be adequate.
- The gain on bond redemptions increased net assets by $132 thousand in fiscal year 2007 compared to a loss on bond redemptions causing the reduction in net assets of $170 thousand in the prior year.
- Net appreciation in the fair value of investments accounted for an increase in net assets of $299 thousand in fiscal year 2007, compared to net depreciation of $1.1 million in the prior year.

The Agency budgets its day-to-day operating costs and related income (net of deferred loan origination costs and fees) in its Operating Fund. The operating budget is prepared by staff and reviewed and approved prior to the start of each fiscal year by the Agency's Board of Commissioners.

For fiscal year 2007, the Agency projected an Operating Fund budget surplus of $86.6 thousand and achieved an actual budget surplus of $174.7 thousand as a result of positive income and expense variances of $7.7 thousand and $80.4 thousand, respectively.

The addition of net deferred loan origination costs and fees of $6.9 thousand in fiscal year 2007 to the actual budget surplus of $174.7 thousand results in an increase in Operating Fund net assets for fiscal year 2007 of $167.8 thousand compared with the prior period.

Contacting the Agency's Financial Management

This financial report is designed to provide a general overview of the Agency's operations and insight into the financial statements. If you have questions about this report or need additional financial information, please contact the Chief Financial Officer at Vermont Housing Finance Agency, 164 St. Paul Street, Burlington, VT 05401 or visit our website at www.vhfa.org.

VERMONT HOUSING FINANCE AGENCY

Statement of Net Assets

June 30, 2007

Assets	Operating Fund	Single Family Mortgage Program Fund	Multi-Family Mortgage Program Fund	Total
Cash and cash equivalents	$ 6,394,892	—	—	6,394,892
Investments	100,000	20,000,000	—	20,100,000
Accrued interest receivable:				
Mortgage and notes	1,183,229	1,939,288	416,165	3,538,682
Investments	18,075	1,473,308	533,194	2,024,577
Current portion of mortgage loans receivable	271,740	8,905,552	4,236,379	13,413,671
Current costs of bond issuance expense	—	110,210	68,165	178,375
Current Portion of deferred mortgage originating fees, net	—	379,259	—	379,259
Current receivables and prepaid expenses	149,813	1,392,854	154,843	1,697,510
Interfund receivables (payables)	971,793	2,954,976	(3,926,769)	—
Total current assets	9,089,542	37,155,447	1,481,977	47,726,966
Noncurrent assets:				
Restricted cash and cash equivalents	—	97,635,782	35,066,076	132,701,858
Restricted investments	—	28,635,410	7,773,033	36,408,443
Noncurrent portion of mortgage loans receivable, ne	12,061,466	466,525,452	131,558,919	610,145,837
Deferred costs of bond issuance, net	—	2,970,915	1,094,568	4,065,483
Deferred mortgage origination fees, net	—	1,642,966	—	1,642,966
Noncurrent receivables and prepaid expenses	227,017	3,822,999	153,974	4,203,990
Land	775,000	—	—	775,000
Building (less accumulated depreciation of $312,760)	688,073	—	—	688,073
Office furniture and fixtures (less accumulated depreciation of $1,305,257)	162,682	—	—	162,682
Other assets and real estate owned	—	111,500	—	111,500
Total noncurrent assets	13,914,238	601,345,024	175,646,570	790,905,832
Total assets	$ 23,003,780	638,500,471	177,128,547	838,632,798
Liabilities and Fund Balances				
Liabilities:				
Current liabilities:				
Current notes payable and lines of credit	$ 3,356,971	50,000,000	19,773,151	73,130,122
Current bonds payable	8,903	10,450,000	4,981,986	15,440,889
Current unamortized bond and note premium (discount), net	—	(35,687)	(127,689)	(163,376)
Current deferred loan origination fees	203,324	—	—	203,324
Accounts payable	478,937	1,287,620	99,088	1,865,645
Escrowed cash deposits	2,579,068	—	—	2,579,068
Accrued interest payable	59,587	4,931,262	2,318,871	7,309,720
Total current liabilities	6,686,790	66,633,195	27,045,407	100,365,392
Noncurrent liabilities:				
Noncurrent notes payable	6,404,684	—	2,014,049	8,418,733
Noncurrent bonds payable	554,179	527,110,000	120,128,404	647,792,583
Unamortized bond and note premium (discount), net	—	(19,909)	(1,335,443)	(1,355,352)
Arbitrage rebate payable	—	1,077,170	—	1,077,170
Noncurrent deferred mortgage loan origination fees	254,547	—	—	254,547
Total noncurrent liabilities	7,213,410	528,167,261	120,807,010	656,187,681
Total liabilities	13,900,200	594,800,456	147,852,417	756,553,073
Net assets:				
Invested in capital assets	1,625,755	—	—	1,625,755
Restricted	—	43,700,015	29,276,130	72,976,145
Unrestricted	7,477,825	—	—	7,477,825
Total net assets	9,103,580	43,700,015	29,276,130	82,079,725
Total liabilities and net assets	$ 23,003,780	638,500,471	177,128,547	838,632,798

See accompanying notes to financial statements.

VERMONT HOUSING FINANCE AGENCY

Statement of Revenues, Expenses and Changes in Net Assets

Year ended June 30, 2007

	Operating Fund	Single Family Mortgage Program Fund	Multi-Family Mortgage Program Fund	Total
Operating revenues:				
Interest income:				
Mortgage and construction loans	$ 839,807	26,192,616	9,046,231	36,078,654
Investments	139,092	8,237,930	2,059,047	10,436,069
Fee income:				
Multi-Family Mortgage Programs	753,703	—	80,558	834,261
Single Family Mortgage Programs	15,019	4,215	—	19,234
Miscellaneous income	64,378	—	—	64,378
Total operating revenues	1,811,999	34,434,761	11,185,836	47,432,596
Operating expenses:				
Financing costs, including interest and amortization of premium, discount and costs of issuance, net	735,807	29,212,974	8,030,864	37,979,645
Mortgage service and contract administration fees	—	1,155,529	—	1,155,529
Salaries and benefits	2,925,560	—	—	2,925,560
Operating expenses	1,142,519	—	—	1,142,519
Professional fees	105,445	—	—	105,445
Trustee and assignee fees	136,542	—	—	136,542
Gain on bond redemptions	—	(132,514)	—	(132,514)
Property disposition and loan loss recoveries	159,716	(42,681)	804,336	921,371
Total operating expenses	5,205,589	30,193,308	8,835,200	44,234,097
Operating income (loss)	(3,393,590)	4,241,453	2,350,636	3,198,499
Non-operating revenues:				
Net appreciation (depreciation) in fair value of investments	—	307,267	(8,630)	298,637
Income (loss) before transfers	(3,393,590)	4,548,720	2,342,006	3,497,136
Net transfers to (from) operating fund	3,561,465	(2,750,732)	(810,733)	—
Increase in net assets	167,875	1,797,988	1,531,273	3,497,136
Net assets at beginning of year	8,935,705	41,902,027	27,744,857	78,582,589
Net assets at end of year	$ 9,103,580	43,700,015	29,276,130	82,079,725

See accompanying notes to financial statements.

VERMONT HOUSING FINANCE AGENCY

Statement of Cash Flows

Year ended June 30, 2007

	Operating Fund	Single Family Mortgage Program Fund	Multi-Family Mortgage Program Fund	Total
Cash flows from operating activities:				
Interest collections on mortgages	$ 857,249	25,752,845	8,911,461	35,521,555
Principal collections on mortgages	4,025,892	43,376,827	30,902,734	78,305,453
Purchases of mortgages	(3,487,798)	(133,911,008)	(36,250,628)	(173,649,434)
Purchases of down payment assist mortgages	—	(490,283)	—	(490,283)
Principal collections on down payment assistance mortgages	—	26,238	—	26,238
Fee income and other receipts	833,100	4,215	129,433	966,748
Salaries and benefits payments	(2,925,560)	—	—	(2,925,560)
Operating expense payments	(1,325,170)	—	—	(1,325,170)
Mortgage service fee payments	—	(1,136,391)	—	(1,136,391)
Proceeds for foreclosed property loss	(159,716)	—	—	(159,716)
Payment on prepaid origination fees	—	(2,103,304)	—	(2,103,304)
Service fee and other payments	—	—	(63,756)	(63,756)
Net cash provided by (used for) operating activities	(2,182,003)	(68,480,861)	3,629,244	(67,033,620)
Cash flows from investing activities:				
Purchases of investments	—	(24,914,061)	—	(24,914,061)
Proceeds from sales and maturities investments	—	16,710,000	—	16,710,000
Interest received on investments	142,396	7,935,367	2,045,702	10,123,465
Increase in escrowed cash deposits	22,735	—	—	22,735
Cost of real estate owned	—	(287,633)	—	(287,633)
Proceeds from sales of real estate owned	—	783,551	—	783,551
Net cash provided by investing activities	165,131	227,224	2,045,702	2,438,057
Cash flows from noncapital financing activities:				
Net proceeds from issuance of bonds payable	—	148,793,538	4,129,250	152,922,788
Principal payments on bonds	(8,320)	(57,605,000)	(6,048,388)	(63,661,708)
Interest payments on bonds and notes payable	(743,817)	(26,202,298)	(7,968,375)	(34,914,490)
Proceeds from issuance of notes payable	1,000,000	20,000,000	29,794,450	50,794,450
Repayment of notes payable	(1,190,046)	(15,000,000)	(19,080,833)	(35,270,879)
Payments to bond insurers	—	(563,999)	(11,406)	(575,405)
Payments for cost of issuance	(25,329)	307,844	(54,963)	227,552
Transfers from (to) other funds	1,929,581	(2,742,424)	812,843	—
Net cash provided by noncapital financing activities	962,069	66,987,661	1,572,578	69,522,308
Cash flows from capital related financing activities:				
Purchase of office furniture and fixtures	(69,316)	—	—	(69,316)
Net cash used for capital related financing activities	(69,316)	—	—	(69,316)
Net increase (decrease) in cash and cash equivalents	(1,124,119)	(1,265,976)	7,247,524	4,857,429
Cash and cash equivalents at beginning of year	7,519,011	98,901,758	27,818,552	134,239,321
Cash and cash equivalents at end of year	$ 6,394,892	97,635,782	35,066,076	139,096,750

(Continued)

VERMONT HOUSING FINANCE AGENCY

Statement of Cash Flows

Year ended June 30, 2007

	Operating Fund	Single Family Mortgage Program Fund	Multi-Family Mortgage Program Fund	Total
Reconciliation of cash flows from operating activities:				
Operating income (loss)	$ (3,393,590)	4,241,453	2,350,436	3,198,299
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	133,783	—	—	133,783
Amortization of discounts on bonds and notes payable, net	—	67,801	127,297	195,098
Amortization of costs of bond issuance and other fees	—	117,343	66,170	183,513
Amortization of deferred income	111,043	—	—	111,043
Gain on bond redemptions	—	(132,514)	—	(132,514)
Losses on loans and real estate owned	—	(24,772)	—	(24,772)
Provision for loan losses	—	(17,914)	—	(17,914)
Investment interest income	(139,092)	(8,237,930)	(2,059,047)	(10,436,069)
Bond and note interest expense	735,807	27,216,934	7,823,579	35,776,320
Bond insurance expense	—	542,210	13,816	556,026
Prepaid cost of issuance	—	(825,700)	—	(825,700)
Changes in assets and liabilities:				
Decrease (increase) in mortgage loans receivable	538,094	(90,552,095)	(4,543,556)	(94,557,557)
Decrease in other assets	25,329	90,233	—	115,562
Increase (decrease) in accrued interest receivable	16,533	(329,584)	108,314	(204,737)
Increase in other receivables and prepaid expenses	(48,187)	(1,050,940)	(257,965)	(1,357,092)
Increase (decrease) in deferred mortgage origination fees, net	(167,928)	79,362	—	(88,566)
Decrease in accounts payable	6,205	335,252	—	341,457
Net cash provided by (used for) operating activities	$ (2,182,003)	(68,480,861)	3,629,044	(67,033,820)

Supplemental noncash operating/investing activities:
Mortgage loans receivable converted to real estate owned amounted to $376,840 in fiscal year 2007

Supplemental noncash financing activities:
The fair value of investments increased $298,637 in fiscal year 2007.

See accompanying notes to financial statements.

VERMONT HOUSING FINANCE AGENCY

Notes to Financial Statements

June 30, 2007

(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 not a component unit of the State of Vermont, but is classified as a related organization of the State of Vermont. The State of Vermont appoints a majority of the Agency's board of commissioners but the State of Vermont is not financially accountable for the Agency.

The Agency is empowered by the Act and subsequent amendments to issue bonds and notes in an amount not to exceed $900 million 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.

(b) Basis of Presentation and Nature of Funds

The financial statements are presented on a program basis, combining the various restricted accounts 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 accounts are in turn grouped by major fund as described below for the Single Family Mortgage Program fund, the Multi-family Mortgage Program fund, and the unrestricted Operating fund of the Agency.

(i) Operating Fund

This fund derives its revenue principally from fees, mortgage interest and investment income. Operating expenses of the Agency are paid from this fund.

Transfers from program funds to the Operating Fund represent amounts allowed to be transferred pursuant to the terms of the Agency's bond resolutions.

(ii) Single Family Mortgage Program Fund

This fund has 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. Monies from these programs 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.

(Continued)

(iii) Multi-Family Mortgage Program Fund

This fund has been established under the Multi-Family Mortgage Bond Resolution adopted in February 1977, the Multi-Family Housing Bond Resolution adopted in September 1981, and various individualized taxable and tax exempt bond resolutions adopted between December 1985 and May 2007. Monies from these programs 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.

(iv) Reserve Requirements

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, 2007, reserve requirements totaled $19,874,440 for the Single Family Mortgage Programs and $10,689,248 for the Multi-Family Mortgage Programs. Amounts held in reserve accounts as of June 30, 2007 exceeded the required balances in all cases.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The Agency's financial statements have been prepared on the accrual basis of accounting using the economic resource management focus. Accordingly, the Agency recognizes revenue in the period earned and expenses in the period incurred.

As permitted under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting,* the Agency has elected not to apply Statements of Financial Accounting Standards issued after November 30, 1989.

(b) Net Assets

In accordance with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,* the Agency's net assets have been classified for external financial reporting purposes into the following three net asset categories:

- **Invested in Capital Assets**: Capital assets, net of accumulated depreciation, and cost of construction or improvement of those assets.
- **Restricted**: Net assets subject to externally imposed stipulations, including those for excess yield loans.
- **Unrestricted**: Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Commissioners or may otherwise be limited by contractual agreements with outside parties.

(c) Cash Equivalents

The Agency considers all highly liquid investments, including investment agreements with insurance companies, with original maturities of three months or less to be cash equivalents for purposes of the

statement of cash flows. Cash equivalents also includes mortgage payments which are in transit to the trustee to be invested in collateralized repurchase agreements.

(d) Mortgage Loans Receivable

Mortgage loans receivable are carried at their uncollected principal balances less an allowance for loan losses on mortgages. The loan loss allowances are established based on historical loss experience. Future additions to the allowance may be necessary based on changes in economic conditions. At June 30, 2007, the allowance for loan losses totaled $78,973, relating to Single Family mortgage loans, $1,500,000 for Multi-Family mortgage loans and $2,669,756 for operating fund mortgage loans.

Included in Multi-Family mortgage loans receivable is approximately $9.4 million of mortgages funded by excess yield. The Agency estimates that it may be required to forgive or restructure up to this amount of these loans prior to the final maturity of the related 1995 and 1999 bond issues, in order to be in compliance with Federal tax laws.

(e) Investments

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. The Agency follows the provisions of GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.* GASB No. 31 requires investments to be reported at fair value in the statement of net assets. The net decrease in the fair value of investments, including both realized and unrealized gains and losses, is recognized in the statement of revenues, expenses, and changes in net assets. Fair values of guaranteed investment contracts (GICs) are recorded at contract value. Fair values of all other investments are based upon quoted market prices.

(f) Depreciation

The Agency records purchases of its capital assets at cost and depreciates that cost over the estimated useful lives of the assets, which are forty years for the building and three to five years for furniture and fixtures, using the straight-line method.

(g) Amortization

Costs of bond issuance, which represents underwriters' fees and legal costs are deferred and amortized over the lives of the respective issues using the straight-line method. Bond discounts and premiums are amortized using the effective interest method over the life of the bonds.

The difference between the reacquisition price and net carrying amount of defeased bonds is deducted from, or added to the refunding debt liability and amortized on the straight-line method over the shorter of the maturity of the new debt or the defeased debt.

(h) Income Tax Status

The Agency is exempt from Federal and state income taxes.

(i) Deferred Loan Origination Fees and Costs

In accordance with SFAS No. 91, *Accounting for Nonrefundable Fees and Cost Associated with Origination or Acquiring Loans and Initial Direct Costs of Leases,* loan origination fees and certain related costs are deferred and amortized over the estimated lives of the respective loans.

(j) Arbitrage to be Rebated

Bonds issued by the Agency are subject to a variety of Internal Revenue Service (IRS) regulations which limit the amount of income which may be earned with nonmortgage investments to an amount not greater than that amount which would have been earned had the funds been invested at the yield on the bonds as defined by the IRS. Excess earnings must be rebated every five years.

(k) Operating and Nonoperating Revenues and Expenses

The Agency records all revenues and expenses related to its Single Family and Multi-Family loan programs as operating revenues and expenses since they are generated from the Agency's daily operations needed to carry out its statutory purposes. Investment income is recorded as operating revenue in all funds.

(l) Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires estimates and assumptions that affect the reported amount of the assets and liabilities and contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to estimates and assumptions include the provision for loan losses and the valuation of investments.

(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 Federal Depository Insurance Corporation (FDIC) 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; GICs 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.

The Agency has an investment policy with an overriding goal of providing optimum coverage of risk exposure and maintaining liquidity necessary for future cash needs while maximizing the return on investments. All investment agreements with banks or bank holding companies, insurance companies or other financial institutions must be rated at least "A" by nationally recognized credit rating agencies. All bonds are issued by U.S. Treasury or U.S. Government agencies such as FNMA, FHLMC and FHLB, and have implied credit ratings of AAA.

(a) Custodial Credit Risk – Deposits

The custodial credit risk for deposits is the risk that in the event of a bank failure, the Agency's deposits may not be recovered. The deposits in the bank in excess of the insured amount are uninsured and uncollateralized. The deposits (including certificates of deposit) at June 30, 2007, were $5.1 million. Of these, $3.1 million were exposed to custodial credit risk as uninsured and uncollateralized.

(b) Investments

The Agency's investments at June 30, 2007 are presented below.

Investments by Type

June 30, 2007

(Expressed in thousands)

Investment type	Fair value	Investment maturities (in years)			
		Less than 1	1-5	6-10	More than 10
Certificate of deposit	$ 100	100	—	—	—
Guaranteed investment contracts	42,910	20,000	2,303	—	20,607
U.S. Treasury securities	9,013	—	—	9,013	—
Government agency securities	2,764	—	987	565	1,212
Common stock	1,721	—	—	—	—
	$ 56,508				

(c) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the Agency's investment in a single issuer. More than 5% of the Agency's investments are invested in guaranteed investment contracts; Trinity Plus, AIG, Transamerica, Bayern LB, MBIA, and TMG. These investments are 22.6%, 15.3%, 17.2%, 11.9%, 15% and 6.3%, respectively, of the Agency's total investments. The Agency does not have a formal investment policy that limits the amount invested in a single issue.

(d) Interest Rate Risk – Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Agency does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

(4) Mortgage and Construction Loans Receivable

(a) Single Family Mortgage Loans Receivable

Single Family mortgage loans earn interest at annual rates ranging predominantly from 5.30% to 10.5%. Mortgage payments are received monthly by the Agency from which a service fee is generally retained by servicing lenders or the subservicer.

At June 30, 2007, approximately 74% of the Single Family mortgage portfolios consist of primary insured mortgages.

Mortgage loans, not requiring primary insurance, are limited to 75% of the appraised value of the property.

(b) Multi-Family Mortgage Loans and Construction Loans Receivable

Multi-Family mortgage loans receivable earn interest at annual rates ranging predominantly from 4.5% to 14%, and are collateralized by first mortgage liens on all real and personal property of the mortgaged premises. As of June 30, 2007, $156,105 of the Multi-Family mortgage loans receivable under the Multi-Family Housing Program were financed from funds transferred from the Agency's Operating Fund.

(5) Real Estate Owned

Real estate owned at June 30, 2007 consists of properties held pending sale as a result of foreclosure by the Agency. Real estate owned is carried at the lower of cost or fair value less estimated costs to sell. A valuation allowance has been established to account for the reduction in value of properties held. At June 30, 2007, the valuation allowance totaled $6,498.

(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.

(7) Bonds Payable

All bonds payable are general or special obligations of the Agency and are collateralized by the operating 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.

VERMONT HOUSING FINANCE AGENCY

Notes to Financial Statements

June 30, 2007

Outstanding bonds payable at June 30, 2007 are as follows (in thousands):

A.	Single Family Mortgage Program Fund:	
	Home Mortgage Purchase Program:	
	1989 Series B, maturing 2007 to 2009, interest at 7.45%	$ 1,770,000
	Housing Program:	
	Series 8, maturing in 2031, interest at 6.05%	4,945,000
	Series 9, maturing 2007 to 2037, interest at 4.45% to 5.4%	15,605,000
	Series 10, maturing 2007 to 2030, interest at 4.25% to 5.25%	9,585,000
	Series 11, maturing 2007 to 2030, interest at 4.95% to 5.95%	4,150,000
	Series 12, maturing 2007 to 2031, interest at 5.4% to 6.4%	4,125,000
	Series 13, maturing 2007 to 2031, interest at 4.95% to 5.97%	8,845,000
	Series 14, maturing 2008 to 2032, interest at 4.375% to 6.05%	11,820,000
	Series 15, maturing 2007 to 2032, interest at 4.1% to 5.7%	16,340,000
	Series 16, maturing 2008 to 2033, interest at 4.4% to 5.6%	35,740,000
	Series 17, maturing 2008 to 2034, interest at 2.95% to 5.1%	23,305,000
	Series 18, maturing 2008 to 2034, interest at 2.7% to 4.95%	24,510,000
	Series 19, maturing 2007 to 2035, interest at 2.05% to 5.0%	26,355,000
	Series 20, maturing 2007 to 2035, interest at 3.15% to 5.5%	26,650,000
	Series 21, maturing 2007 to 2035, interest at 2.1% to 5.0%	40,235,000
	Series 22, maturing 2007 to 2035, interest at 3.1% to 5.0%	38,980,000
	Series 23, maturing 2007 to 2035, interest at 3.15% to 5.0%	54,905,000
	Series 24, maturing 2007 to 2036, interest at 3.6% to 5.0%	41,765,000
	Series 25, maturing 2008 to 2037, interest at 3.8% to 6.0%	51,760,000
	Series 26, maturing 2007 to 2038, interest at 3.5% to 5.75%	53,820,000
	Series 27, maturing 2008 to 2038, interest at 3.65% to 5.5%	42,350,000
	Total Housing Program	535,790,000
	Total Single Family Mortgage Program Fund	537,560,000
B.	Multi-Family Mortgage Program Fund:	
	Mortgage Program:	
	1999 Series A, maturing 2008 to 2020, interest at 4.45% to 5.125%	3,695,000
	1999 Series B, maturing 2008 to 2030, interest at 5.15% to 6.0%	3,695,000
	1999 Series C and D, maturing 2008 to 2021, interest at 5.0% to 5.8%	24,415,000
	2000 Series A, maturing in 2039, interest at 5.9%	5,025,000
	2000 Series B, C, and D, maturing 2014 to 2031, interest at 5.65% to 6.7%	2,610,000
	2001 Series A, B, C, and D, maturing 2031 to 2032, interest at 5.4% to 7.27%	5,185,000
	2002 Series A and B, maturing 2007 to 2039, interest at 4.1% to 7.2%	11,685,000
	2003 Series A, maturing 2023 to 2043, interest at 5.05% to 5.25%	4,225,000
	2003 Series C, maturing 2008 to 2034, interest at 2.95% to 5.1%	10,530,000
	2004 Series A, B, and C, maturing 2007 to 2046, interest at 2.85% to 6.3%	14,410,000
	2004 Series D, maturing 2024 to 2039, interest at 4.65% to 4.9%	2,750,000
	2005 Series A, B, C, and D, maturing 2015 to 2035, interest at 4.4% to 5.75%	4,380,000
	Total Mortgage Program	92,605,000

(Continued)

Housing Program:		
1995 Series A, maturing 2008 to 2014, interest at 6.15%	$	11,050,000
1997 Series A, maturing 2008 to 2029, interest at 5.0% to 5.75%		5,280,000
Total		16,330,000
Direct Placement Program:		
Northgate Housing Program:		
Eleven series of bonds, issued December 1989, maturing 2007 to 2031, interest at 7.085% to 9.23%		6,447,114
Highgate Housing Program:		
Two series of bonds, issued May 1991, maturing 2007 to 2031, interest at 6.45% to 7.741%		1,352,516
Pine Meadow Development Bond:		
Taxable bond, issued July 1991, maturing 2008 to 2016, interest at 6%		347,500
Kilbourn Mobile Home Park Bond:		
Taxable bond, issued May 1996, maturing 2007 to 2016, interest at 7.5%		203,700
T.D. Banknorth Borrowing – Chittenden Housing Corp. Bond:		
Issued June 2006, maturing 2007 to 2012, interest at 5.41%		3,674,560
Multi-Family variable rate demand bonds, Series 1		
Maturing 2037 to 2038, interest at 4.18% to 5.49%		4,150,000
Total Direct Placement Programs		16,175,390
Total Multi-Family Mortgage Program Fund		125,110,390
C. Operating Fund:		
Northgate Housing Site Acquisition, issued December 1989, maturing 2007 to 2031, interest at 7%		563,082
Total bonds payable	$	663,233,472

All calendar year 2007 maturities on bonds payable occur after June 30, 2007.

In 2007, the Agency issued Single Family Housing Series 26 bonds for a total of $53.8 million. The proceeds were used to finance Single Family Mortgage loans and refund $11 million in Single Family Housing Series 7 bonds. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $243,000. This difference is being charged to operations through the year 2031, using the effective interest method. The bonds were refunded to reduce total debt service payments over the next thirty years by approximately $2.8 million and to obtain an economic gain of approximately $635,000.

(Continued)

Future maturities on bonds payable as of June 30, 2007 are as follows (in thousands):

	Multi-Family Mortgage Programs					
	Mortgage Program		Housing Program		Direct Placement Programs	
	Principal	Interest	Principal	Interest	Principal	Interest
Year ending June 30:						
2008	$ 2,785	5,030	1,730	976	467	880
2009	2,915	4,894	1,845	871	518	837
2010	3,060	4,749	1,960	759	475	800
2011	3,230	4,592	2,085	640	461	763
2012	3,375	4,422	2,050	513	235	836
2013-2017	17,710	19,274	2,980	1,386	5,148	3,174
2018-2022	18,570	13,917	1,225	924	1,324	2,455
2023-2027	11,050	10,007	1,650	528	1,517	1,958
2028-2032	13,750	6,603	805	70	1,880	1,314
2033-2037	11,620	2,888	—	—	2,415	961
2038-2042	3,855	599	—	—	1,735	56
2043-2047	685	84	—	—	—	—
Total	$ 92,605	77,059	16,330	6,667	16,175	14,034

	Single Family Mortgage Programs							
	Home Mortgage Purchase Program		Housing Program		Operating Fund		Agency Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Year ending June 30:								
2008	$ 665	120	9,785	25,576	9	39	15,441	32,621
2009	725	69	11,460	24,881	10	39	17,473	31,592
2010	380	14	11,690	24,415	10	38	17,576	30,775
2011	—	—	12,160	23,917	11	37	17,946	29,949
2012	—	—	12,630	23,375	12	37	18,301	29,183
2013-2017	—	—	72,800	107,529	72	170	98,710	131,533
2018-2022	—	—	91,470	88,307	101	141	112,690	105,743
2023-2027	—	—	103,560	64,906	141	100	117,919	77,499
2028-2032	—	—	116,610	38,311	197	43	133,242	46,341
2033-2037	—	—	87,230	11,416	—	—	101,265	15,265
2038-2042	—	—	6,395	206	—	—	11,985	860
2043-2047	—	—	—	—	—	—	685	84
Total	$ 1,770	203	535,790	432,839	563	644	663,233	531,445

A summary of bonds payable, discount on bonds, and premium on bonds and arbitrage rebate payable activity for the year ended June 30, 2007 is as follows (in thousands):

	Balance at June 30, 2006	Increases	Decreases	Balance at June 30, 2007	Amounts due within one year	Amounts due thereafter
Bonds payable	$ 574,785	152,110	(63,662)	663,233	15,441	647,792
Discount on bonds	(5,581)	(1,130)	638	(6,073)	(300)	(5,773)
Premium on bonds	3,370	1,942	(758)	4,554	165	4,389
Arbitrage rebate payable	70	1,042	(35)	1,077	—	1,077

(Continued)

VERMONT HOUSING FINANCE AGENCY

Notes to Financial Statements

June 30, 2007

The Agency has entered into interest rate swap agreements with counterparties in connection with the Single Family Housing Bonds Variable Rate Demand Bonds (VRDB) and Auction Rate Certificates (ARC) in order to obtain a synthetic fixed interest rate at a cost expected to be less than that associated with variable rate debt. Under the swap agreement, the swap provider pays the Agency an amount based on the London InterBank Offered Rate (LIBOR) or the Bond Market Association Index (BMA), and the Agency pays the swap provider an amount at a fixed rate of interest.

A summary of the agreements follows:

Issue		Effective date	Face amount	Termination date	Termination option date	Fixed swap payment rate	Variable receivable rate	Fair value at June 30, 2007
Series 17	VRDB	5/1/2004	$ 7,090,000	5/1/2019	–	3.182%	70% of LIBOR	$ (180,503)
Series 19	ARC	4/8/2004	7,550,000	11/1/2027	–	3.492	70% of LIBOR	(187,285)
Series 20	ARC	8/12/2004	7,700,000	5/1/2028	11/1/2014	4.166	70% of LIBOR	(8,592)
Series 21	VRDB	11/30/2004	11,200,000	5/1/2029		3.682	BMA + 0.10% (if LIBOR ≤ 3.00%) 68% of LIBOR (if LIBOR > 3.00%)	(126,573)
Series 22	VRDB	6/8/2005	13,800,000	11/1/2034	5/1/2012	3.731	65% of LIBOR	(391,369)
Series 23	VRDB	10/26/2005	14,500,000	11/1/2034	11/1/2014	3.569	65% of LIBOR + 0.28%	(497,950)
Series 24	VRDB	4/19/2006	10,440,000	11/1/2036	5/1/2015	3.973	65% of LIBOR + 0.28%	(39,438)
Series 25	VRDB	7/12/2006	12,945,000	11/1/2036	11/1/2015	4.251	65% of LIBOR + 0.28%	250,652
Series 26	VRDB	10/26/2006	13,450,000	5/1/2037	5/1/2016	3.897	65% of LIBOR + 0.28%	(134,353)
TD BankNorth: Chittenden Housing		6/28/2006	3,674,560	6/28/2011	–	5.410	69% of LIBOR	(58,287)
Series 1-A	VRDB	1/25/2007	645,000	1/1/2022	–	4.240	BMA + 0.15%	(3,175)
Series 1-B	VRDB	1/25/2007	1,770,000	1/1/2022	–	4.180	BMA + 0.10%	(7,289)
Series 1-C	VRDB	1/25/2007	1,735,000	1/1/2022	–	5.490	LIBOR + 0.05%	22,221
								$ (1,361,941)

By using derivative financial instruments to hedge exposures to changes in interest rates, the Agency exposes itself to credit and market risk. Credit risk is the failure of the counter-party to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counter-party owes the Agency, which creates credit risk for the Agency. When the fair value of a derivative contract is negative, the Agency owes the counter-party and, therefore, it does not possess credit risk. The Agency minimizes its credit risk in derivative instruments by entering into transactions with high-quality counter-parties whose credit rating is higher than Aa. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rates is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

(Continued)

(8) Notes Payable

The Agency may borrow from the Federal Home Loan Bank (FHLB) in an amount not to exceed assets pledged to the FHLB. As of June 30, 2007, the Agency had outstanding borrowings totaling $6,066,655 which are secured by mortgage loans with a carrying value of $7,208,667. These borrowings have interest rates ranging from 6.32% to 7.66% and mature through November 2018.

The Agency is operating under unsecured variable rate lines of credit that total $84,500,000 with lending institutions expiring in 2008. At June 30, 2007, there was a $24,982,200 balance outstanding at 5.22% to 7.29%. The lines of credit were entered into in order to fund working capital, and to be used for specific construction projects financed by the Agency.

The Agency has a $500,000 note payable to the Vermont Community Foundation at a rate of 4%, maturing in February 2010.

As of June 30, 2007, the Agency had $50,000,000 of notes payable in the Single Family Housing Program fund. These notes have interest rates ranging from 3.8% to 4.25% and mature between November 2007 and May 2008. The proceeds of these notes are invested in guaranteed investment contracts.

Future maturities on notes payable and line of credit borrowings as of June 30, 2007 are as follows (in thousands):

	Operating Fund		Single Family Housing Program		Multi Family Direct Placement Program		Agency totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Year ending June 30:								
2008	$ 3,357	629	50,000	1,420	19,773	835	73,130	2,884
2009	174	436	—	—	2,014	94	2,188	530
2010	812	416	—	—	—	—	812	416
2011	201	377	—	—	—	—	201	377
2012	246	361	—	—	—	—	246	361
2013-2017	3,212	1,413	—	—	—	—	3,212	1,413
2018-2020	1,760	143	—	—			1,760	143
Total	$ 9,762	3,775	50,000	1,420	21,787	929	81,549	6,124

A summary of line of credit borrowings and notes payable activity for the year ended June 30, 2007 is as follows (in thousands):

	Balance at June 30, 2006	Increases	Decreases	Balance at June 30, 2007	Amounts due within one year	Amounts due thereafter
Line of credit borrowings	$ 14,268	30,795	(20,081)	24,982	22,968	2,014
Notes payable	51,757	20,000	(15,190)	56,567	50,162	6,405
	$ 66,025	50,795	(35,271)	81,549	73,130	8,419

(9) Asset Restrictions

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.

(Continued)

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 Operating Fund.

Amounts transferred to the Operating 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 Operating Fund.

The Operating Fund is also the primary source to pay administrative expenses in connection with current and future housing programs, and to provide collateral for credit agreements.

(10) Pension Plan

Upon meeting certain eligibility requirements, the Agency's employees are eligible to participate in the Vermont Housing Finance Agency 401(k) Plan, a noncontributory defined contribution pension plan, in accordance with the provisions of the Employee Retirement Income Security Act of 1974. For the year ended June 30, 2007, the Agency had a total payroll of $2,101,255, of which $1,886,746 was covered by the pension plan. The Agency's contribution to the Plan is 10% of the covered payroll. Employees vest in benefits under the Plan at 20% per year of service and are fully vested after five years. Forfeitures of nonvested benefits by terminated employees reduce the Agency's contribution. The cost of the plan was $191,249 for the year ended June 30, 2007, and is included in salaries and benefits expense.

(11) Gain on Bond Redemptions

During the year ended June 30, 2007, the Agency redeemed $49,420,000 of its Single–Family Housing Program Bonds. Gain on bond redemptions of $132,514 was recognized which represents the unamortized balance of bond premium and discount and cost of issuance expenses associated with the bonds retired.

The following is a summary of the redeemed bonds (in thousands):

	Single Family Housing Program
Series 7	$ 11,895
Series 8	820
Series 9	3,115
Series 10	1,285
Series 11	595
Series 12	1,045
Series 13	1,945
Series 14	2,305
Series 15	1,790
Series 16	5,800
Series 17	2,225
Series 18	3,135
Series 19	2,355
Series 20	2,840
Series 21	2,930
Series 22	2,280
Series 23	2,875
Series 24	155
Series 25	20
Series 26	10
	$ 49,420

(12) Commitments and Contingencies

At June 30, 2007, the Agency had outstanding commitments in the amount of $47,656,750 to purchase or finance mortgage loans pursuant to its normal funding from bond proceeds. In addition, there were commitments of $14,650,000 for general loans or future program subsidy purposes.

Under the Single Family Mortgage Programs, the Agency has obtained surety bonds in the amount of $28,715,840 expiring between 2025 and 2038, which satisfy the requirements of certain bond resolutions.

(Continued)

(13) Risk Management

The Agency is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors; and omissions; injuries to employees; employees' health; and natural disasters. The Agency manages these risks through a combination of participating in the State self-insurance program and purchasing commercial insurance packages in the name of the Agency. The Agency has not experienced settled claims resulting from these risks which have exceeded its insurance coverage. In addition, the Agency's bylaws provide for the indemnification of Agency commissioners and officers by the Agency. This indemnification requirement is supported by various statutes related to claims against employees and entities of the State and the Agency's authorizing legislation which includes the benefit of sovereign immunity.

(14) Subsequent Event

In July 2007, the Agency issued $66,625,000 of bonds under the new Multiple Purpose Bonds indenture, 2007 Series A and Series B. The bond proceeds will be used to purchase single and multi-family mortgages, and to refund the multi-family housing bonds.

In September 2007, the Agency issued $66,055,000 of bonds and $28,250,000 of notes under the Multiple Purpose Bonds indenture, 2007 Series C and Series D. The bond proceeds will be used to purchase single family mortgages, while the note proceeds will be invested in guaranteed investment contracts.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Senior Development Underwriter

DATE: September 24, 2007

RE: Tax Credit Status Report

Board Action: No Board action is required.

Attached is the tax credit status report for 9% Ceiling Credits. The report illustrates that $3,987,932 of the 2007-2008 pool was committed, leaving $601,634 available to allocate. The project requesting credits this month would, if approved, reduce the available credits to $306,634. This amount will be adjusted upward somewhat, once a return of a portion of Credits from Willard Mill in St. Albans occurs.

Also included is the "State Consolidated Plan Priorities/Other Priorities Table" that shows how projects from 2005 to current meet the Consolidated Plan Priorities. This is provided to show how Meadowlane Apartments in Milton fares in comparison to other projects that recently received Housing Credit commitments.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
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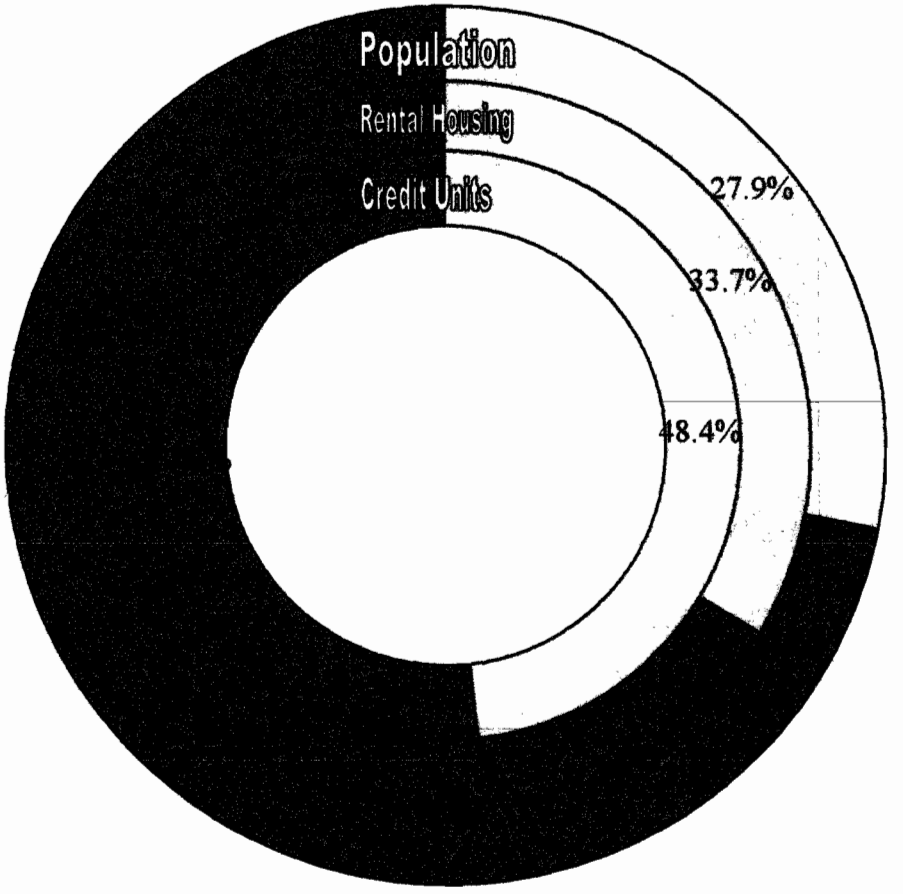
EQUAL HOUSING OPPORTUNITY

Housing Credit Status Report

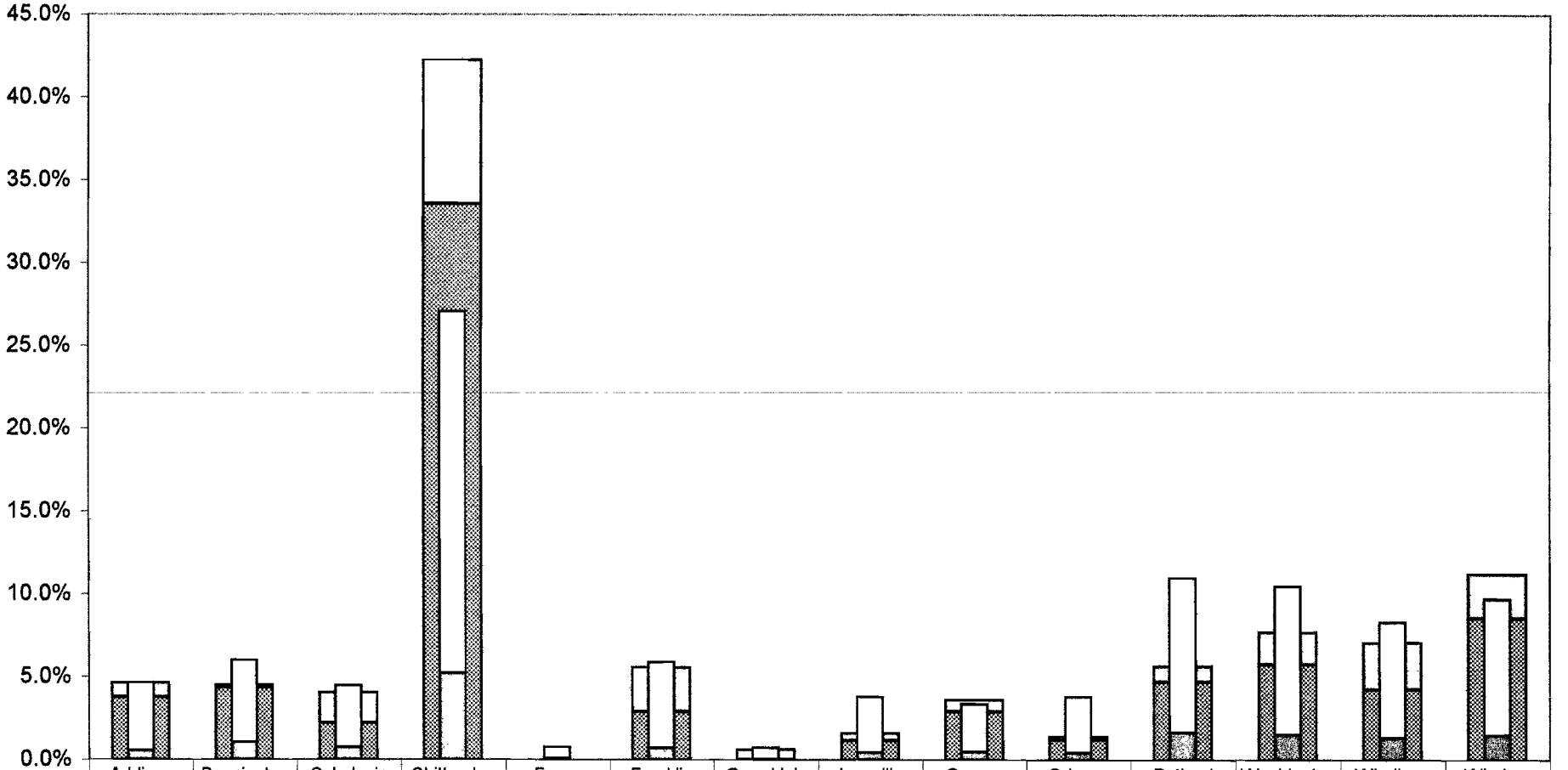
2006 Carry Forward to 2007		-	
Total 2007 Available		2,275,000	
Total 2008 Available		2,300,000	
2006 National Pool		14,566	
2007 Returns		-	
2008 Returns		-	
Total 2007-08 Available:		4,589,566	
Less: LOI, Res, CA issued in 2007/08		3,987,932	
Remaining Available in 2007-08:			601,634

Project Name	City	County	MSA / Non MSA	Total # of Units	# of LIHTC Units	Project Type	Housing Credit Allocation	Status
Pipeline								
New Construction - Family	Vergennes	Addison	Non MSA	40		New Construction	284,615	
Jay Waterman	Stowe	Lamoille	Non MSA	40		New Construction	489,000	
New Construction	Shelburne	Chittenden	MSA			New Construction		
Norwich	Norwich	Windsor	Non MSA			New Construction	330,769	
Putney Village	Putney	Windham	Non MSA	35	29	New Construction	538,000	Ventures approved
New Construction - Family	Colchester	Chittenden	MSA			New Construction		Ventures approved
Pre-Applicaton Meetings								
Sports Arena Neighborhood	St Albans	Franklin	MSA			New Construction		Bove/Marcellino
Otter Creek Apartments	Rutland	Rutland	Non MSA	56	45	New Construction	508,991	Silver Stone Partners
Meadowlane Apartments	Milton	Chittenden	MSA	36	35	Acq/Rehab/New Const	295,000	to Board 10/07
Letter of Intent, Reservation, or Carryover Allocation Issued								
Cummings Street Apartments	Montpelier	Washington	Non MSA	20	20	Acq/Rehab	77,700	2008 Credits; Letter of Intent issued
Grange Hill	Woodstock	Windsor	Non MSA	26	26	New Construction	365,500	to use 2007 credits, board approved June 07
Armory Square Allocated	Windsor	Windsor	Non MSA	43	43	Acq/Rehab	599,600	to use 2007 credits, board approved June 07
Tontine Canal	Guilford/Brattleboro	Windham	Non MSA	21	19	Acq/Rehab	236,250	to use 2007 credits, board approved June 07
King Street Housing/Howard Bank Block	Burlington	Chittenden	MSA	20	20	New Construction	410,000	to use 2007 credits, board approved June 07
Wheeler Brook Housing	Warren	Washington	Non MSA	18	16	New Construction	260,000	Board Approved May 2007
Downtown Crossing, Bennington (RAHC)	Bennington	Bennington	Non MSA	12	10	Rehab/New Construction	163,000	to use 2007 credits
Stonewall / Bianchi	Montpelier	Washington	Non MSA	18	17	Acq/Rehab	150,000	to use 2007 credits
Hardwick - Bemis Block	Hardwick	Caledonia	Non MSA	14	14	Acq/Rehab	98,000	Has 2007 Carryover & 2007 Commitment
Willard Mill	St. Albans	Franklin	MSA	27	25	Acq/Rehab	432,662	Board Approved; 2007 Commitment
Birge & Worden	Brattleboro	Windham	Non MSA	17	15	Acq/Rehab	244,000	Board Approval; 2007 Reservation
Stowe	Stowe	Lamoille	Non MSA	28	22	New Construction	519,000	Board Approved; 2006 Carryover
Village Housing	Middlebury	Addison	Non MSA	30	25	New Construction	531,000	Board Approved; 2006 Carryover
Rutland AFS	Rutland	Rutland	Non MSA	13	12	New Construction/Rehab	227,000	Board Approved; 2006 Carryover
Callahan Housing	Burlington	Chittenden	MSA	28	28	Acq/Rehab	267,750	Board Approved Dec-05; 2007 Commitment
Bradford	Bradford	Orange	Non MSA	32	27	Rehabilitation	434,375	Board Approved Dec-05
Enosburg Falls Downtown Redevelopment	Enosburg Falls	Franklin	Non MSA	28	25	New Construction/Rehab	509,250	Board Approved Nov-05; 2006 Carryover
Eastern Townships (fka Main St Mill)	Richford	Franklin	Non MSA	12	12	Rehabilitation	162,500	Board Approved 9/22/05; 2007 Reservation
Wilder Building	Brattleboro	Windham	Non MSA	8	8	Rehabilitation	118,500	Construction Complete; 8609s Issued
West River Valley Senior Housing	Townshend	Windham	Non MSA	52	34	New Construction	473,000	Has 2007 Carryover & 2007 Reservation
Southview Apartments	Springfield	Windsor	Non MSA	69	54	Acq/Rehab	360,000	Board Approved 6/9/05
Sadawga Springs Apartments	Whitingham	Windham	Non MSA	9	7	Acq/Rehab	112,350	Construction Complete; 8609s Issued
Oak & Homestead	Brattleboro	Windham	Non MSA	16	15	Acq/Rehab	224,000	Construction Complete; 8609s Issued
Dorset Housing	Dorset	Bennington	Non MSA	20	16	New Construction	273,000	Construction Complete; 8609s Issued
Stone Hill	Middlebury	Addison	Non MSA	27	22	New Construction	378,000	Construction Complete; 8609s Issued
Waugh Opera Block	St Albans	Franklin	MSA	20	16	Rehab	233,600	Construction Complete; 8609s Issued
River Station	Montpelier	Washington	Non MSA	36	29	New Construction	465,000	Construction Complete; 8609s Issued
Barlow Square	Winooski	Chittenden	MSA	213	98	New Construction	2,214,260	Has 2005 Carryover

MSA / Non MSA


Population
Rental Housing
Credit Units
27.9%
33.7%
48.4%
MSA
Non MSA

Geographic Distribution



	Addison	Bennington	Caledonia	Chittenden	Essex	Franklin	Grand Isle	Lamoille	Orange	Orleans	Rutland	Washington	Windham	Windsor
units in process	0.9%	0.2%	1.9%	8.7%	0.0%	2.7%	0.6%	0.4%	0.7%	0.2%	1.0%	2.0%	2.9%	2.7%
units in service	3.7%	4.3%	2.2%	33.5%	0.0%	2.9%	0.0%	1.1%	2.9%	1.2%	4.7%	5.8%	4.2%	8.6%
all assisted units	0.56%	1.06%	0.74%	5.24%	0.11%	0.74%	0.07%	0.46%	0.50%	0.47%	1.67%	1.55%	1.34%	1.52%
all rental housing	4.6%	6.0%	4.5%	27.0%	0.8%	5.9%	0.7%	3.8%	3.4%	3.8%	11.0%	10.5%	8.3%	9.7%

State Consolidated Plan Priorities / Other Priorities Table

	First Tier						*Second Tier*						
2008	**Rehab or Vacancy <3.5%**	**Family Housing**	**Settlement Pattern**	**Downtown or Village Center**	**Removal of Blight**	**Special Needs**	**Mixed Income**	**Unique Design**	**<30% or targets homeless**	**Public Housing**	**Eventual Tenant Ownership**	**Total**	**Housing Credit Amount**
Cummings Street Apts	XX	XX	XX	XX					X			53%	$ 74,000
Tontine Canal	XX	XX	XX	XX								47%	$ 225,000
King Street Housing	XX		XX	XX							X	41%	$ 410,000
Armory Square Allocated	XX		XX	XX					X			41%	$ 599,600
Grange Hill	XX	XX	XX									35%	$ 365,500
Meadowlane Apts. Milton	XX		XX						X			29%	$ 295,000
2007													
Stonewall / Bianchi	XX	XX	XX	XX	XX		X		X			71%	$ 125,000
Downtown Crossing	XX	XX	XX	XX			X					53%	$ 143,000
Bemis Block	XX		XX	XX	XX				X			53%	$ 98,000
Willard Mill, St. Albans	XX	XX	XX	XX			X					53%	$ 459,000
Main Street Mill Revelopmt Richford	XX		XX	XX	XX							47%	$ 162,500
West River Valley Senior			XX	XX		XX	X		X			47%	$ 430,000
Callahan	XX	XX	XX	XX								47%	$ 255,000
Birge & Worden, Brattleboro	XX		XX	XX			X		X			47%	$ 238,500
Wheeler Brook Housing	XX	XX					X					29%	$ 260,000
2006													
Rutland AFS	XX	XX	XX	XX								47%	$ 227,000
Middlebury South Village (MF)	XX	XX	XX	XX								47%	$ 531,000
Bradford Scattered Sites	XX	XX	XX	XX								47%	$ 397,500
Stowe Family Housing	XX	XX	XX				X					41%	$ 495,000
Enosburg Falls Housing			XX	XX	XX			X				41%	$ 509,250
2005													
Sadawga Springs Apartments	XX	XX	XX	XX	XX		X					65%	$ 112,350
Southview, Springfield	XX	XX	XX	XX			X		X			59%	$ 360,000
Oak & Homestead	XX	XX	XX	XX			X		X			59%	$ 224,000
Waugh Opera House	XX		XX	XX	XX		X	X				59%	$ 233,600
Barlow Square	XX	XX	XX	XX			X					53%	$ 2,214,260
River Station	XX	XX	XX	XX			X					53%	$ 460,000
Stone Hill	XX	XX	XX	XX			X					53%	$ 36,000
Wilder Block	XX		XX	XX	XX							47%	$ 118,500
Dorset Housing	XX	XX					X					33%	$ 273,000

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Tim Gutchell, Controller

DATE: September 25, 2007

RE: Final General Fund Budget Report – Fiscal year 2007

Attached are the final General Fund Operating results for the fiscal year ended June 30, 2007, compared to the approved budget for that period. This discussion is limited to the Agency's General Fund Operating budget and does not include the activity of the various bond funds which are reported separately in the Agency's audited financial statements.

A quick summary of the key percentages from the attached report shows a positive year, very much on target with our expectations.

General Fund income exceeded budget by 17%, or $256k overall. Multi-family fees, driven by high production, and higher than expected investment earnings resulting from upwardly trending rates and close attention to cash management, were the primary elements of the positive revenue variance.

Fund balance transfers were at 93% of budget at year-end. The aforementioned positive income variance, combined with expenses that were essentially right on at 98% of budget, allowed us to transfer $249k less out of the bond programs to fund operations than we had initially planned.

Taken together, the General Fund surplus totaled $175k, compared with a budgeted surplus of $87k. The surplus is somewhat arbitrary in that the level of fund balance transfers is discretionary within certain limits.

Another, and perhaps better way to view the General Fund results for the year, is to simply add the positive income and expense variances together. From this perspective we did $337k better for the year than we expected based on budget.

Other Costs (bond) are shown for informational purposes, and are not General Fund related items. They include the $43k net gain for the year on disposition of owned properties, $804k in forgiven 0% excess yield loans, written off as part of the multi-purpose bond deal, and $1.6mm in single-family paid loan origination fees, reflective of the record level of single-family loan originations in fiscal year 2007.

If, after you have had a chance to review the budget report you have questions regarding individual line items, would like additional information, or have any other concerns, please feel free to contact me.

Thank you.

Tim

Tim Gutchell,
Controller
tgutchell@vhfa.org (802)652-3437

Vermont Housing Finance Agency
FINAL BUDGET REPORT
EXPENSES AND OTHER COSTS
FY 2007 Through 06/30/2007

Portion of year expired = 100.00%

Portion of year remaining = 00.00%

	BUDGET:		EXPENDED:				REMAINING:	
	Approved Annual Budget	Prorata YTD Budget Thru 06/30/2007	Amount Expended YTD Thru 06/30/2007	Percentage of Annual Budget Expended Thru 06/30/2007	Amount (Over) Under Prorata YTD Budget As of 06/30/2007	Percent Over(-) Under Prorata YTD Budget Thru 06/30/2007	Over( ) Under Amount Unexpended As of 06/30/2007	Percent Unexpended As of 06/30/2007
OPERATING EXPENSES:								
Salaries and Wages	$2,081,490	$2,081,490	2,102,750	101.02%	($21,260)	-1.02%	($21,260)	-1.02%
Consulting	58,000	58,000	14,347	24.74%	43,653	75.26%	43,653	75.26%
Trustee Fees	191,900	191,900	136,541	71.15%	55,359	28.85%	55,359	28.85%
Employee Benefits	425,684	425,684	375,626	88.24%	50,058	11.76%	50,058	11.76%
Depreciation	139,857	139,857	133,783	95.66%	6,074	4.34%	6,074	4.34%
Pension	210,831	210,831	191,250	90.71%	19,581	9.29%	19,581	9.29%
Payroll Taxes	158,071	158,071	153,603	97.17%	4,468	2.83%	4,468	2.83%
Legal	82,500	82,500	57,087	69.20%	25,413	30.80%	25,413	30.80%
Marketing & Outreach	171,200	171,200	171,614	100.24%	(414)	-0.24%	(414)	-0.24%
Travel & Training	112,750	112,750	116,059	102.93%	(3,309)	-2.93%	(3,309)	-2.93%
Occupancy	87,471	87,471	95,922	109.66%	(8,451)	-9.66%	(8,451)	-9.66%
Telephone	24,330	24,330	20,120	82.70%	4,210	17.30%	4,210	17.30%
Maintenance Agreements	72,006	72,006	68,097	94.57%	3,909	5.43%	3,909	5.43%
Audit	55,000	55,000	53,000	96.36%	2,000	3.64%	2,000	3.64%
Interest	44,392	44,392	39,703	89.44%	4,689	10.56%	4,689	10.56%
Dues & Subscriptions	40,787	40,787	40,547	99.41%	240	0.59%	240	0.59%
Office Supplies	30,796	30,796	31,907	103.61%	(1,111)	-3.61%	(1,111)	-3.61%
Contract Services	91,125	91,125	119,530	131.17%	(28,405)	-31.17%	(28,405)	-31.17%
Postage	25,095	25,095	20,197	80.48%	4,898	19.52%	4,898	19.52%
Printing	23,900	23,900	14,988	62.71%	8,912	37.29%	8,912	37.29%
Liability Insurance	20,672	20,672	24,373	117.90%	(3,701)	-17.90%	(3,701)	-17.90%
Miscellaneous	8,900	8,900	11,885	133.54%	(2,985)	-33.54%	(2,985)	-33.54%
Commisioners Fees	13,250	13,250	9,528	71.91%	3,722	28.09%	3,722	28.09%
Temp Services	3,000	3,000	8,293	276.44%	(5,293)	-176.44%	(5,293)	-176.44%
Total Operating Expenses	$4,173,007	$4,173,007	4,010,750	96.11%	162,257	3.89%	$162,257	3.89%
OTHER COSTS (general fund):								
Loan Interest Cost	$753,000	$753,000	$648,617	86.14%	$104,383	13.86%	$104,383	13.86%
Organizational Subsidies	295,000	295,000	292,795	99.25%	2,205	0.75%	2,205	0.75%
Software Lease	0	0	6,094	n/a	(6,094)	n/a	(6,094)	n/a
Software Conversion	0	0	22,594	n/a	(22,594)	n/a	(22,594)	n/a
Ventures Loans Forgiven	0	0	159,716	n/a	(159,716)	n/a	(159,716)	n/a
Total Other Costs	$1,048,000	$1,048,000	$1,129,816	107.81%	($81,816)	-7.81%	(81,816)	-7.81%
Total Expenses	$5,221,007	$5,221,007	$5,140,566	98.46%	$80,441	1.54%	$80,441.37	1.54%
OTHER COSTS (bond):								
SF Loan Losses (gains)	$250,000	$250,000	($42,681)	-17.07%	$292,681	117.07%	$292,681	117.07%
MF Loan - 0% Loans Forgiven	$300,000	$300,000	$804,336	268.11%	($504,336)	-168.11%	($504,336)	-168.11%
Advertising - New Bond COI	$120,000	$120,000	$96,552	80.46%	$23,448	19.54%	$23,448	19.54%
SF Loan Origination Fees	$1,116,000	$1,116,000	$1,647,260	147.60%	($531,260)	-47.60%	($531,260)	-47.60%

Vermont Housing Finance Agency
FINAL BUDGET REPORT
INCOME AND FUND TRANSFERS
FY 2007 Thru 06/30/2007

Portion of year expired = 100.00%

Portion of year remaining = 00.00%

	BUDGET:		RECEIVED:				REMAINING:	
	Approved Annual Budget	Prorata YTD Budget Thru 06/30/2007	Amount Received YTD Thru 06/30/2007	Percentage of Annual Budget Received Thru 06/30/2007	Favorable (Unfavorable) Prorata YTD Budget As of 06/30/2007	Favorable Unfavorable (-) Prorata YTD Budget Thru 06/30/2007	Amount Outstanding As of 06/30/2007	Percent Outstanding As of 06/30/2007
INCOME:								
Interest Income - Loans	$777,979	$777,979	839,806.94	107.95%	$61,828	7.95%	($61,828)	-7.95%
Multi-family Fees	549,229	$549,229	690,915.30	125.80%	$141,686	25.80%	($141,686)	-25.80%
Miscellaneous Income	61,152	$61,152	60,878.18	99.55%	($274)	-0.45%	$274	0.45%
Interest Income - Investments	78,750	$78,750	139,091.85	176.62%	$60,342	76.62%	($60,342)	-76.62%
Single family Fees	30,500	$30,500	23,160.97	75.94%	($7,339)	-24.06%	$7,339	24.06%
Total Income	$1,497,610	$1,497,610	1,753,853.24	117.11%	$256,243	17.11%	($256,243)	-17.11%
NET FUND TRANSFERS:								
SF Housing Bonds	$2,250,000	$2,250,000	2,200,000.00	97.78%	($50,000)	0.00%	$50,000	2.22%
SF Insured Mortgage Program	400,000	$400,000	200,000.00	50.00%	($200,000)	-50.00%	$200,000	50.00%
SF Home Mtge Purch Program	350,000	$350,000	350,732.20	100.21%	$732	0.00%	($732)	-0.21%
MF Mortgage Bonds (HWMF)	440,000	$440,000	440,000.00	100.00%	$0	0.00%	$0	0.00%
MF Housing Bonds	240,000	$240,000	240,000.00	100.00%	$0	0.00%	$0	0.00%
MF Direct Placement Bonds	130,000	$130,000	130,732.69	100.56%	$733	0.56%	($733)	-0.56%
Total Fund Transfers	$3,810,000	$3,810,000	3,561,464.89	93.48%	($248,535)	-6.52%	$248,535	6.52%
Total Income & Transfers	$5,307,610	$5,307,610	5,315,318.13	100.15%	$7,708	0.15%	($7,708)	-0.15%
Total Expenses (see sch)	5,221,007	$1,305,252	5,140,565.63	98.46%	($3,835,314)	-293.84%	$80,441	1.54%
FY 2007 Budget surplus YTD	$86,603	$4,002,358	174,752.50	201.79%	(3,827,606)	-95.63%	($88,150)	-101.79%

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia Crady, Director of Homeownership Programs PC

DATE: September 24, 2007

RE: VHFA Response Subprime and Adjustable Rate Mortgages

At the September 5th meeting, the Board discussed VHFA's response in assisting individuals who may be affected by subprime mortgages and adjustable rate mortgages. VHFA does not offer refinancing programs with the exception of a refinance program for mobile home loans. Housing Finance Agencies in areas that are hardest hit by subprime delinquencies and foreclosures have developed refinance programs using agency reserves and taxable bonds. Since the development of a refinance program could utilize a substantial amount of resources, staff recommends that we approach the issue by providing more information on our consumer website and doing a public information campaign to encourage households who are experiencing increases in their mortgage payments to take action to lower their payments before they are at risk of losing their home.

The Homeownership Preservation Foundation in collaboration with NeighborWorks® have a toll free 24 hour hotline and website (www.foreclosurehelpandhope.org) that is staffed to provide information and counseling to individuals who are facing the loss of their home or who need assistance with a plan to preserve their home. Individuals who call receive telephone counseling and will also be directed to a NeighborWorks® organization or a HUD Housing Counseling Agency for additional assistance. VHFA plans to enhance our website to include this information under the consumer assistance section. This section already includes information on How to Avoid Foreclosure and information on the Homeownership Centers. John Fairbanks has also proposed a public information campaign to get the word out about this resource. The campaign may include:

- A press release;
- An email to our partners;
- An article in the next Housing Matters;
- Other news stories and articles;
- Radio talk shows about the topic;
- Encouraging other housing groups to provide information in their newsletters;
- Other advertising as the budget allows.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Director of Homeownership Programs PC

DATE: September 24, 2007

RE: Summary of Homeownership Activities

PRODUCTION

Production reports as of August 31, 2007 by fiscal year and calendar year are attached. VHFA's total pipeline is $44 million. A total of $23.4 million in loans were purchased during the month of August!

COLLECTIONS

Delinquency reports as of August 31, 2007 are attached. As of August 31, 2007 VHFA owned 3 properties; one is under contract and expected to close by the end of September.

If you have any questions please do not hesitate to call me at 652-3442 or email me at pcrady@vhfa.org.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

CY07 Production Summary

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	Total
MOVE	6,478,688	5,154,110	9,199,141	7,493,657	9,454,524	14,182,842	15,006,819	22,493,246					**89,463,027**
HOUSE	201,680	225,325	692,110	419,285	495,000	231,525	753,673	932,565					**3,951,163**
RURAL DEV.													**0**
LIMITED REFI							74,638						**74,638**
FIXED35			247,500		205,000								**452,500**
Total	**6,680,368**	**5,379,435**	**10,138,751**	**7,912,942**	**10,154,524**	**14,414,367**	**15,835,130**	**23,425,811**	**0**	**0**	**0**	**0**	**93,941,328**

MOBILE HOME	865,250	220,750	565,164	1,009,882	1,070,175	1,110,190	1,749,881	1,764,831					**8,356,123**

CY06 Production Summary

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	Total
MOVE	5,747,307	5,115,359	6,723,853	7,002,262	8,709,255	14,414,830	12,358,137	16,354,977	14,702,565	9,391,304	11,050,470	12,027,936	**123,598,255**
HOUSE	257,220		565,314	440,420	379,400	608,070	170,654	640,120	267,939	264,000	387,900	722,916	**4,703,953**
RURAL DEV.	32,000					25,460			26,500	28,500			**112,460**
LIMITED REFI			31,950	55,000	164,820					113,953			**365,723**
FIXED35										422,000	220,000	189,050	**831,050**
Total	**6,036,527**	**5,115,359**	**7,321,117**	**7,497,682**	**9,253,475**	**15,048,360**	**12,528,791**	**16,995,097**	**14,997,004**	**10,219,757**	**11,658,370**	**12,939,902**	**129,611,441**

MOBILE HOME	905,200	577,811	396,190	707,480	972,825	1,809,676	1,505,907	1,043,436	392,800	1,336,196	1,151,800	1,279,875	**12,079,196**

CY07 Dollar Volume by Lender

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	YTD TOTAL
NEW ENGLAND FCU	1,346,555	1,541,630	2,594,454	1,717,618	2,358,018	3,217,408	2,500,103	5,527,200					20,802,986
CHITTENDEN MTG SVCS	1,273,940	1,152,919	1,731,800	361,585	1,607,077	1,441,129	2,501,634	2,016,250					12,086,334
UNIVERSAL	770,522	902,682	829,070	824,216	1,855,392	1,539,086	1,184,600	1,471,914					9,377,482
MTG FINANCIAL	178,208	75,000	119,900	171,111	218,113	1,557,495	1,162,002	1,192,472					4,674,301
COMMUNITY	314,700	140,904	534,669	300,300	384,761	661,539	1,162,605	1,162,574					4,662,052
SUMMIT	213,928	164,560	1,127,002		395,214	365,884	845,101	903,864					4,015,553
NORTHFIELD	317,900		439,504	133,000	105,000	1,193,006	602,331	811,060					3,601,801
VT STATE ECU	211,700	383,050	222,000	274,316	308,990	174,800	509,638	1,321,576					3,406,070
N.E. HOME LOAN	330,950		483,760	163,430	328,850	495,875	423,305	916,666					3,142,836
HERITAGE FCU	198,203	389,100	56,000	1,003,800	151,000	150,000	285,562	766,020					2,999,685
LIBERTYQUEST	214,442		145,000	348,225	308,073	352,298	586,000	721,160					2,675,198
NORTH COUNTRY CU	492,800		268,200	105,875	80,000	343,227	341,500	929,727					2,561,329
TDBANKNORTH	224,050	266,100		337,973	420,000		477,493	612,700					2,338,316
VT FEDERAL CU			277,000	98,500		75,000	994,641	691,930					2,137,071
UNION	242,570		393,000		458,110		307,000	658,948					2,059,628
FIRST COMMUNITY			210,175	441,401	184,600	776,645		114,000					1,726,821
PEOPLES TRUST		175,000		493,400	175,000	443,200	198,500						1,485,100
COUNTRYWIDE	252,900		149,900	269,865		411,650	131,000						1,215,315
CT RIVER		113,490			312,205	148,473		574,800					1,148,968
GMAC		75,000				350,895	261,240	396,000					1,083,135
OPPORTUNITIES CU			135,800				543,053	358,500					1,037,353
BRATTLEBORO				200,500	143,200		386,500	190,000					920,200
LAKE SUNAPEE			103,000				197,472	472,100					772,572
MASCOMA	97,000		113,317	227,420				327,000					764,737
CCO MORTGAGE			205,200			142,000	101,850	234,250					683,300
NAT'L BNK MIDDLE				129,782		103,000	100,000	299,200					631,982
CTX				242,125	168,571	207,757							618,453
FACTORY PT						245,000		293,000					538,000
NATIONAL CITY								295,000					295,000
BANK OF BENN				68,500	151,050								219,550
FIRST NAT'L BNK ORWELL								167,900					167,900
RIVER VALLEY CU					41,300	19,000	32,000						92,300
KEY BANK													0
LYNDONVILLE													0
VHFA (RD)													0
WELLS FARGO													0
TOTAL	$6,680,368	$5,379,435	$10,138,751	$7,912,942	$10,154,524	$14,414,367	$15,835,130	$23,425,811	$0	$0	$0	$0	$93,941,328

No longer participating:
Kittredge Mortgage

Re-Activated:
CCO Mortgage (Charter One)
Wells Fargo
First Brandon (aka Lake Sunapee)
National City
KeyBank

CY07 Number of loans

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	YTD TOTAL
NEW ENGLAND FCU	8	9	16	10	15	18	16	34					126
CHITTENDEN MTG SVCS	9	8	11	3	10	9	17	16					83
UNIVERSAL	5	5	5	7	13	9	9	10					63
COMMUNITY	3	1	4	3		6	8	9					34
MTG FINANCIAL	1	1	1	1	1	9	8	7					29
N.E. HOME LOAN	3		4	2	3	4	4	8					28
NORTHFIELD	3		3	1	1	8	4	5					25
HERITAGE FCU	2	3	1	7	1	1	2	6					23
VT STATE ECU	2	3	1	2	2	1	3	9					23
SUMMIT	1	1	6		2	2	5	5					22
NORTH COUNTRY CU	4		3	1	1	2	3	6					20
TDBANKNORTH	2	2		3	3		4	4					18
LIBERTYQUEST	1		1	2	2	2	4	5					17
FIRST COMMUNITY			3	3	2	6		1					15
UNION	2		3		3		2	5					15
VT FEDERAL CU			2	1		1	6	4					14
COUNTRYWIDE	2		1	2	3	3	1						12
PEOPLES TRUST		1		3	1	4	1						10
CT RIVER		1			2	1		5					9
GMAC		1				3	2	3					9
OPPORTUNITIES CU			1				4	2					7
BRATTLEBORO				2	1		2	1					6
MASCOMA	1		1	2				2					6
NAT'L BNK MIDDLE				1		2	1	2					6
CCO MORTGAGE			1			1	1	2					5
LAKE SUNAPEE			1				1	3					5
FACTORY PT						2		2					4
CTX				1	1	1							3
RIVER VALLEY CU					1	1	1						3
BANK OF BENN				1	1								2
NATIONAL CITY								2					2
FIRST NAT'L BNK ORWELL								1					1
LYNDONVILLE													0
VHFA (RD)													0
WELLS FARGO													0
KEY BANK													
TOTAL	49	36	69	58	69	96	109	159	0	0	0	0	645

No longer participating:
Kittredge Mortgage

Re-Activated:
CCO Mortgage (Charter One)
Wells Fargo
First Brandon (aka Lake Sunapee)
National City
KeyBank

FY08 Production Summary

July 1, 2007 - June 30, 2008

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total
MOVE	15,006,819	22,493,246											**37,500,065**
HOUSE	753,673	932,565											**1,686,238**
RURAL DEV.													**0**
LIMITED REFI	74,638												**74,638**
FIXED35													**0**
Dollar Total	**15,835,130**	**23,425,811**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**39,260,941**
Total # of Loans	**109**	**159**											**268**
MOBILE HOME	17	17											**34**
Total # of MH*													**0**

*The Mobile Home # is included in the above line item titled "Total # of Loans"

FY07 Production Summary

July 1, 2006 - June 30, 2007

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total
MOVE	12,358,137	16,354,977	14,702,565	9,391,304	11,050,470	12,027,936	6,478,688	5,154,110	9,199,141	7,493,657	9,454,524	14,182,842	**127,848,351**
HOUSE	170,654	640,120	267,939	264,000	387,900	722,916	201,680	225,325	692,110	419,285	495,000	231,525	**4,718,454**
RURAL DEV.			26,500	28,500									**55,000**
LIMITED REFI				113,953									**113,953**
FIXED35				422,000	220,000	189,050			247,500		205,000		**1,283,550**
Dollar Total	**12,528,791**	**16,995,097**	**14,997,004**	**10,219,757**	**11,658,370**	**12,939,902**	**6,680,368**	**5,379,435**	**10,138,751**	**7,912,942**	**10,154,524**	**14,414,367**	**134,019,308**
Total # of Loans	**87**	**122**	**104**	**75**	**82**	**90**	**49**	**36**	**69**	**58**	**69**	**96**	**937**
MOBILE HOME	1,505,907	1,043,436	392,800	1,336,196	1,151,800	1,279,875	**865,250**	220,750	565,164	1,009,882	1,070,175	1,110,190	**11,551,425**
Total # of MH*	**15**	**13**	**5**	**14**	**13**	**13**	**9**	**2**	**6**	**9**	**12**	**13**	**124**

*The Mobile Home # is included in the above line item titled "Total # of Loans"

FY08 Dollar Volume by Lender

July 1, 2007- June 30, 2008

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD TOTAL
NEW ENGLAND FCU	2,500,103	5,527,200											$8,027,303
CHITTENDEN MTG SVCS	2,501,634	2,016,250											$4,517,884
UNIVERSAL	1,184,600	1,471,914											$2,656,514
MTG FINANCIAL	1,162,002	1,192,472											$2,354,474
COMMUNITY	1,162,605	1,162,574											$2,325,179
VT STATE ECU	509,638	1,321,576											$1,831,214
SUMMIT	845,101	903,864											$1,748,965
VT FEDERAL CU	994,641	691,930											$1,686,571
NORTHFIELD	602,331	811,060											$1,413,391
N.E. HOME LOAN	423,305	916,666											$1,339,971
LIBERTYQUEST	586,000	721,160											$1,307,160
NORTH COUNTRY CU	341,500	929,727											$1,271,227
TDBANKNORTH	477,493	612,700											$1,090,193
HERITAGE FCU	285,562	766,020											$1,051,582
UNION	307,000	658,948											$965,948
OPPORTUNITIES CU	543,053	358,500											$901,553
LAKE SUNAPEE	197,472	472,100											$669,572
GMAC	261,240	396,000											$657,240
BRATTLEBORO	386,500	190,000											$576,500
CT RIVER		574,800											$574,800
NAT'L BNK MIDDLE	100,000	299,200											$399,200
CCO MORTGAGE	101,850	234,250											$336,100
MASCOMA		327,000											$327,000
NATIONAL CITY		295,000											$295,000
FACTORY PT		293,000											$293,000
PEOPLES TRUST	198,500												$198,500
FIRST NAT'L BNK ORWELL		167,900											$167,900
COUNTRYWIDE	131,000												$131,000
FIRST COMMUNITY		114,000											$114,000
RIVER VALLE CU	32,000												$32,000
BANK OF BENN													$0
CTX													$0
LYNDONVILLE													$0
VHFA (RD)													$0
WELLS FARGO													$0
TOTAL	$15,835,130	$23,425,811	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$39,260,941

No longer participating:
Kittredge Mortgage

Re-Activated:
CCO Mortgage (Charter One)
First Brandon (aka Lake Sunapee)
Wells Fargo
National City
KeyBank

FY08 Loan Volume by Lender

July 1, 2007 - June 30, 2008

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD TOTAL
NEW ENGLAND FCU	16	34											50
CHITTENDEN MTG SVCS	17	16											33
UNIVERSAL	9	10											19
COMMUNITY	8	9											17
MTG FINANCIAL SRV	8	7											15
N.E. HOME LOAN	4	8											12
VT STATE ECU	3	9											12
SUMMIT	5	5											10
VT FEDERAL CU	6	4											10
LIBERTYQUEST	4	5											9
NORTH COUNTRY FCU	3	6											9
NORTHFIELD	4	5											9
HERITAGE FCU	2	6											8
TDBANKNORTH	4	4											8
UNION	2	5											7
OPPORTUNITIES CU	4	2											6
CT RIVER		5											5
GMAC	2	3											5
LAKE SUNAPEE	1	3											4
BRATTLEBORO	2	1											3
CCO MORTGAGE	1	2											3
NAT'L BNK MIDDLE	1	2											3
FACTORY PT		2											2
MASCOMA		2											2
NATIONAL CITY		2											2
COUNTRYWIDE	1												1
FIRST COMMUNITY		1											1
FIRST NAT'L BNK ORWELL		1											1
PEOPLES TRUST	1												1
RIVER VALLEY CU	1												1
BANK OF BENN													0
CTX													0
KEYBANK													0
LYNDONVILLE													0
VHFA (RD)													0
WELLS FARGO													0
TOTAL	109	159	0	0	0	0	0	0	0	0	0	0	268

No longer participating:
Kittredge Mortgage

Re-Activated:
CCO Mortgage (Charter One)
First Brandon (aka Lake Sunapee)
Wells Fargo
National City
KeyBank

VERMONT HOUSING FINANCE AGENCY
HOMEOWNERSHIP PROGRAM MONTHLY DELINQUENCY REPORT
August 31, 2007

Lenders	Total Loans	30 Days		60 Days		90+ Days		In Foreclosure		Total Delinquent		REO	
Bank of Bennington	64	5	7.81%	1	1.56%	0	0.00%	0	0.00%	6	9.38%	0	0.00%
Chittenden Mortgage Services	1215	55	4.53%	21	1.73%	12	0.99%	14	1.15%	102	8.40%	1	0.08%
Graystone Mortgage Company	2258	94	4.16%	20	0.89%	6	0.27%	22	0.97%	142	6.29%	2	0.09%
Brattleboro Savings & Loan	91	2	2.20%	0	0.00%	3	3.30%	0	0.00%	5	5.49%	0	0.00%
Union Bank	323	8	2.48%	6	1.86%	0	0.00%	2	0.62%	16	4.95%	0	0.00%
Community National Bank	339	10	2.95%	5	1.47%	1	0.29%	0	0.00%	16	4.72%	0	0.00%
Opportunities CU	133	4	3.01%	1	0.75%	1	0.75%	0	0.00%	6	4.51%	0	0.00%
Peoples Trust Co.	113	1	0.88%	2	1.77%	0	0.00%	0	0.00%	3	2.65%	0	0.00%
Heritage Family Credit Union	144	2	1.39%	1	0.69%	0	0.00%	0	0.00%	3	2.08%	0	0.00%
Mascoma Savings Bank	49	1	2.04%	0	0.00%	0	0.00%	0	0.00%	1	2.04%	0	0.00%
Connecticut River Bank	62	1	1.61%	0	0.00%	0	0.00%	0	0.00%	1	1.61%	0	0.00%
New England Federal CU	513	3	0.58%	0	0.00%	0	0.00%	0	0.00%	3	0.58%	0	0.00%
CitiMortgage	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Factory Point Nat. Bank	65	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Randolph National Bank	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Totals	**5373**	**186**	**3.46%**	**57**	**1.06%**	**23**	**0.43%**	**38**	**0.71%**	**304**	**5.66%**	**3**	**0.06%**
Totals Previous Month	**5258**	**200**	**3.80%**	**51**	**0.97%**	**23**	**0.44%**	**37**	**0.70%**	**311**	**5.91%**	**2**	**0.04%**
Totals Same Mo. Last Yr.	**4876**	**187**	**3.84%**	**41**	**0.84%**	**16**	**0.33%**	**41**	**0.84%**	**285**	**5.84%**	**2**	**0.04%**

Note: Of the loans in foreclosure, a total of 17 are under a Chapter l3 Bankruptcy Plan

Monthly Delinquency by Servicer

Lenders	Aug 2006	Sept 2006	Oct 2006	Nov 2006	Dec 2006	Jan 2007	Feb 2007	March 2007	April 2007	May 2007	June 2007	July 2007	Aug 2007
Bank of Bennington	4.55%	1.52%	0.00%	4.55%	2.94%	6.06%	3.03%	3.13%	1.56%	4.62%	4.62%	7.69%	9.38%
Brattleboro Savings & Loan	3.53%	3.53%	3.57%	5.81%	7.87%	5.62%	5.62%	2.25%	1.11%	3.33%	6.67%	5.43%	5.49%
Chittenden Mortgage Services	8.39%	9.04%	8.08%	9.97%	11.08%	9.59%	9.34%	8.04%	7.27%	8.11%	7.97%	9.11%	8.40%
CitiMortgage	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Community National Bank	4.29%	6.27%	5.92%	5.70%	7.23%	6.29%	4.72%	3.73%	5.25%	5.57%	5.21%	5.14%	4.72%
Connecticut River Bank	3.70%	0.00%	0.00%	0.00%	3.64%	0.00%	0.00%	0.00%	0.00%	1.75%	0.00%	0.00%	1.61%
Factory Point Nat. Bank	1.56%	3.17%	1.67%	0.00%	0.00%	1.61%	1.61%	1.64%	1.64%	3.28%	0.00%	1.61%	0.00%
Graystone	6.38%	7.34%	6.75%	7.54%	7.65%	6.92%	6.88%	6.16%	6.35%	6.50%	6.95%	6.20%	6.29%
Heritage Family CU	2.56%	3.36%	3.31%	2.38%	2.38%	2.36%	2.31%	2.29%	0.00%	2.17%	1.44%	1.45%	2.08%
Mascoma Savings Bank	0.00%	2.50%	2.44%	2.44%	6.82%	2.22%	4.44%	2.22%	2.13%	2.13%	4.26%	2.13%	2.04%
New England Federal CU	0.56%	0.27%	0.26%	0.00%	0.74%	0.49%	0.95%	0.23%	0.68%	0.66%	1.07%	0.83%	0.58%
Opportunites CU	7.64%	6.34%	5.59%	6.38%	4.29%	6.62%	5.88%	4.44%	5.19%	3.01%	3.05%	4.58%	4.51%
Peoples Trust Co.	3.06%	3.92%	4.81%	4.76%	3.77%	4.72%	2.80%	0.93%	3.64%	4.50%	4.42%	3.51%	2.65%
Randolph National Bank	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Union Bank	4.32%	4.01%	3.06%	5.25%	6.13%	5.56%	4.67%	4.33%	4.39%	4.69%	5.31%	5.94%	4.95%

HOMEOWNERSHIP DELINQUENCY REPORT
FISCAL YEAR 2008

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
Total Portfolio #	5258	5373											5316
Total Portfolio $	482.5	502.4											492.5

NUMBER OF DELINQUENT LOANS

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	200	186											193
60 Days	51	57											54
90 Days	23	23											23
Foreclosure	37	38											38
Total Delq FY 08	311	304	0	0	0	0	0	0	0	0	0	0	308
Total Delq FY 07	303	285	317	287	337	367	330	316	271	272	295	308	307

PERCENT BY NUMBER OF DELINQUENT LOANS

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	3.80%	3.46%											3.63%
60 Days	0.97%	1.06%											1.02%
90 Days	0.44%	0.43%											0.44%
Foreclosure	0.70%	0.71%											0.71%
Total Delq FY 08	5.91%	5.66%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	5.79%
Total Delq FY 07	6.31%	5.85%	6.42%	5.80%	6.65%	7.28%	6.52%	6.24%	5.30%	5.31%	5.73%	5.92%	6.11%

DOLLAR AMOUNT OF DELINQUENT LOANS

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	$13.4	$12.3											$12.9
60 Days	$3.2	$3.6											$3.4
90+ Days	$3.9	$3.9											$3.9
Total Delq FY 08	$20.5	$19.8	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$20.2
Total Delq FY 07	$17.2	$16.7	$18.8	$18.5	$20.6	$23.0	$20.5	$20.7	$16.8	$16.4	$19.1	$19.4	$19.0

REO INVENTORY REPORT
As of August 31, 2007

Mortgagor	REO Date	City/Town	Princ. Bal.	Interest	Expenses	Receipts (1)	Total Cost Basis	Valuation Allowance	List Amount (2)	Current Appraisal	Date Last Appraised	Original Appraisal	Loan Date	Type	Comments
Munyon	6/21/2007	Braintree	$ 45,275	$ 4,854	$ 9,597	$ -	$ 59,726	$ -	$ 75,000	$ 70,000	6/6/07	$ 51,000	12/31/96	SF	
Bunchus	8/1/2007	West Rutland	$ 65,973	$ 8,141	$ 15,125	$ -	$ 89,239	$ -	$ 83,000	$ 85,000	7/10/07	$ 81,000	06/01/95	SF	UC $83,000; Closing 9/27/07
Lampman	8/30/2007	Alburgh	$ 55,527	$ 3,525	$ 5,214	$ 16,500	$ 47,766	$ -	$ 42,000	$ 35,000	6/25/07	$ 59,000	09/23/05	MH	
3			**$ 166,775**	**$ 16,520**	**$ 29,936**	**$ 16,500**	**$ 196,731**	**$ -**	**$ 200,000**	**$ 190,000**		**$ 191,000**			

REOS that are under deposit

(1) Receipts column represents actual and projected/estimated mortgage insurance claim payments

(2) If Property is under deposit the List Price is the actual sale price.

Interesting Housing Fact

October 2007 Board Meeting

Excerpt from a National Low Income Housing Coalition Memo to Members (May 25, 2007)

Increased access to credit for low income Americans may lead to unsustainable debt burdens and financial hardship, according to a new report by Matt Fellowes and Mia Mabanta of the Brookings Institution.

Using data from the Survey of Consumer Finances, the authors examined the growth in credit usage in lower income markets between 1989 and 2004. The authors found that the proportion of indebted, lower income households increased by 10%, but the total amount of their debt increased far more significantly – by 308%. Most of this increase is attributable to increased borrowing for mortgages and installment trades tied to homeownership, such as loans for furniture and appliances. Homeownership-related debt now accounts for $7 out of every $10 owed by lower income families and is the fastest growing type of debt for these households.

The authors note that while increased lending may expand asset ownership in lower income markets, it may also load low income families with unmanageable amounts of debt. More than one-fourth of lower income borrowers now devote 40% of their earnings to debt payment, a dramatically higher proportion compared to those with higher incomes. The high costs of debt servicing may undermine the ability to save for additional investment or pay bills on time. In fact, about one out of every three lower income borrowers reported that they have trouble making payments on time.

Policymakers should approach homeownership-boosting initiatives for lower income households cautiously, as homeownership may not be a wise decision for every person that qualifies for credit.

The full report can be found at: http://www3.brookings.edu/views/articles/fellowes/20070508.pdf

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director

DATE: September 24, 2007

RE: **EXECUTIVE DIRECTOR'S REPORT**

Administration

Several staff members attended the NCSHA Annual Conference in New Orleans September 15th--18th. An important highlight of the trip was an opportunity for four staff (and one spouse) to participate in a Habitat for Humanity project for a day. Though it was 95 degrees and incredibly humid, they persevered and contributed to the colorful new homes being built in one of the most devastated areas of the city. Rick Jean, Scott Baker, John Fairbanks, Renee Couture and her husband Craig were very grateful for the opportunity to provide assistance even though it was just for a day. Pictures will be available at the Board meeting.

Tom, Elizabeth, Sam, Maura and I also attended the NCSHA Annual Conference. In addition to participating in three days of roundtables and workshops, we also had several valuable meetings and discussions with other HFA's as well as underwriters, financial advisors, bond insurers, software companies, audit firms and ratings agencies,.

A great deal of work continues with the preparation for the Mitas software upgrade which starts October 1st. Mitas will be on site October 2nd through the 5th to ensure a smooth transition. Homeownership, Finance and Information Systems staffs' have been diligent in working through all the minutia that comes with a conversion. There are two significant issues remaining but these are expected to be resolved by September 25th.

The Agency kicked off its 2007 United Way campaign at a staff meeting on September 13th. After a review of the brief video, our loaned executive, Dian Weston and United Way Development Director, Jennifer Olson addressed the staff, discussing the many ways our UW contributions help within the community and that UW is so grateful for all of VHFA's past support and look forward to this year's campaign. There are several events planned for the remainder of the year in addition to the other UW events held during the year.

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EQUAL HOUSING OPPORTUNITY

The Agency has just wrapped up its second Weight Watchers program that was held at the Agency. Fifteen Agency staff members participated in 24 weeks of the program. The Agency will not continue with the program at this time, as too many staff attained or maintained Life Time Status – met and stayed within their goal weight. The combined total weight loss was 164.8 pounds! Three people reached their goal weight and two reached lifetime status.

Development

The Development Department saw the departure of our temp, Holly Brown, and the return of Nina McDonnell from her family leave (her beautiful new daughter is named Vivienne).

Staff has worked on numerous applications and open projects, and took a tour of the Keen's Crossing development in downtown Winooski, which is ahead of schedule for both construction and lease-up. Armory Square received a commitment for VCDP funds and the project's sponsors are proceeding toward acquisition on 9/28/07. Main Street Mill in Richford (a 12-unit tax credit project) is completed; there is a ribbon cutting scheduled for Friday October 5th at 1:00 pm – you are all invited to attend.

Cindy Reid, along with representatives of the other funding agencies, ran a "Housing 101" workshop for staff at the Department of Aging and Independent Living, as part of her ongoing efforts to bring the housing and service sides of the equation together.

The Joint Committee on Tax Credits met on September 21 to discuss changes to the Allocation Plan for 2007-2008, which will be brought to the Board at its next business meeting.

Josh Slade has been doing work on both the Qualified Allocation Plan changes and the draft Green Building and Design Standards. The Green Building and Design Standards are being reviewed by staff and developers, and should be brought to the Board in the next few months.

Multifamily

Multifamily staff is working on 2008 budget approvals and finishing up 2007 physical inspections, HUD Management Reviews and tax credit audits and inspections. Legal and MF staff have now closed all but one of the restructured loans in connection with the Multi Purpose bond issue.

I am happy to report that largely through the efforts of newly promoted Management Officer Erin Philbrick, the serious compliance dispute we had with a Burlington property owner/manager has been resolved and seven months of Housing Assistance Payments we were withholding have finally been released.

On October 25-26, I expect to join Multifamily staff at the 26th Annual Vermont Housing Managers Conference to be held in Killington.

Homeownership

Homeownership staff has been very busy with production as well as preparing for the Mitas conversion. Jacklyn Santerre continues in her usual well organized leadership role, representing the department in meetings with the VHFA project team as well as with Mitas.

Pat Crady has been working the Homeownership Centers \ Revolving Loans funds to completer the Memorandum of Agreement between VHFA and the Agency of Natural Resources Universal Jurisdiction.

Congratulations to Erin Navin, our Homeownership Outreach Coordinator, on her recent marriage to Tim Perrin.

Public Affairs

VHFA's new housing issue paper, "Housing and the Needs of Vermont's Aging Population," was released on September 10th, and we earned stories on WCAX and WDEV-Waterbury. We mailed out nearly 1,000 hard copies and sent out more via e-mail. At the NCSHA conference last month, both John and I received numerous compliments on the report.

Craig Bailey is in the home stretch on our next annual report and calendar. We hope all the Commissioners will attend the upcoming board meeting, so we can take the group photograph!

John has been on the road around the state recently, assisting various organizations with their communications and making presentations. He sat on a panel with Brenda Torpy, CEO of Champlain Housing Trust; and Rep. Helen Head, chair of the House General, Housing and Military Affairs Committee, hosted by the League of Women Voters. He helped organized a well-covered press event in St. Albans with Rep. Peter Welch on September 12th, and he has been participating in the discussions in Montpelier surrounding future plans for Sabin's Pasture. And he is working with Neighborworks of Western Vermont on a luncheon/press event they have scheduled for October 3rd.

Finance

After closing the new multi-purpose bond resolution in late July, the bond working group immediately began working on another single family issue due to the continued high demand for single family mortgages. The group worked diligently to structure and price a new single family bond deal that will meet the Agency's needs through the end of calendar year 2007. Retail pricing was completed on August 22nd and institutional pricing was completed on August 23rd. Despite market pressures caused by the sub-prime mortgage crisis, the team was able to close the deal with prices favorable to the Agency, supporting competitive single family mortgage rates. The 2007 Multiple Purpose CD bond deal was closed successfully on September 12th.

The new relationship with Wells Fargo continues to go well. They are now the trustee on the 2007 Multiple Purpose AB issue as well as the latest CD issue.

Finance staff wrapped up the year-end financial close and audit in late September. Draft financial statements will be reviewed with the Audit/Risk Committee on September 28th and presented to the Board at the October 1st Board Meeting. The fiscal year was closed in the Mitas System on September 11th, which is the earliest it has been closed in many years. The finance team deserves a lot of credit for completing the close this quickly. Tim Gutchell and Scott Baker provided the leadership required to keep the process on schedule. Thanks to all for working the extra hours required to make this a successful audit. The team from KPMG has been giving positive feedback throughout the audit and has been complimentary of the staff.

In parallel with the audit the Finance staff continued its hard work on the Mitas systems upgrade. Lisa Clark also continues her leadership role in the conversion, representing the department in meetings with the VHFA project team as well as with Mitas. The team has completed a thorough testing process, including formal signoff by all participants, and is cautiously optimistic as we speed towards the October 1st conversion.

The Agency is approaching its total outstanding debt limitation ($900 million) established in its charter. Tom Connors has been consulting with other HFA's to understand what their debt limitation is or whether they have one at all. He has almost completed an analysis which will be used to approach the legislature for approval to increase the debt limitation. Ideally, the Agency would prefer to have the limitation removed. Many HFA's have no debt limitation.

Other

I will be attending the Federal Home Loan Bank Advisory Board meeting in Boston on Thursday. Also this week the National Association of State and Local Equity Funds (NASLEF), organizations similar to Housing Vermont, will be holding their annual conference in Burlington. Several hundred people from around the country are expected to attend. I and several other staff will be speaking or participating in workshops.

See you on the 1st.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director

DATE: November 1, 2007

RE: CONFIRMATION OF UPCOMING VHFA BOARD MEETING

This is to notify you that the next meeting of the Vermont Housing Finance Agency Board of Commissioners has been confirmed. The meeting will be held:

Thursday, November 8, 2007
The Green Mountain Inn – Village Room
Stowe

Noon

Attached are the Agenda and Board packet. Please feel free to contact me should you have any questions prior to the meeting.

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EQUAL HOUSING OPPORTUNITY

VHFA BOARD MEETING AGENDA
Green Mountain Inn – Village Room
Stowe, VT
Thursday, November 8, 2007
12:00 noon

Change to Single Family 4.75% Loan Program — Enclosure/Adams

New Business

Adjournment

** Call Lori at 652-3404 or e-mail lgilding@VHFA.org by noon Sept 28th to request items be removed from the Consent Agenda*

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FR: David Adams, Chief of Program Operations

RE: Changes to Single Family 4.75% Program

DT: October 31st, for November 8th, 2007 Board Meeting

Board Action Requested
Authorization to make changes to VHFA Single Family 4.75% Homeownership Loan Program to set aside $1 million of the funds remaining for single family for-sale developments currently financed by the Agency, and to increase the purchase price limits from $235,000 to $240,000.

Background:
In June 2006, the Agency implemented a $10 million Single Family loan program, with a rate of 4.75%. Loans made under this program were limited to the purchase of newly constructed homes in projects reviewed and approved by the Agency. The maximum home price under this program is currently $235,000 and household income is restricted to 100% of median income ($62,000). To date we have approved 47 projects, representing a total of 947 new housing units, 470 of which would fall into the 4.75% Loan Program parameters. We have purchased or reserved 50 loans totaling just over $8.0 million.

Staff is requesting that of the $2 million remaining, we set aside $1 million for single family projects where we have construction financing outstanding. A spreadsheet is attached detailing loans outstanding for each project. In several of these, the pace of sales is behind projections. Those include, Middlebury South Village, Stowe Family Housing, Burlington Co-Housing, Proctorsville and Butterfield. Reserving 4.75% financing for homebuyers in these projects may be necessary to help with the pace of sales. Additionally, staff request approval to increase the purchase price limits from $235,000 to $240,000. No change in the income limit is proposed.

December 31st was the original deadline for all funds under the 4.75% program to be committed. After that date, staff proposes to pull back all remaining funds into the proposed set aside for the VHFA financed projects and to hold that funding until June 30, 2008 or when all funds have been committed, whichever occurs first. If there is any uncommitted funding remaining at the end of June, we will need to reopen the doors to be sure that all funds are spent by no later than February 26th, 2009, the latest date under the bond regulations by which the Agency must have purchased all loans for that bond issue.

Staff recommendation:
Staff recommends the Board approve the changes requested above.

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EQUAL HOUSING OPPORTUNITY

Single Family Projects Currently Financed by VHFA

Projects with Construction Financing

Project Name	Project Sponsor	County	# of Units	Date Closed	Loan Amount	Unit Price Range	# Units Sold	Units Bui	Spec Units
East View Co-Housing	B-CoHousing	Chittenden	30	9/12/2006	$ 6,100,000	195,000 to 330,000		30	
Middlebury -Cottages	NHS-WVT	Addison	27	11/14/2006	$ 2,530,000	215,000 to 266,000	2	1	2
Green Woods Village	J. Parker	Addison	7	11/20/2006	$ 700,000	172,000 to 221,000	1	1	
Stowe Family Condominiums	HVT/LHP	Lamoille	8	Nov-06	$ 1,747,000	239,900	0	8	8
Butterfield Commons	BACLT	Windham	32	1/30/2007	$ 625,000	213,000 to 225,000	0	4	4
Proctorsville Green	HVT/RACLT	Windsor	4	6/20/2007	$ 660,000	187,500			
Cascades - Winooski	HallKeen	Chittenden	70	9/28/2007	$ 3,000,000	195,000 to 695,000	10	0	0
Cameron's Run	CHT	Chittenden	2	9/30/2007	$ 464,000	241,150		2	2
East Branch Farms	J. Wien	Bennington	20	10/13/2007	$ 3,000,000	220,000 to 425,000		0	10 to 20
9 Projects			200		$ 18,826,000				

Projects in Predevelopment Stage

Project Name	Project Sponsor	County	# of Units	Date Closed	Loan Amount	Unit Price Range	# Units Sold	Units Bui	Spec Units
Cornell Building	Hartland Group	Chittenden	25	12/1/2003	$ 187,000	175,000 to 285,000	0	0	0
Salisbury Square-Randolph	RACDC	Orange	25	8/8/2006	$ 100,000	Not Yet Determined	0	0	0
Blackberry Commons	J Carroll	Chittenden	28	11/1/2006	$ 200,000	175000 to 225,000 est.	0	0	0
Mad River Meadows-Condos	CVCLT	Washington	8	3/28/2007	$ 25,500	Not Yet Determined	0	0	0
East Randolph Meadows	D. Dybvig	Washington	24	6/21/2007	$ 40,000	175,000 to 200,000	0	0	0
5 Projects			110		$ 552,500				

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director

DATE: November 26, 2007

RE: CONFIRMATION OF UPCOMING VHFA BOARD MEETING

This is to notify you that the next meeting of the Vermont Housing Finance Agency Board of Commissioners has been confirmed. The meeting will be held:

Monday, December 3, 2007
Keen's Crossing (Function Room)
85 Winooski Falls Way
Winooski.

9:30 a.m. – 2:00 p.m.

Attached are the Agenda and Board packet. Please feel free to contact me should you have any questions prior to the meeting.

Directions are as follows:

From Burlington take 7N over the bridge to Winooski. Take an immediate right onto Winooski Falls Way and proceed to the first stop sign. Turn left onto Cascades Way and then an immediate left into the parking garage. From the garage follow the signs down Winooski Falls Way to the second building on the left.

From Colchester take 7S to the roundabout and take the exit after the bridge to Burlington to Winooski Falls Way. Follow the directions above to get the meeting.

From Essex or 89 take Rt. 15 to Winooski. Turn left at the light at Cascade Way. Go to the bottom of the hill and right onto Winooski Falls Way. Go to the first stop sign and turn right onto Cascade Way and then an immediate left into the garage. Follow the directions above to the meeting.

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EQUAL HOUSING OPPORTUNITY

VHFA BOARD MEETING AGENDA

Function Room
Keen's Crossing
85 Winooski Falls Way, Winooski
9:30 a.m. – 2:00 p.m.

Review and Approval of October 1, 2007 Board Minutes	Enclosure
Review and Approval of November 7, 2007 Board Minutes	Enclosure

Consent Agenda: ***Action Requested****

• Newport City Senior Housing, Construction Loan/4% Credits	Reid/Enclosure
• Fourwinds, St. Albans – Construction Loan, Permanent Financing/Bond Credits	Erdelyi/Enclosure

Development - Loans and Tax Credits ("TC")

• 2008/2009 Qualified Allocation Plan	Erdelyi/Enclosure
• Cameron's Run, Milton – Additional Bridge Financing	Davis/Enclosure
• Change to Single Family 4.75 Loan Program	Adams/Enclosure

Homeownership

• Program Changes	Crady/Enclosure

Multifamily

Finance

• Single Family General Authorizing Resolution	Connors/Enclosure
• Private Activity Volume Cap Year End Report	Connors/Enclosure
• Retreat Follow Up – Financial Partners	Connors/Discussion

Other

Adjournment

Reports: ***FYI Only***

➢ Summary of Homeownership Activities / Reports	Crady/Enclosure
➢ Interest Housing Fact	Black-Plumeau/Enclosure
➢ VHFA's Share of the Single-Family Home Sales Market in FY07	Black-Plumeau/Enclosure
➢ VHFA Quarterly Financial Statements	Connors/Under Separate Cover Email
➢ Executive Director's Report	Carpenter/Enclosure

** Call Lori at 652-3404 or e-mail lgilding@VHFA.org by noon Nov 30th to request items be removed from the Consent Agenda*

vhfa

Vermont Housing Finance Agency

VHFA Board of Commissioners Meeting Minutes
State Office Complex, Stanley Hall, Room #107
Waterbury
Monday, October 1, 2007
9:30 a.m.

VHFA Board Members Present:

Rob Alberts, Paul Beaulieu, Tom Candon (designee for Thabault), Dagyne Canney, Bart Frisbie, John Hall (designee for Kevin Dorn), Gus Seelig – Vice Chair

VHFA Board Members Absent:

Kevin Dorn, Lisa Mitiguy Randall - Chair, Beth Pearce (designee for Jeb Spaulding)

Staff:

Dave Adams, Scott Baker, Sarah Carpenter, Maura Collins, Tom Connors, Pat Crady, Clarence Davis, Joe Erdelyi, Lori Gilding, Tim Gutchell, Pat Loller, Cindy Reid

Guests:

Richard Williams, Vermont State Housing Authority, Jeff Kantor, Development Consultant, Ken Deon, KPMG

Vice Chair Seelig called the meeting to order at 9:35 a.m. A quorum of the Board was present.

BOARD MINUTES

Ms. Canney made a motion to approve the September 5, 2007 Board of Commissioners meeting minutes. Mr. Beaulieu seconded the motion which was unanimously approved.

CONSENT AGENDA

Mr. Hall made a motion to approve the item on the Consent Agenda (restated here):

- Resolution Re: Permanent Financing For Derby Line Gardens, Village of Derby Line

Mr. Alberts seconded the motion which was unanimously approved.

DEVELOPMENT

Meadowlane Apartments, Milton

Mr. Davis reviewed his memo for Request for Construction & Permanent Financing and Allocated Housing Credits: Meadowlane Apartments, Milton. Mr. Davis introduced Mr. Williams, who presented plans for the project to the Board and briefly explained the background of the property. Mr. Williams informed the Board that negotiating a purchase price was difficult with its current owner and that if VHFA does not approve the project, the owner will convert the apartments to one bedroom condos and sell them privately. The current owner is a realtor.

Mr. Kantor explained the unique financial structure of the project. Ms. Carpenter asked what the ramifications would be if 4% tax credits were approved vs. 9%. Mr. Kantor explained that it would result in a funding gap of approximately $875,000 and would greatly compromise the project. He explained that a RD538 application has been filed, but is contingent upon loan approval by VHFA. It is important not to miss the window of opportunity for the RD538 funding as he does not know when it will be available again.

Mr. Candon asked if the request for financing included the cost of rehab of the existing units and Mr. Williams informed the Board that the request includes all the renovations that will be necessary within the next five years according to the CNA report on the project.

Mr. Seelig reported that USDA Rural Development (RD) is excited to see the 538 program used. He said his staff had not had a chance to review the project, but will do so by year-end. He also stated it is the first time in approximately three years that he has seen RD provide the 1% loan as well as rental assistance, making the project very valuable for low income seniors. Mr. Seelig believes the project is distinctive and worth waiving the condition that the project meet three top tier criteria for tax credits.

Mr. Hall made a motion to approve the Request for Construction & Permanent Financing and Allocated Housing Credits: Meadowlane Apartments, Milton. Mr. Beaulieu seconded the motion which was unanimously approved.

Tax Credit Status Report

Mr. Erdelyi reviewed the Tax Credit Status Report. He informed the Board that there is approximately $300,000 remaining for distribution from the 2008 credit ceiling. He reported VHFA received a tax credit application for a project located in Rutland (Otter Creek) however the project does not meet the threshold criteria to move forward. Mr. Erdelyi wanted the Board to be aware of the project.

FINANCE

Mr. Connors introduced Ken Deon from KPMG. Mr. Connors distributed a summary of the financial highlights as a result of the audit.

Mr. Deon explained KPMG's responsibilities in conducting an audit of the financial statements for VHFA. He explained that the financial statements are VHFA's financial statements and that KPMG wrote the management letter.

Mr. Deon distributed a letter to the Board explaining three sets of accounting rules that the agency must work with. All are disclosed in the financial statements. Mr. Deon stated the Agency's accounting policies have not changed since the previous year and there are no unusual transactions in the financial statements. He informed the Board that the audit procedures are designed to detect abuse or fraud. He stated the audit team did not identify any material or any immaterial abuse or fraud during the financial audit. He stated it is the auditors' responsibility to ensure the financial information is consistent with the financial statements based on their review. Mr. Deon reported no disagreement with management and that his audit team received outstanding cooperation from management. Mr. Deon stated KPMG is independent of VHFA.

A management letter was distributed to the Board which included other observations and recommendations as a result of the audit. Mr. Deon reviewed each observation and recommendation. Mr. Connors stated the finance team had already written a response addressing the observations and recommendations.

Mr. Connors reviewed the summary of financial highlights for the audit with the Board. He also commended Scott Baker and Tim Gutchell on the good work they performed while working on the audit and during the Mitas conversion.

Mr. Candon made a motion to accept the audited financial statements as presented subject to no major changes. Ms. Canney seconded the motion which was unanimously approved.

OTHER

Mr. Frisbie asked why single family loans were up for the year and did management expect them to continue to rise. Ms. Carpenter attributed the increase in loans to favorable interest rates and to the fact that other programs in the marketplace were drying up. She stated that throughout the summer the trend has continued. Ms. Crady informed the Board that the average loan amount have also risen due to rising property values.

Ms. Crady reported seeing less foreclosures and more consumers filing Chapter 13. Ms. Canney stated the need for a refinance program for consumers who are locked into unsuitable programs. Ms. Carpenter said she would talk with the lending community to investigate what they have to offer for refinance programs. She stated she was unsure where the Agency would get the funds to create such a program. Ms. Crady stated the National NeighborWorks Center has staffed up and created a national hotline for consumers to obtain counseling. Everyone agreed more consumer education was needed and that the HomeOwnership Centers are a good place to offer more counseling. Mr. Davis stated the key to education for the consumer is getting them to call sooner for counsel, prior to foreclosure.

Ms. Collins reviewed the preliminary agenda for the Board retreat.

Mr. Connors and Mr. Baker presented a slide show on their recent trip to New Orleans for the annual NCSHA conference.

Mr. Beaulieu made a motion to adjourn the meeting. Mr. Hall seconded the motion and the meeting was adjourned at 11:15 a.m.

vhfa

Vermont Housing Finance Agency

VHFA Board of Commissioners Meeting Minutes
Green Mountain Inn
Stowe, Vermont
Thursday, November 8, 2007
12:30 p.m.

VHFA Board Members Present:
Lisa Mitiguy Randall – Chair, Gus Seelig – Vice Chair, Rob Alberts, Paul Beaulieu, Dagyne Canney, Bart Frisbie, Kevin Dorn, Beth Pearce (designee for Jeb Spaulding)

VHFA Board Members Absent:
Tom Candon

Staff:
Dave Adams, Scott Baker, Sarah Carpenter, Maura Collins, Tom Connors, Pat Crady, Joe Erdelyi, Tim Gutchell, Pat Loller, Jacklyn Santerre

Guests:
Andy Gurley, James McIntyre, Jeff Sula – UBS; Al Hans, Manja Dobraca – Piper Jaffray; John Wagner – Kutak Rock

Chair Randall called the meeting to order at 1:10 p.m. A quorum of the Board was present.

HOMEOWNERSHIP
Single Family 4.75% Program Change
Mr. Adams reviewed the Board memo outlining the requested changes. This included a review of the SF Project Listing of properties currently financed by VHFA – both construction and predevelopment.

Mr. Seelig made a motion to approve the request for authorization to make changes to the VHFA SF 4.75% Homeownership Loan Program to set aside $1 million of the funds remaining for single family for-sale developments currently financed by the Agency, and to increase the purchase price limits from $235,000 to $240,000.

Ms. Canney seconded the motion which was unanimously approved.

OTHER BUSINESS

Ms. Carpenter wanted to inform the Board of two items that staff will be addressing in the coming months around the Agency's debt limit and the State's volume cap.

Ms. Carpenter initiated a discussion about the Agency's debt limit, which it will soon exceed. This statutory debt limit is set by the legislature and has been changed a handful of times since VHFA's creation in 1974. The current statutory limit is $900 million and the Agency's current debt is $835 million. The Agency will be looking to the legislature to eliminate the debt limit entirely early in the legislative session in 2008.

Ms. Carpenter also spent some time informing the Board of the current concern around the availability of private activity bond cap. As indicated in the two volume cap charts that were handed out at the meeting, this resource continues to be sought after primarily by VHFA and VSAC, with VEDA utilizing a much smaller, but increasing amount. Sarah stated that the Agency does a fair amount of bond refunding, which minimizes the need for bond cap, but we cannot always depend on this being available for the amounts needed.

Going forward VSAC will be looking for more of the cap as is VEDA and VHFA and there is no real process for determining the allocation of this resource. Ms. Carpenter would recommend an independent professional review/assessment of this resource and how the real needs of the State can be met.

Ms. Carpenter asked for thoughts/guidance from the Board on moving forward with this issue. Ms. Pearce stated she agrees that a more structured process would be helpful. She also said she would follow up with Mr. Spaulding, State Treasurer on what, if any volume cap might be tied up with the telecommunications plan for the State.

Mr. Beaulieu made a motion to recess the meeting. Mr. Frisbee seconded the motion and the meeting was adjourned at 1:35 p.m.

Meeting Reconvened

Ms. Canney made a motion to reconvene the meeting at 2:35 p.m. Mr. Alberts seconded the motion which was unanimously approved.

After a discussion regarding Mortgage Backed Security (MBS) and whole loan programs, Ms. Pearce made a motion for the staff to move forward with the development of an MBS implementation plan, with the caveat that no formal commitments are made by staff until the plan is reviewed and approved by the Board.

Mr. Beaulieu seconded the motion which was unanimously approved.

Ms. Pearce made a motion to adjourn the meeting. Mr. Dorn seconded the motion and the meeting was adjourned at 2:45 p.m.

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Senior Development Underwriter CR

DATE: November 26, 2007

RE: Request for Construction Financing & Bond Credits: Newport City Senior Housing

Name:	Newport City Senior Housing	**Location:**	Newport
Housing Type:	Senior Housing	**Unit Type:**	Flats
Unit Count:	13 Total Units (including manager unit)	**Unit Sizes:**	13 1-Br @ 665 avg s.f.
Total Cost:	$4,194,100 ($3,423,418 residential; $770,682 commercial)	**Per S.F. Acquisition & Construction Cost:**	$179 (residential only)
Loan Requested:	$2,300,000 Construction Loan (tax exempt)	**Sponsor:**	Gilman Housing Trust
Housing Credits:	$103,000 (Bond "4%" Credits)	**Other Funding:**	HUD 202, VCDP, VHCB, HOME, HUD Special Purpose, Neighborworks, Historic Credit, VCIL, Efficiency Vermont

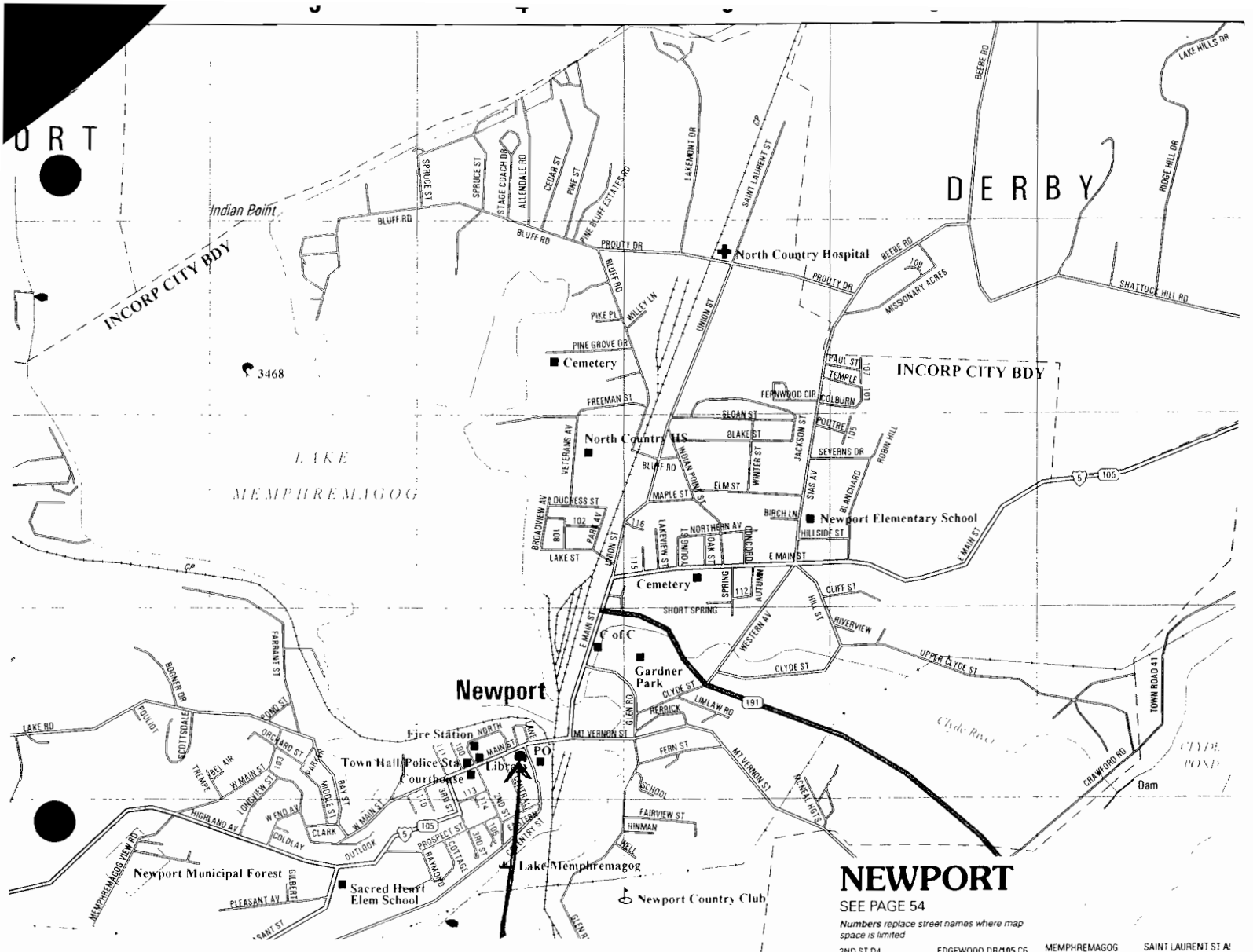
Recommendation: Staff recommends that the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board authorize the Executive Director to issue a Letter of Interest and/or a Commitment Letter to finance this property upon satisfactory completion of staff underwriting and due diligence; and authorize staff to issue the appropriate documentation according to the Qualified Allocation Plan.

Project Summary: Gilman Housing Trust (GHT) is proposing the development of "Newport City Senior Housing" in the City of Newport, a 13-unit mixed finance building utilizing bond credits and HUD 202 financing. GHT has an agreement with Passumpsic Savings Bank to purchase two historic buildings (which are connected) that currently are used for commercial purposes (retail and office space). The two buildings plus an additional lot included in the purchase comprise one half acre of land. An addition will be added to the buildings and will contain an elevator, a stairway, and a third level. The second floor will also be reconfigured as part of the rehabilitation. The Bank is selling the property for below-market value. GHT received a commitment for HUD 202 funding along with rental assistance for 12 of the units. The 13th unit will be for a resident manager. The building will include a community room and laundry facilities on each residential floor. Cathedral Square Corporation (CSC) is providing technical assistance to GHT on the HUD 202 portion of the development also in trying to identify other funding sources for supportive services. Northern Community Management Corporation (NCMC) who will be providing property management will also provide some service coordination for residents. Services that will be coordinated

with area providers will include: transportation; meals program; activities; delivery of groceries, prescriptions and meals; volunteers that provide housekeeping and personal care; and home health and medical services. The City has been very supportive of this proposal and has wanted GHT to develop more senior housing in the downtown area. GHT also has commitments for VHCB and HOME funding and an allocation of HUD Special Purpose funds. The City is applying for a Vermont Community Development Program (VCDP) award which will be decided upon in December, and GHT should have an indication of funding from Neighborworks in late November. The development does not need Act 250 approval, and local permit approval is anticipated in December.

The market study strongly supports the project. It states that the combination of quality, affordability, location, and predominance of seniors and low income seniors in the region, as well as supportive services from the AAA are assets that should make the project very marketable.

Staff is recommending the Board approve up to $2,300,000 in tax-exempt construction financing for the project. Sources of take out for VHFA's loan include the HUD 202 loan and tax credit equity. Northern Community Management Corporation (NCMC) will manage the project once it is complete. The Level I Environmental Site Assessment has been completed but not yet submitted. Staff has not yet received an as-built appraisal. As with all other projects, the plans and specifications and construction itself will be reviewed by our construction consultant. The project will need to comply with VHFA's design and energy standards. GHT is contracting with Jeff Kantor for development consulting, and Black River Design for architectural services. GHT plans to close and begin construction in January and complete the project by November 2008.



NEWPORT

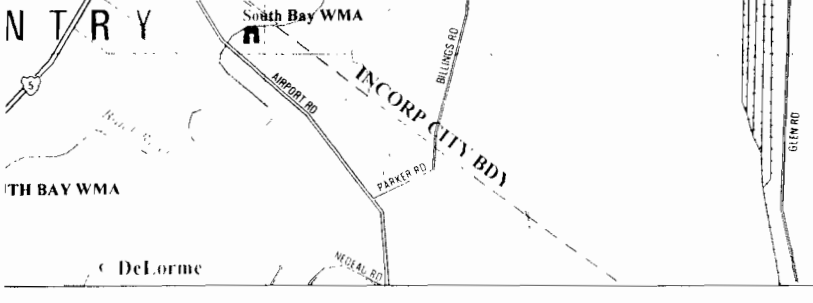
SEE PAGE 54

Numbers replace street names where map space is limited

2ND ST D4
3RD ST D4, E4
AIRPORT RD G3
ALDER BROOK RD F1
ALLENDALE RD A4
AUTUMN ST C5
BAY ST D3
BAYVIEW ST/**100** D4
BEEBE RD A6, B6
BEL-AIR DR D3
BILLINGS RD G3
BIRCH LN C5
BLAKE ST C5
BLANCHARD AV C6
BLUFF RD B3, B4, C5
BOGNER DR D2
BROADVIEW AV C4
CEDAR ST A4
CENTRAL ST D4
CITY FARM RD B1, D1
CLARK ST E3
CLIFF ST C5
CLOUGH ST/**101** B6
CLYDE ST D5
COLBURN ST B5
COLFAX ST/**102** C4
COLOLAY TERR E3
CONCORD AV C5
COTTAGE ST E4
COVENTRY ST E4, F2, F3
CRAWFORD RD D7
CROSS ST/**103** D3
DEROCHER RD/**104** B1
DUCHESS ST C4
E MAIN ST C5, C6, D4
EASTERN AV E4
EDGEWOOD DR/**105** C6
ELM ST C5
FAIRVIEW ST E5
FARRANT ST D3
FERN ST D5
FERNWOOD CIR B5
FREEMAN ST B4
GILBERT ST E3
GLEN RD D5, E4, G5
GREEN PL/**106** E4
HELENE ST/**107** B6
HERRICK ST D5
HIGHLAND AV E2
HILL ST C5
HILLSIDE ST C5
HINMAN ST E5
HOSKINS AV/**108** C4
INDIAN POINT ST C5
JACKSON ST C5
LAKE HILLS DR A7
LAKE RD A1, C1, D2
LAKE ST C4
LAKEMONT DR A5
LAKEVIEW ST C5
LANE AV D4
LANE RD E1
LEDGE RD/**109** B6
LIMLAW RD D5
LOGAN DR E1
LONGVIEW ST E3
MAIN ST D4
MAIN STREET CT/**110** D4
MAPLE ST C5
MCLAIN RD E1
MCNEAL HEIGHTS RD D5
MEMPHREMAGOG VIEW RD E2
MIDDLE ST D3
MISSIONARY ACRES B6
MOUNT VERNON ST D4
MOUNTAIN VIEW DR E1
MT VERNON ST D5
NEDEAU RD G3
NORTH AV D4
NORTHERN AV C5
OAK ST C5
ORCHARD ST D3
OUTLOOK ST E3
PARK AV C4
PARKER RD G3
PARKER ST D3
PATNAUDE CT E2
PAUL ST B5
PIKE PL B4
PINE BLUFF ESTATES RD B4
PINE GROVE DR B4
PINE ST A4
PLEASANT AV E3
PLEASANT ST E3
POND ST D3
POULIOT ST D2
POUTRE ST C5
PROSPECT ST E4
PROUTY DR B4, B5
RAYMOND AV E4
RIDGE HILL DR A7
RIVERVIEW ST D6
ROBIN HILL ST C6
SAINT LAURENT ST A5
SCHOOL ST D5
SCHOOL ST/**111** D4
SCOTTSDALE DR D2
SEVERNS DR C5
SHATTUCK HILL RD B8
SHORT SPRING ST D5
SIAS AV C5
SLOAN ST C5
SOUTH AV/**112** C5
SPRING ST C5
SPRUCE ST A4
STAGE COACH DR A4
STRAWBERRY ACRE RD B1
SUMMER ST/**113** D4
SUMMER TERR/**114** D4
SUNSET TERR/**115** C5
TEMPLE ST B5
TOWN HWY F1
TOWN ROAD 41 D7
TREMPE ST D2
UNION ST B5, C4
UPPER CLYDE ST D6
VETERANS AV C4
W END AV E3
W MAIN ST D3, E1, E3
WELL ST E4
WESTERN AV D5
WHIPPLE POINT RD B1
WILLEY LN B5
WILSON ST/**116** C5
WINTER ST C5
YOUNG ST C5

Newport City Senior Housing
107 - 119 Main Street, Newport

Site Map

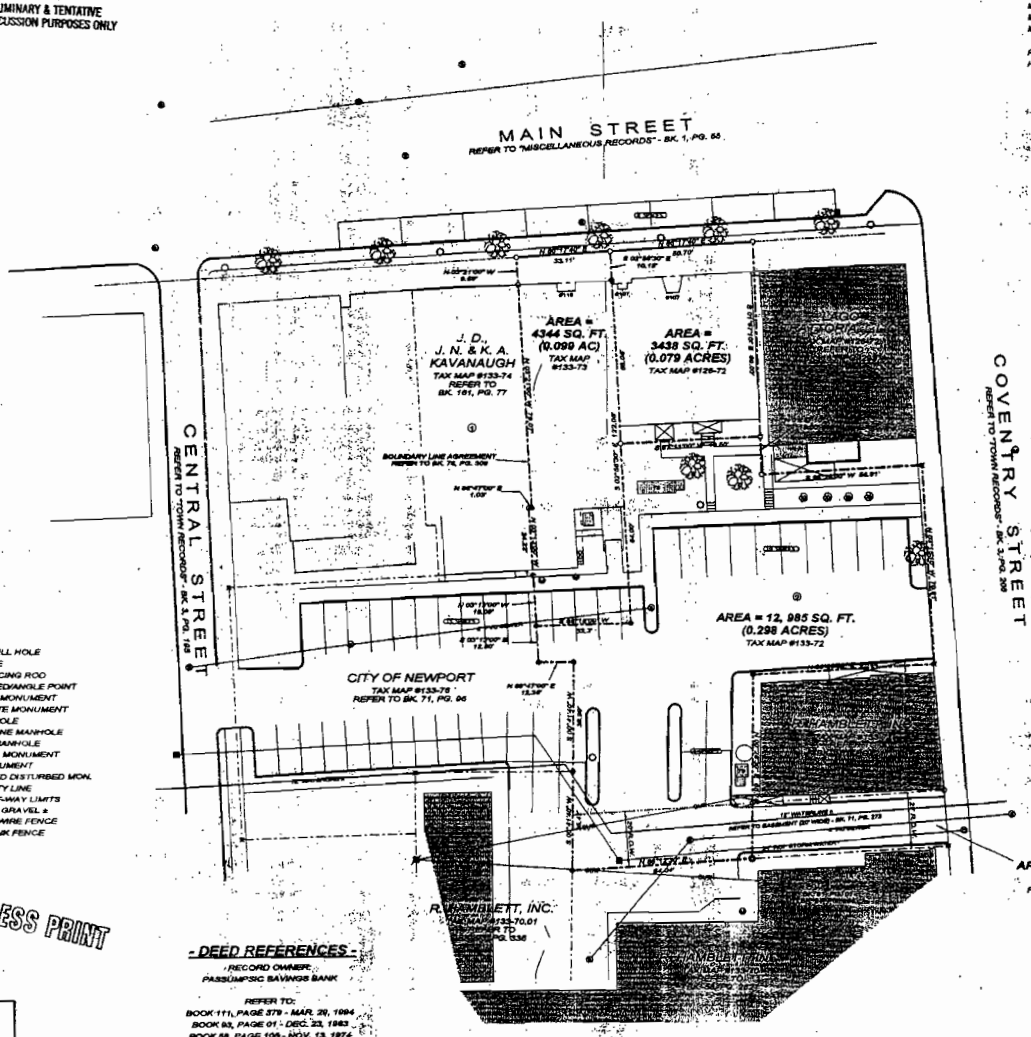


INGTON

HEA[illegible]
HOL[illegible]
HON[illegible]E LN K3
HOUGHTON ST J2
KNAPP RD J1
LAKE DR I4
LAKE PARAN RD J2, I3
LAMB RD I2
MAIN ST J2
MATTESON RD K3
MATTISON RD I2
MCCARTHY ACRES I2
MCGUIRE ST I3
MECHANIC ST K3
NORTH ST J2
OVERLEA RD J4
PARK ST K1
PLEASANT ST K2
PROSPECT ST J2
SAGE ST J2
SCHOOL ST/**100** J2
SOUTHVIEW DR I4
SPRING HILL RD K4
SYCAMORE LN H4
TWITCHELL HILL H4
UPPER MAIN ST J2
WATER ST K2
WEST ST J1
WHITE CREEK RD I1

DUNTAIN NATIONAL FOREST

PRELIMINARY & TENTATIVE
FOR DISCUSSION PURPOSES ONLY



- LEGEND -

- 3/8" Ø DRILL HOLE
- IRON PIPE
- REINFORCING ROD
- UNMARKED/ANGLE POINT
- GRANITE MONUMENT
- CONCRETE MONUMENT
- UTILITY POLE
- TELEPHONE MANHOLE
- SEWER MANHOLE
- EXISTING MONUMENT
- SET MONUMENT
- REPLACED DISTURBED MON.
- PROPERTY LINE
- RIGHT-OF-WAY LIMITS
- EDGE OF GRAVEL ±
- BARBED WIRE FENCE
- CHAIN LINK FENCE

PROGRESS PRINT

- LOCUS -

SCALE: 1" = 0000'±

- DEED REFERENCES -

- RECORD OWNER: -
PASSUMPSIC SAVINGS BANK

REFER TO:
BOOK 111, PAGE 379 - MAR. 29, 1994
BOOK 93, PAGE 01 - DEC. 23, 1983
BOOK 58, PAGE 109 - NOV. 13, 1974
BOOK 30, PAGE 370 - DEC. 30, 1871

- PLAN REFERENCES -

NUMBER	PLAN BY	DATE	FILE NO.
①	BLAIS SURVEYING CO.	AUG. 1983	183-83
②	C. DROWN	OCT. 1972	N/A
③	TRULINE - A. J. DUSSAULT	APR. 1980	D-1-280

- CURRENT ZONING REQUIREMENTS -

COMMERCIAL ZONE A ("C-A")

MINIMUM LOT SIZE:	10,000 SQ. FT.		
MINIMUM LOT WIDTH:	100 FT.		
MINIMUM SETBACKS:	FRONT	EACH SIDE	REAR
	0	0	0
PARKING SPACES REQ'D:	DEPENDENT ON USE (SEE ZONING BYLAWS)		
HEIGHT REGULATIONS:	ACCESORY USES/STRUCTURE	20 FT.	
	ALL OTHER USES	65 FT.	

THE SUBJECT PROPERTIES PREDATE THE CURRENT ZONING REGULATIONS.

- PARCEL DESCRIPTION(s) -

PASSUMPSIC SAVINGS BANK
NEWPORT CITY, VT

A PARCEL OF LAND CONTAINING ...

RECEIVED
MAY 07 2007
ENGINEERING/PERMITTING

PROGRESS PRINT

- NOTES -

1. THIS PLAT IS PREPARED FOR THE EXCLUSIVE USE OF (NAME) ... AND NO REPRESENTATIONS ARE MADE TO, OR ANY RELIANCE JUSTIFIED BY, ANY OTHER INDIVIDUAL OR ENTITY..
2. THE BEARINGS SHOWN ARE BASED ON MAGNETIC OBSERVATIONS ON THE ORIGINAL TRAVERSE AND SERVE ONLY TO DEFINE THE ANGULAR RELATIONSHIP OF ADJOINING COURSES.
3. THE METES AND BOUNDS SHOWN ARE BASED ON A CLOSED TRAVERSE OF AN ELECTRONIC MEASURMENT SYSTEM SURVEY WITH A DEGREE OF PRECISION OF ? IN 27,000 OR BETTER.
4. ALL EXISTING MONUMENTS AND SET MONUMENTS SHOWN ARE STABLE AND PLUMB UNLESS OTHERWISE NOTED.
5. THE AREA SHOWN HAS BEEN CALCULATED TO THE RIGHT-OF-WAY LIMITS OF VERMONT ROUTE #105, WHICH ARE ASSUMED TO BE 24.75 FEET (1½ RODS) FROM THE EXISTING CENTERLINE.
6. NO ATTEMPT WAS MADE TO IDENTIFY OR LOCATE ANY UNRECORDED OR UNSECURED EASEMENTS AND/OR RIGHTS, OTHER THAN SHOWN, DURING THE COURSE OF THIS SURVEY.
7. THIS IS A CERTIFIED PLAT WHEN ACCOMPANIED BY AN ORIGINAL SIGNATURE, DATE AND REGISTERED SURVEYOR'S STAMP OF A TRULINE REPRESENTATIVE.

PRELIMINARY & TENTATIVE
FOR DISCUSSION PURPOSES ONLY

- CERTIFICATION -

I HEREBY CERTIFY THAT THE PROPERTY LINES SHOWN ARE BASED ON AND ARE CONSISTENT WITH THE DEED REFERENCES LISTED (EXCEPT WHERE NOTED) AND/OR OTHER DOCUMENTS REFERRED TO HEREON AS WELL AS EXISTING MONUMENTATION AND OTHER EVIDENCE OBSERVED ON THE PROPERTY, AND ARE CORRECT TO THE BEST OF MY KNOWLEDGE AS OF MONTH 00, 2005. THIS PLAT CONFORMS WITH THE REQUIREMENTS OF V.S.A. TITLE 27 §1403. (SEE NOTES.)

SIGNATURE DRAFT DATE

0' 10' 20' 40' 60' 80' 100' FEET
0 5 10 20 30 METERS

SHANE B. CLARK, LS

ALTA / ACSM LAND TITLE SURVEY PREPARED FOR

GILMAN HOUSING TRUST, INC.

#107-119 MAIN STREET (FKA #81-85)
ORLEANS COUNTY - NEWPORT CITY, VT

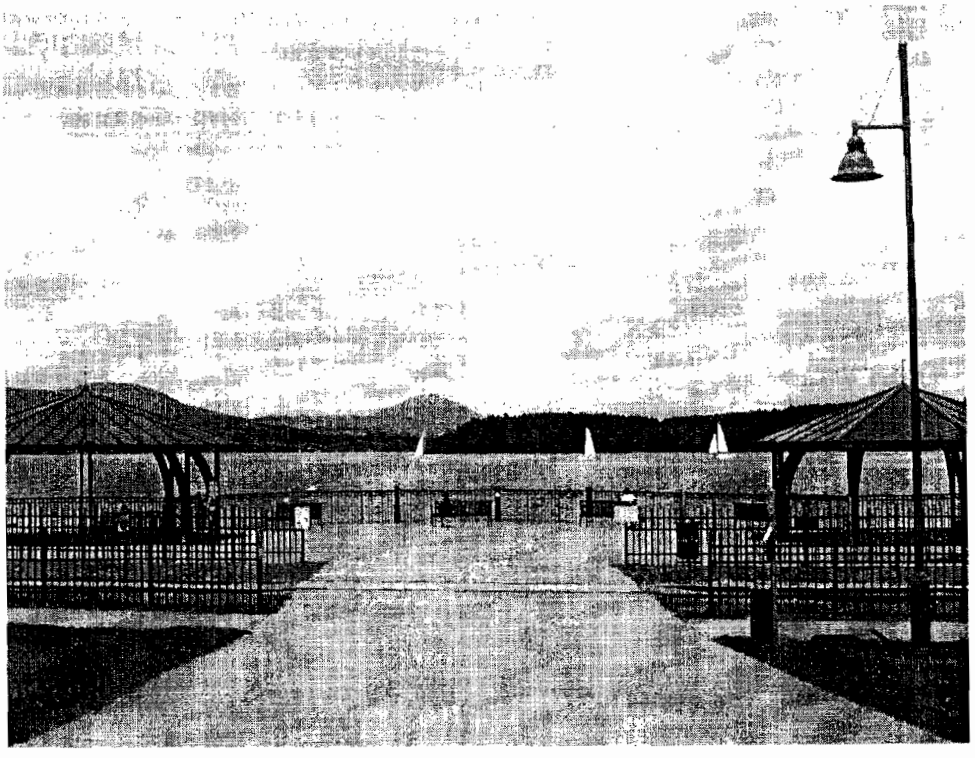
LAND SURVEYORS LAND PLANNERS

Truline

448 SUMMER ST., STE. 102
ST. JOHNSBURY, VT. 05819
P: (802) 748-3647 F: (802) 748-8838

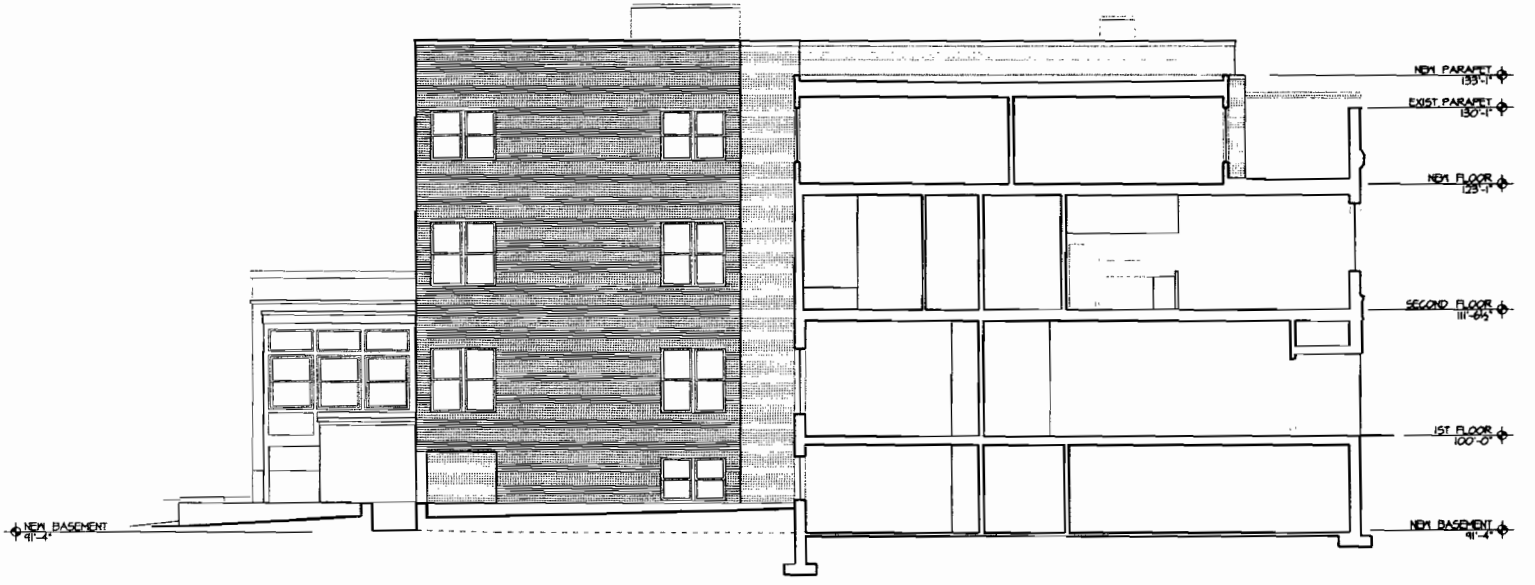
SCALE:	1" = 20'
SURVEY DATE:	APRIL, 2007
SURVEYED BY:	P.E.M. V.J.A.L.
DRAFTED BY:	S.B.C.
CHECKED BY:	S.B.C.
PLOT DATE:	04/30/07
FILE NO.:	07D-1-

PSI-14x17.DWG



Front of Existing Buildings

NORTH ELEVATION
1/8" = 1'-0"



EAST ELEVATION / SECTION
1/8" = 1'-0"

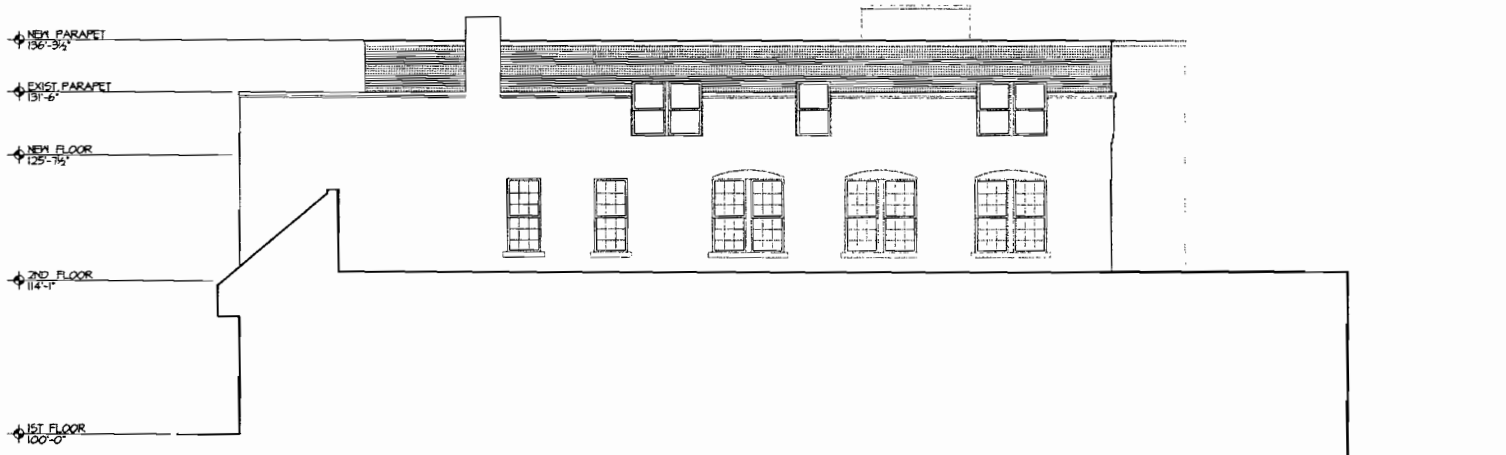
NEWPORT HOUSING

NEWPORT, VERMONT

BLACK RIVER DESIGN

NORTH & EAST ELEV./ SECTION
SCALE 1/8" = 1'-0"
DATE 11-01-07
DRAWN BY
CHECKED BY

SOUTH ELEVATION
1/8" = 1'-0"



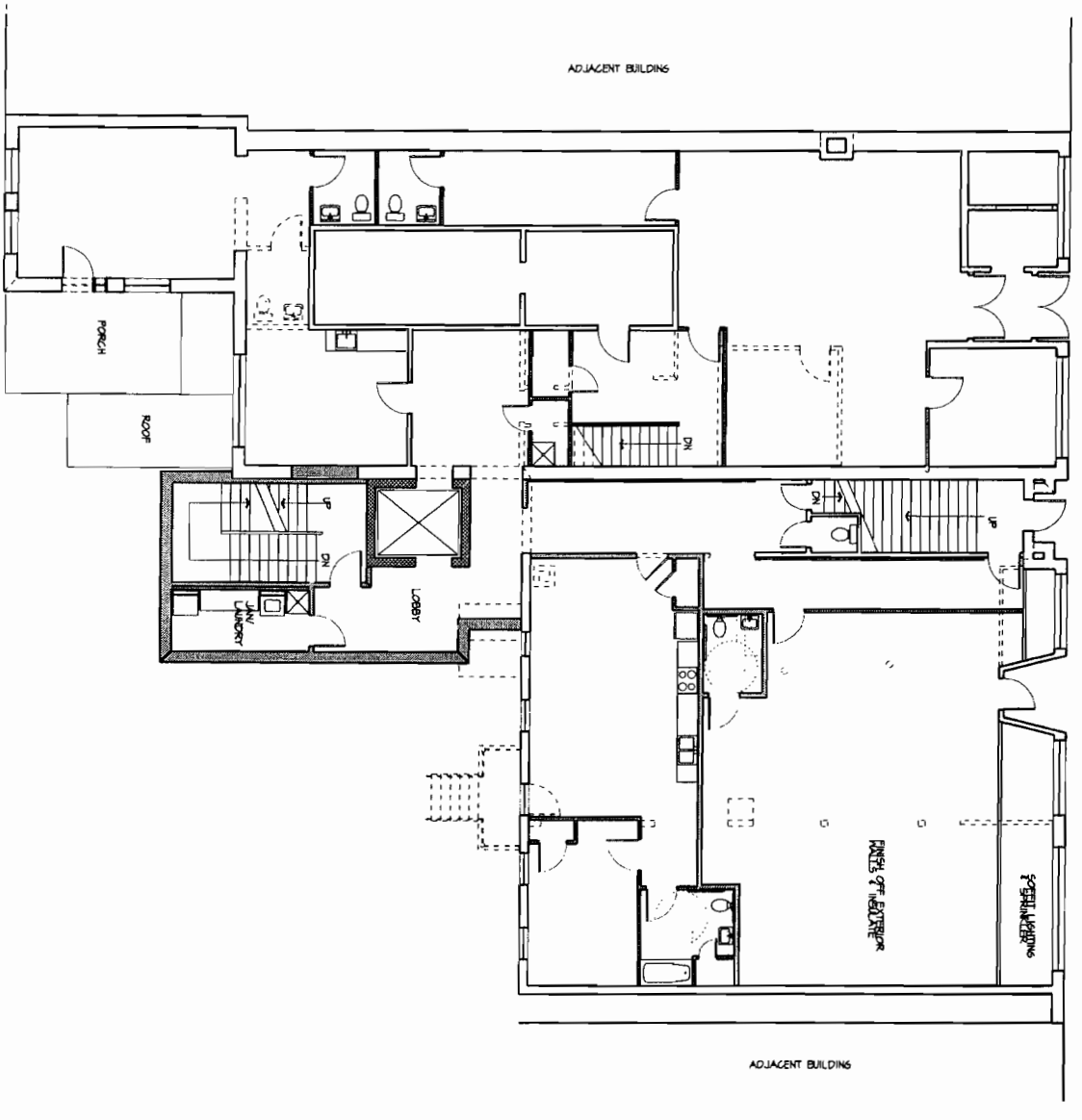
WEST ELEVATION
1/8" = 1'-0"

NEWPORT HOUSING

NEWPORT, VERMONT

BLACK RIVER DESIGN

SOUTH & WEST ELEV.	
SCALE	1/8" = 1'-0"
DATE	11-01-07
DRAWN BY	
CHECKED BY	



PROPOSED FIRST FLOOR PLAN

SCALE: 1/8"=1'-0"

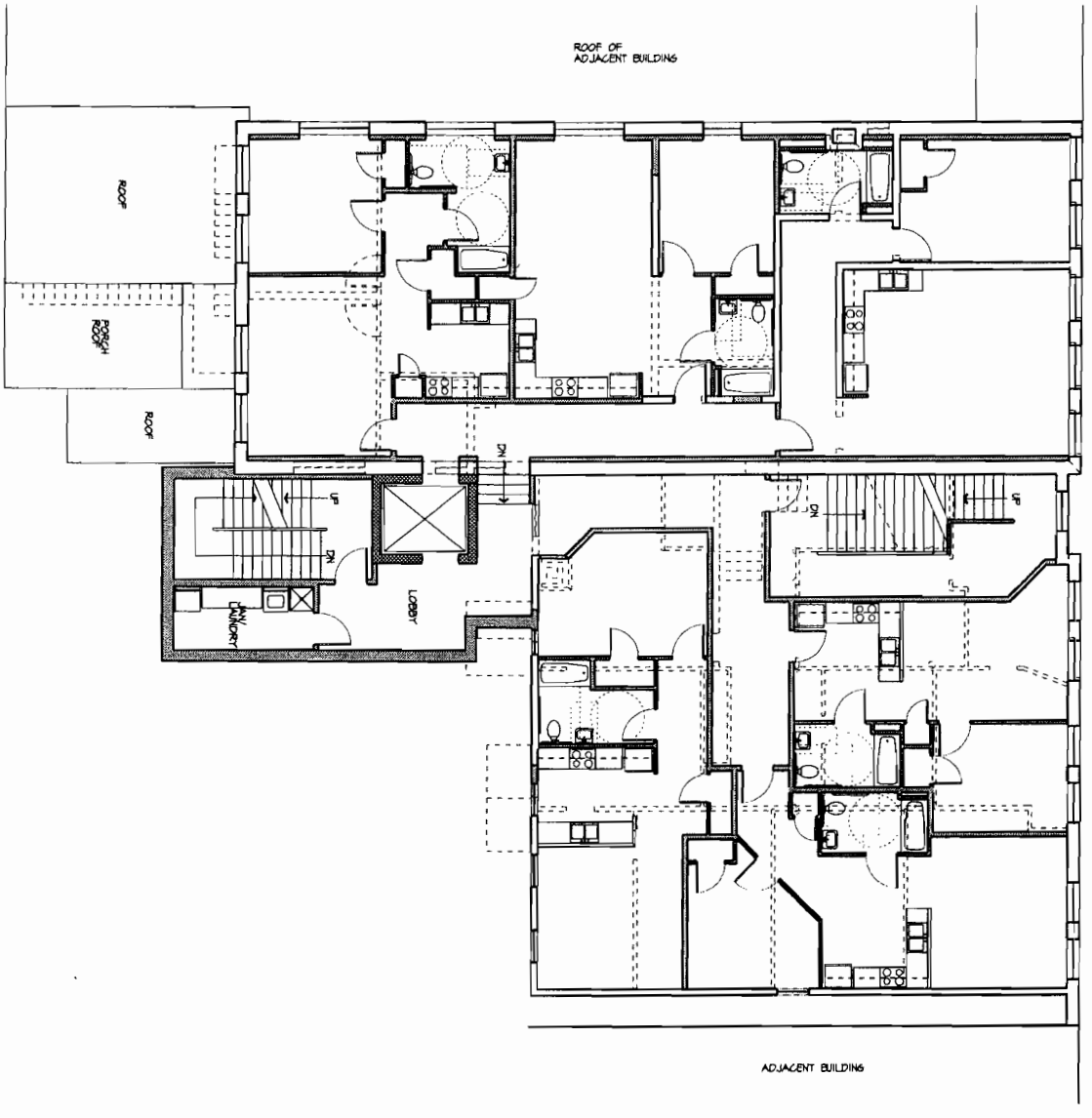
PROPOSED 1ST FLOOR PLAN	
SCALE	1/8"=1'-0"
DATE	11-01-07
DRAWN BY	TAM
CHECKED BY	WR

BLACK RIVER DESIGN

NEWPORT HOUSING

NEWPORT, VERMONT

AP1



PROPOSED SECOND FLOOR PLAN

SCALE: 1/8"=1'-0"

AP2

PROPOSED 2ND FLOOR PLAN	
SCALE	1/8"=1'-0"
DATE	11-01-07
DRAWN BY	TAM
CHECKED BY	WR

BLACK RIVER DESIGN

NEWPORT HOUSING

NEWPORT, VERMONT

PROPOSED THIRD FLOOR PLAN
SCALE: 1/8"=1'-0"

NEWPORT HOUSING
NEWPORT, VERMONT

BLACK RIVER DESIGN

PROPOSED 3RD FLOOR PLAN
SCALE 1/8"=1'-0"
DATE 11-01-07
DRAWN BY TAM
CHECKED BY WR

AP3

21-Nov-07 **Newport City Senior Housing**

Total Residential Units:	13	Increase in Income: HUD Rental Units:	3.00%	
Housing Credit Restricted Units:	13	Increase in Income: Non HUD units	1.50%	
Percent Restricted:	100.00%	Increase in Income from Commercial:	2.50%	
Total Housing Development Cost:	3,423,418	Expense increase:	3.00%	
Total Housing Cost per Unit:	263,340	Vacancy Rate: (Non HUD units)	5%	
Total Housing Cost Per SF:	233.36	Partner's Tax Rate:	35%	
		Long Depreciation Schedule:	27.5	years
Max Credit Potential:	103,568	Short Depreciation Schedule:	7	years
Credit Amount Allocated:	**103,000**	Mid term depreciation Schedule	15	years
Historic Credit	**438,769**			
LIHTC - 4%	3.46%	November 2007		
LIHTC - 4%	3.46%			

SOURCES		% of Total Development Cost	Interest Rate	Amortization	Term
HUD 202	1,617,600	38.57%	0.00%	40	deferred
HOME	160,000	3.81%	0.00%	40	deferred
VHCB	325,000	7.75%	0.00%	40	deferred
VCDP	358,500	8.55%	0.00%	40	deferred
LIHTC Equity	997,500	23.78%	N/A	N/A	Equity
HUD Special Purpose	200,000	4.77%	0.00%	40	deferred
VHCB Feasibility	10,000	0.24%	N/A	N/A	GP cap
RITC Equity (historic)	423,000	10.09%	N/A	N/A	Equity
Neighborhood Reinvestment	91,000	2.17%	3.00%	40	deferred
VCIL/EVT	11,500	0.27%			GP cap
	4,194,100	100.00%			

USES		
Acquisition	170,270	4.06%
Construction Hard Costs	2,456,895	58.58%
Commercial	770,682	18.38%
Soft Costs	796,252	18.99%
TOTAL USES	4,194,100	100.00%

			Rate (variable)	Months	Interest
Gap	0				
VHFA Construction Loan Hous	**2,300,000**	55%	7.00%	12	80,500
					0

	200,000	Percent GC COST	83.00% Residential			17.00% Commrcl
Newport City Senior Housing		Square Feet	179			
ACQUISITION	TOTAL BUDGET		HOUSING	Per Unit	Per SF	Commercial
Land	85.000		70.550	5.427	4.81	14.450
Purchase of Building	115.000		95.450	7.342	6.51	19.550
			0	0	0.00	0
Property Appraisal	2.000		1.660	128	0.11	340
Legal - Title and Recording	3.145		2.610	201	0.18	535
Subtotal - Acquisition	205.145		170.270	13.098	11.61	
CONSTRUCTION HARD COSTS						
Construction Rehab/New	2.594.300		2.153.269	165.636	146.78	441.031
Commercial			0	0	0.00	0
Additional construction			0	0	0.00	0
Sitework	100.000		83.000	6,385	5.66	17.000
Total Construction			0	0	0.00	0
General Requirements			0	0	0.00	0
Contractor Overhead			0	0	0.00	0
Contractor Profit			0	0	0.00	0
Construction Contingency	225.000		186.750	14.365	12.73	38.250
			0	0	0.00	0
Hazardous Materials Abatement	5.565		4.619	355	0.31	946
Lead Abatement			0	0	0.00	0
Off-Site Improvements			0	0	0.00	0
Furnishings. Fixtures. & Equipment	30.500		25.315	1,947	1.73	5.185
Other - Elec Service	4,750		3.943	303	0.27	808
Subtotal - Hard Costs	2.960.115		2.456.895	188,992	167.48	
SOFT COSTS						
Architectural	245.898		204.095	15.700	13.91	41.803
Engineering	15.000		12.450	958	0.85	2.550
Legal/Accounting	15.000		12.450	958	0.85	2.550
Relocation	35.000					35.000
Cost Cert & HUD Cost cert	10.000		8.300	638	0.57	1.700
Environmental Assessment	3.526		2.927	225	0.20	599
Testing & Commissioning	3.865		3.208	247	0.22	657
Permits/Fees	26.000		21.580	1.660	1.47	4.420
Independent Market Study	3.000		2.490	192	0.17	510
Construction Period Insurance	18.201		15.107	1.162	1.03	3.094
Construction Interest	80.000		66.400	5,108	4.53	13.600
Construction Management	31.200		25.896	1.992	1.77	5.304
Taxes During Construction	3.100		2.573	198	0.18	527
Survey	6.500		5.395	415	0.37	1.105
Marketing	1.250		1.038	80	0.07	213
Tax Credit Fees	4.800		3.984	306	0.27	816
Soft Cost Contingency	15.500		12.865	990	0.88	2.635
VHFA Legal & Inspect	9.500		7.885	607	0.54	1.615
Bridge Loan Interest	15.500		12.865	990	0.88	2.635
0			0	0	0.00	0
Capital Needs Assessment	2.500		2.075	160	0.14	425
Other (_VCDP Admin_)	12.500		10.375	798	0.71	2.125
SYNDICATION COSTS			0			0
Organizational (Partnership)	1.500		1.245	96	0.08	255
Loan Fees - tax credit, vhfa			0	0	0.00	0
Syndication Consultant	2.500		2.075	160	0.14	425
HUD MCI			0	0	0.00	0
DEVELOPER'S FEES			0			0
Developer's Fees	350.000		290.500	22.346	19.80	59.500
Other Partnership Fees			0	0	0.00	0
Development Consultant Fees	60.000		49.800	3.831	3.39	10.200
RESERVES			0			0
Working Capital	34.500			0	0.00	34.500
Rent-up (Deficit Escrow) Reserve	22.500		18.675	1.437	1.27	3.825
			0	0	0.00	0
Sinking Fund	0		0	0	0.00	0
Replacement Reserves	0		0	0	0.00	0
Subtotal - Soft Costs	1.028.840		796.252	61.250	54.28	
TOTAL DEVELOPMENT COSTS	4.194.100		3.423.418	263.340	233.36	770.682

21-Nov-07 **Newport City Senior Housing**

		Budget	Per s.f.	Allocation of Sources: VHCB	HOME	HUD 202	VCDP	HUD EDI	NR Loan	Equity	REEP VCIL feas
	ACQUISITION										
1	Land	85,000	3.83					70,500		14,500	
2	Site Improvements in Basis	115,000	5.19					95,450		19,550	
3		0	0.00								
4	Property Appraisal	2,000	0.09	1,660						340	
5	Legal - Title and Recording	3,145	0.14	2,610						535	
	Subtotal - Acquisition	205,145	9.25								
	CONSTRUCTION HARD COSTS										
6	Construction Rehab/New	2,594,300	117.02		67,708	1,617,600	346,000		38,000	513,492	11,500
7	Commercial	0	0.00								
8	Additional construction	0	0.00								
9	Sitework	100,000	4.51							100,000	
10	Total Construction	0	0.00								
11	General Requirements	0	0.00								
12	Contractor Overhead	0	0.00								
13	Contractor Overhead & Profit	0	0.00								
14	Construction Contingency	225,000	10.15							225,000	
15	Construction Management	0	0.00								
16	Hazardous Materials Abatement	5,565	0.25		4,619					946	
17	Lead Abatement	0	0.00								
18	Off-Site Improvements	0	0.00								
19	Furnishings, Fixtures, & Equipment	30,500	1.38							30,500	
20	Other - Electrical Service	4,750	0.21							4,750	
	Subtotal - Hard Costs	2,960,115	133.52								
	SOFT COSTS										
21	Architectural	245,898	11.09	90,564	5,145			26,600	53,000	60,589	10,000
22	Engineering	15,000	0.68							15,000	
23	Legal/Accounting	15,000	0.68	5,000				7,450		2,550	
	Relocation	35,000								35,000	
24	Cost Cert & HUD Cost cert	10,000	0.45							10,000	
25	Environmental Assessment	3,526	0.16	901	2,026					599	
26	Testing & Commissioning	3,865	0.17							3,865	
27	Permits/Fees	26,000	1.17	21,580						4,420	
28	Independent Market study	3,000	0.14							3,000	
29	Construction Period Insurance	18,201	0.82		15,107					3,094	
30	Construction Interest	80,000	3.61		40,000					40,000	
31	Construction Management	31,200	1.41		20,000					11,200	
32	Taxes During Construction	3,100	0.14							3,100	
33	Survey	6,500	0.29		5,395					1,105	
34	Marketing	1,250	0.06							1,250	
35	Tax Credit Fees	4,800	0.22	4,800							
36	Soft Cost Contingency	15,500	0.70							15,500	
37	VHFA Legal & Inspect	9,500	0.43	7,885						1,615	
38	Bridge Loan Interest	15,500	0.70							15,500	
39		0	0.00								
40	Capital Needs Assessment	2,500	0.11							2,500	
41	Other (_VCDP Admin_)	12,500	0.56				12,500				
	SYNDICATION COSTS										
42	Organizational (Partnership)	1,500	0.07							1,500	
43	Bridge Loan Fees and Expenses	0	0.00								
44	Syndication Consultant	2,500	0.11							2,500	
45	Tax Opinion	0	0.00								
	DEVELOPER'S FEES										
46	Developer's Fees	350,000	15.79	175,000						175,000	
47	Other Partnership Fees	0	0.00								
48	Consultant Fees	60,000	2.71	15,000						45,000	
	RESERVES										
49	Working Capital	34,500	1.56							34,500	
50	Rent-up (Deficit Escrow) Reserve	22,500	1.01							22,500	
51	Other Operating Reserves	0	0.00								
52	Sinking Fund	0	0.00								
53	Replacement Reserves		0.00								
	Subtotal - Soft Costs	1,028,840	46.41								
	TOTAL DEVELOPMENT COSTS	4,194,100	189.18	325,000	160,000	1,617,600	358,500	200,000	91,000	1,420,500	21,500

21-Nov-07 **Newport City Senior Housing**

		Budget		50.00%				
			Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Commercial	Commercial Historic
	ACQUISITION							
1	Land	85,000						
2	Purchase of Building	115,000	95,450		0		19,550	
3	0	0	0		0		0	
4	Property Appraisal	2,000	1,660		1,660		340	
5	Legal - Title and Recording	3,145	2,610		2,610		535	
	Subtotal - Acquisition	205,145						
	CONSTRUCTION HARD COSTS	0						
6	Construction Rehab New	2,594,300		2,153,269	2,153,269	1,076,635	441,031	441,031
7	Commercial	0		0	0	0	0	0
8	Additional construction	0		0	0	0	0	0
9	Sitework	100,000		83,000	83,000		17,000	
10	Total Construction	0		0	0	0	0	0
11	General Requirements	0		0	0	0	0	0
12	Contractor Overhead	0		0	0	0	0	0
13	Contractor Profit	0		0	0	0	0	0
14	Construction Contingency	225,000		186,750	186,750	93,375	38,250	38,250
15	0	0		0	0	0	0	0
16	Hazardous Materials Abatement	5,565		4,619	4,619	2,309	946	946
17	Lead Abatement	0		0	0	0	0	0
18	Off-Site Improvements	0		0	0	0	0	0
19	Furnishings, Fixtures, & Equipment	30,500		25,315	25,315		5,185	
20	Other - Elec Service	4,750	0	3,943	3,943	1,971	808	
	Subtotal - Hard Costs	2,960,115						
	SOFT COSTS	0						
21	Architectural	245,898		204,095	204,095	102,048	41,803	41,803
22	Engineering	15,000		12,450	12,450	6,225	2,550	2,550
23	Legal Accounting	15,000		12,450	12,450	6,225	2,550	2,550
24	Relocation	35,000		0	0	0	35,000	35,000
25	Cost Cert & HUD Cost cert	10,000		8,300	8,300	4,150	1,700	1,700
26	Environmental Assessment	3,526		2,927	2,927	1,463	599	599
27	Testing & Commissioning	3,865		3,208	3,208	1,604	657	657
28	Permits Fees	26,000		21,580	21,580	10,790	4,420	4,420
29	Independent Market Study	3,000		2,490	2,490	1,245	510	510
30	Construction Period Insurance	18,201		15,107	15,107	7,553	3,094	3,094
31	Construction Interest	80,000		66,400	66,400	33,200	13,600	13,600
32	Construction Management	31,200		25,896	25,896	12,948	5,304	5,304
33	Taxes During Construction	3,100		2,573	2,573	1,287	527	527
34	Survey	6,500		5,395	5,395	2,698	1,105	1,105
35	Marketing	1,250						
36	Tax Credit Fees	4,800						
37	Soft Cost Contingency	15,500		12,865	12,865	6,433	2,635	2,635
38	VHFA Legal & Inspect	9,500		7,885	7,885	3,943	1,615	1,615
39	Bridge Loan Interest	15,500			0	0		0
40	0	0						
41	Capital Needs Assessment	2,500						
	Other (_VCDP Admin_)	12,500						
42	SYNDICATION COSTS	0						
43	Organizational (Partnership)	1,500						
44	Loan Fees - tax credit, vhfa	0		0			0	
45	Syndication Consultant	2,500						
	HUD MCI	0						
46	DEVELOPER'S FEES	0		0	0	0	0	0
47	Developer's Fees	350,000		290,500	290,500	145,250	59,500	59,500
48	Other Partnership Fees	0		0	0	0	0	0
	Development Consultant Fees	60,000		49,800	49,800	24,900	10,200	10,200
49	RESERVES	0						
50	Working Capital	34,500						
51	Rent-up (Deficit Escrow) Reserve	22,500						
52	0	0						(10,000)
53	Sinking Fund	0						
	Replacement Reserves	0						
	TOTALS	1,028,840	99,720	3,200,816	3,179,772	1,546,251	711,014	657,596
LESS:	Amount of Non-qualified Financing		0		0	10,000		
LESS:	Adjustment for per unit cost limits	100.00%		0				
LESS:	Historic tax Credit (Residential Portion)			307,250	307,250	20%	Historic Credit Rate	
	Total Eligible Basis		99,720	2,893,566		307,250	Historic Credit Residential	
TIMES:	Adjusted for QCT DDA	100.0%		2,893,566		131,519	Historic Credit Commrecial	
TIMES:	Applicable Fraction	100.00%	99,720	2,893,566				
	Total Qualified Basis		99,720	2,893,566	2,872,521	Long Term Depreciable Basis		
TIMES:	Applicable Percentage		3.46%	3.46%	27.5	Depreciation Schedule		
	Total Annual Credit Qualified		3,450	100,117	104,455	Annual Depreciation		
				103,568	25,315	Short Term Depreciable Basis		
					7	Depreciation Schedule		
					3,616	Annual Depreciation		
					579,494.2	Long Term Commercial Basis		
					39.0	Commercial Schedule		
					14,858.8	Annual Depreciation		
						Mid Term Res Basis		
					15	Mid Term Schedule		
					0	Mid Term Depreciation		

Total Tax Credits Requested	103,000
Estimated Net Syndication Proceeds	
(excluding historic credit equity)	997,500
Estimated Yield - Housing Credit Syndication	96.84%
Equity Gap	997,500
Credits Needed to fill Equity Gap	**103,000**

Total SF	12
Qualifed Units	12
Percentage Qualified Units	100.00%
# Units	
# Qualified Units	12

21-Nov-07 **Newport City Senior Housing**

HC Restricted Units Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
1 Br	1 BR Home	758	1	685	0	8,220
1 Br	1 BR	714	1	685	0	8,220
1 Br	1 BR Home	616	1	685	0	8,220
1 Br	1 BR	594	1	685	0	8,220
1 Br	1 BR Home	588	1	685	0	8,220
1 Br	1 BR	588	1	685	0	8,220
1 Br	1 BR Home	570	1	685	0	8,220
1 Br	1 BR	680	1	685	0	8,220
1 Br	1 BR	680	1	685	0	8,220
1 Br	1 BR	726	1	685	0	8,220
1 Br	1 BR	686	1	685	0	8,220
1 Br	1 BR	726	1	685	0	8,220
	Common Area	6,030				0
	Totals	13,956	12			98,640

Non-HC Restricted Units Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
						0
1 Br Res Mngr	1 BR	714	1	0		0
						0
	Totals	714	1			0

All Units

Grand Totals	14,670	13			98,640
Commercial SF	7,500				
Total SF	22,170				
	Less Vacancy	2.50%			(2,466)
				NET RENT	96,174
	OTHER INCOME				
	Laundry				
	Commercial	3200+- SF net	28,500	75.00%	21,375
	vault & ATM		6,000	75.00%	4,500
	Interest				
			34,500		
				TOTAL INCOME	122,049

21-Nov-07

Newport City Senior Housing

	Check all Applicable									A					B						C						
Building #	Unit #	HOME Unit	Lead Paint Unit	Project Based Assistance	Tax Credit Unit	VHCB Restricted	Accessible	Adaptable	Unrestricted	Number of Bedrooms	Proposed Square Footage	Proposed Rent	Utility Allowance for Tenant-Paid Utilities	Gross Rent (Rent + Tenant-Paid Utilities)	OCCUPIED BY: Income level of residents to be served:						AFFORDABLE TO: Units affordable to residents at:						
															<30%	<50%	<60%	<80%	<100%	>100%	30%	50%	60%	65%	80%	100%+
	1					1		1		1	714		0	0				X							X	
	2			1	1	1	1			1	758	685	0	685			X				X					
	3	1		1	1	1	1			1	714	685	0	685			X				X					
	4	1		1	1	1		1		1	616	685	0	685			X				X					
	5	1		1	1	1		1		1	594	685	0	685			X				X					
	6	1		1	1	1		1		1	588	685	0	685			X				X					
	7			1	1	1		1		1	588	685	0	685			X				X					
	8			1	1	1		1		1	570	685	0	685			X				X					
	9			1	1	1		1		1	680	685	0	685			X				X					
	10			1	1	1		1		1	680	685	0	685			X				X					
	11			1	1	1		1		1	726	685	0	685			X				X					
	12			1	1	1		1		1	686	685	0	685			X				X					
	13			1	1	1		1		1	726	685	0	685			X				X					
Total # Units	13	4	0	12	12	13	2	11	0	Totals:	8,640	8,220		Total # Units:	0	0	12	1	0	0	12	0	0	0	1	0

665 avg sf unit

21-Nov-07 **Newport City Senior Housing**

	HOUSING Annual	Monthly	Per Unit Per Month		COMMERCIAL	TOTAL
Administration						
Management Fee	7,644	637	49	6.3%	1,320	8,964
Supportive Services	4,992	416	32			4,992
Audit/Accounting	3,200	267	21		500	3,700
Legal	700	58	4		300	1,000
Compliance Monitoring	624	52	4			624
Marketing	300	25	2		500	800
Other (on site staff)	4,680	390	30			4,680
TOTAL ADMINISTRATIVE	22,140	1,845	142			
Utilities						
Electricity	8,580	715	55		600	9,180
Fuel	13,260	1,105	85		0	13,260
Water and Sewer	5,928	494	38		1,100	7,028
Fire Alarm / Emergency	1,092	91	7			1,092
Other		0	0			0
TOTAL UTILITIES	28,860	2,405	185			
Maintenance						
Maintenance / Janitor Payroll	7,800	650	50		2,700	10,500
Janitor Supplies		0	0			0
Exterminating	156	13	1		500	656
Trash Removal	780	65	5		1,200	1,980
Snow Removal	2,184	182	14		2,400	4,584
Grounds	468	39	3		1,200	1,668
Repairs Material	1,500	125	10		1,800	3,300
Repairs Contract		0	0		1,600	1,600
HVAC Repairs / Maintenance		0	0			0
Elevator Contract / Repairs	3,500	292	22			3,500
Painting and Decorating	1,200	100	8		1,200	2,400
Other	3,500	292	22			3,500
TOTAL MAINTENANCE	21,088	1,757	135			
				per unit month		
Real Estate Taxes	8,580	715	55	excl. ds & res.	3,744	12,324
Property Insurance	4,680	390	30	547	1,996	6,676
Replacement Reserves	9,000	750	58		1,000	10,000
Primary Debt Service		0	0			0
Other "must pay" debt service		0	0			0
Other -operating		0	0			0
Total	94,348	7,862	605		23,660	118,008

21-Nov-07	**Newport City Senior Housing**														
Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	2,009	2,010	2,011	2,012	2,013	2,014	2,015	2,016	2,017	2,018	2,019	2,020	2,021	2,022	2,023
Operating Income															
HUD Budget Based Rent	98,640	101,599	104,647	107,787	111,020	114,351	117,781	121,315	124,954	128,703	132,564	136,541	140,637	144,856	149,202
Rent Non HUD units	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Income & Commercial	25,875	26,522	27,185	27,865	28,561	29,275	30,007	30,757	31,526	32,314	33,122	33,950	34,799	35,669	36,561
Vacancy HUD Units	(2,466)	(2,540)	(2,616)	(2,695)	(2,776)	(2,859)	(2,945)	(3,033)	(3,124)	(3,218)	(3,314)	(3,414)	(3,516)	(3,621)	(3,730)
Vacancy and other losses	(1,294)	(1,326)	(1,359)	(1,393)	(1,428)	(1,464)	(1,500)	(1,538)	(1,576)	(1,616)	(1,656)	(1,698)	(1,740)	(1,783)	(1,828)
Total Operating Income	120,755	124,255	127,857	131,563	135,378	139,303	143,343	147,501	151,780	156,184	160,716	165,380	170,180	175,120	180,204
Operating Expenses															
Total Expenses (excl. Reserves)	85,348	87,908	90,546	93,262	96,060	98,942	101,910	104,967	108,116	111,360	114,701	118,142	121,686	125,336	129,097
Commerical Expense	23,660	24,370	25,101	25,854	26,630	27,428	28,251	29,099	29,972	30,871	31,797	32,751	33,734	34,746	35,788
Reserves	10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668	13,048	13,439	13,842	14,258	14,685	15,126
Total Operating Expense	119,008	122,578	126,256	130,043	133,945	137,963	142,102	146,365	150,756	155,278	159,937	164,735	169,677	174,767	180,010
Net Operating Income	1,747	1,677	1,601	1,520	1,433	1,341	1,242	1,136	1,024	905	779	645	503	353	194
Less Primary Debt Service															
Less Secondary Debt Service															
GP Management Fee															
Annual Cash Flow	1,747	1,677	1,601	1,520	1,433	1,341	1,242	1,136	1,024	905	779	645	503	353	194
Operating Subsidies / Sinking Fund	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash	1,747	1,677	1,601	1,520	1,433	1,341	1,242	1,136	1,024	905	779	645	503	353	194
DCR	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Cumulative Cash Flow															
Beginning Balance	34,500	36,265	38,684	41,074	43,431	45,747	48,016	50,231	52,383	54,465	56,469	58,385	60,205	61,917	63,512
Deposits	1,747	1,677	1,601	1,520	1,433	1,341	1,242	1,136	1,024	905	779	645	503	353	194
Interest 2.0%	17	742	790	837	883	928	973	1,016	1,058	1,098	1,137	1,174	1,209	1,242	1,272
Withdrawals	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	36,265	38,684	41,074	43,431	45,747	48,016	50,231	52,383	54,465	56,469	58,385	60,205	61,917	63,512	64,978
Cumulative Replacement Reserves															
Beginning Balance	0	10,100	20,705	31,834	43,507	55,745	53,569	66,700	45,456	59,159	73,521	73,565	89,017	105,197	122,133
Deposits	10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668	13,048	13,439	13,842	14,258	14,685	15,126
Interest 2.0%	100	305	520	746	983	1,231	1,191	1,457	1,036	1,314	1,605	1,610	1,923	2,251	2,594
Withdrawals	0	0	0	0	0	(15,000)	0	(35,000)	0	0	(15,000)	0	0	0	0
Ending Balance	10,100	20,705	31,834	43,507	55,745	53,569	66,700	45,456	59,159	73,521	73,565	89,017	105,197	122,133	139,853
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income	1,747	1,677	1,601	1,520	1,433	1,341	1,242	1,136	1,024	905	779	645	503	353	194
Plus Reserves	10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668	13,048	13,439	13,842	14,258	14,685	15,126
Less GP Management Fee	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Less Interest Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Less Long Depreciation	(104,455)	(104,455)	(104,455)	(104,455)	(104,455)	(104,455)	(104,455)	(104,455)	(104,455)	(104,455)	(104,455)	(104,455)	(104,455)	(104,455)	(104,455)
Less Commercial Depreciation	(14,859)	(14,859)	(14,859)	(14,859)	(14,859)	(14,859)	(14,859)	(14,859)	(14,859)	(14,859)	(14,859)	(14,859)	(14,859)	(14,859)	(14,859)
Mid Depreciation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Less Short Depreciation	(3,616)	(3,616)	(3,616)	(3,616)	(3,616)	(3,616)	(3,616)	0	0	0	0	0	0	0	0
Taxable Income (Loss)	(111,183)	(110,954)	(110,720)	(110,483)	(110,242)	(109,997)	(109,748)	(105,879)	(105,622)	(105,361)	(105,096)	(104,827)	(104,553)	(104,276)	(103,994)
Cash Flow	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings	38,914	38,834	38,752	38,669	38,585	38,499	38,412	37,058	36,968	36,876	36,784	36,689	36,594	36,497	36,398
Plus Tax Credits	541,769	103,000	103,000	103,000	103,000	103,000	103,000	103,000	103,000	103,000					
After Tax Cash Flow	580,684	141,834	141,752	141,669	141,585	141,499	141,412	140,058	139,968	139,876	36,784	36,689	36,594	36,497	36,398
Total Years 15															
Reinvestment Rate															
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Current After Tax Cash Flows	580,684	141,834	141,752	141,669	141,585	141,499	141,412	140,058	139,968	139,876	36,784	36,689	36,594	36,497	36,398
Future Value of Cash Flows at Yr 15:	580,684	141,834	141,752	141,669	141,585	141,499	141,412	140,058	139,968	139,876	36,784	36,689	36,594	36,497	36,398

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: CONSTRUCTION FINANCING AND PROPOSED USE OF BOND HOUSING CREDITS FOR NEWPORT CITY SENIOR HOUSING, CITY OF NEWPORT

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow monies and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, an application has been submitted to the Agency by Gilman Housing Trust, Inc. (the "Sponsor") on behalf of a to be formed limited partnership in which the Sponsor or its subsidiary will be the general partner (the "Borrower") involving the new construction of thirteen (13) units of senior rental housing (including a resident manager unit) in the City of Newport (the "Development"); and

WHEREAS, the application contemplates a mortgage loan for construction financing for the Development with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds; and

WHEREAS, the Sponsor 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; and

WHEREAS, the Agency administers the allocation and use of the federal Low Income Housing Tax Credits (both Allocated Housing Credits and Bond Housing Credits) and the State Housing Credits under the State's Qualified Allocation Plan; and

WHEREAS, the Governor of the State of Vermont has approved the 2005-2006 Qualified Allocation Plan; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated November 26, 2007, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income, or qualifies for financing with proceeds of federally tax-exempt obligations, or at least 20 percent of the units are for occupancy by persons and families of low and moderate income.

2. The acquisition and construction 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 increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency 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 loan.

6. The Sponsor is financially responsible and is a qualified housing sponsor within the meaning of the Act. The Borrower will be required to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsor for the construction financing of the Development based on the recommendations in the attached Memorandum. 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 Sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the Borrower for the construction financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsor as the representative of the Borrower. The Commitment Letter shall be conditioned on the satisfaction by the Sponsors of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

3. The Executive Director and the Loan Review Committee will establish the final source and amount of the loan for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines, and the conditions described in the Memorandum.

4. The recommendations for the use of Bond Housing Credits contained in the Memorandum which is attached and incorporated by this reference are hereby approved.

5. The Executive Director and the appropriate staff are hereby authorized to take such actions as are described in the 2005-2006 Qualified Allocation Plan regarding the use of Bond Housing Credits in an amount necessary for the Development's feasibility for the Newport City Senior Housing project in the City of Newport, Vermont.

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Director of Development

DATE: November 21, 2007

RE: Request for Construction & Permanent Financing and "Bond" Housing Credits: Fourwinds Senior Housing, St Albans

Name:	Fourwinds Senior Housing	**Location:**	St. Albans
Housing Type:	Senior Housing	**Unit Type:**	Flats
Unit Count:	44 units 44 tax credit units	**Unit Sizes:**	44 1-BR @ 630 s.f.
Total Cost:	$4,199,500	**Per S.F. Acquisition & Construction Cost:**	$117.29
Credits Requested:	$131,000 (Bond credits)	**Sponsor:**	Cathedral Square Corporation
Loans Requested:	$2,100,000 construction $850,000 permanent (both tax-exempt)	**Other Funding:**	VHCB, HOME, Rural Development 515, Efficiency Vermont, Deferred Developer's Fee

Recommendation: Staff recommends that the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolutions ("It is hereby determined:"), and that the Board authorize the Executive Director to issue a Letter of Interest and/or a Commitment Letter to finance this property upon satisfactory completion of staff underwriting and due diligence; and authorize staff to issue the appropriate documentation according to the Qualified Allocation Plan.

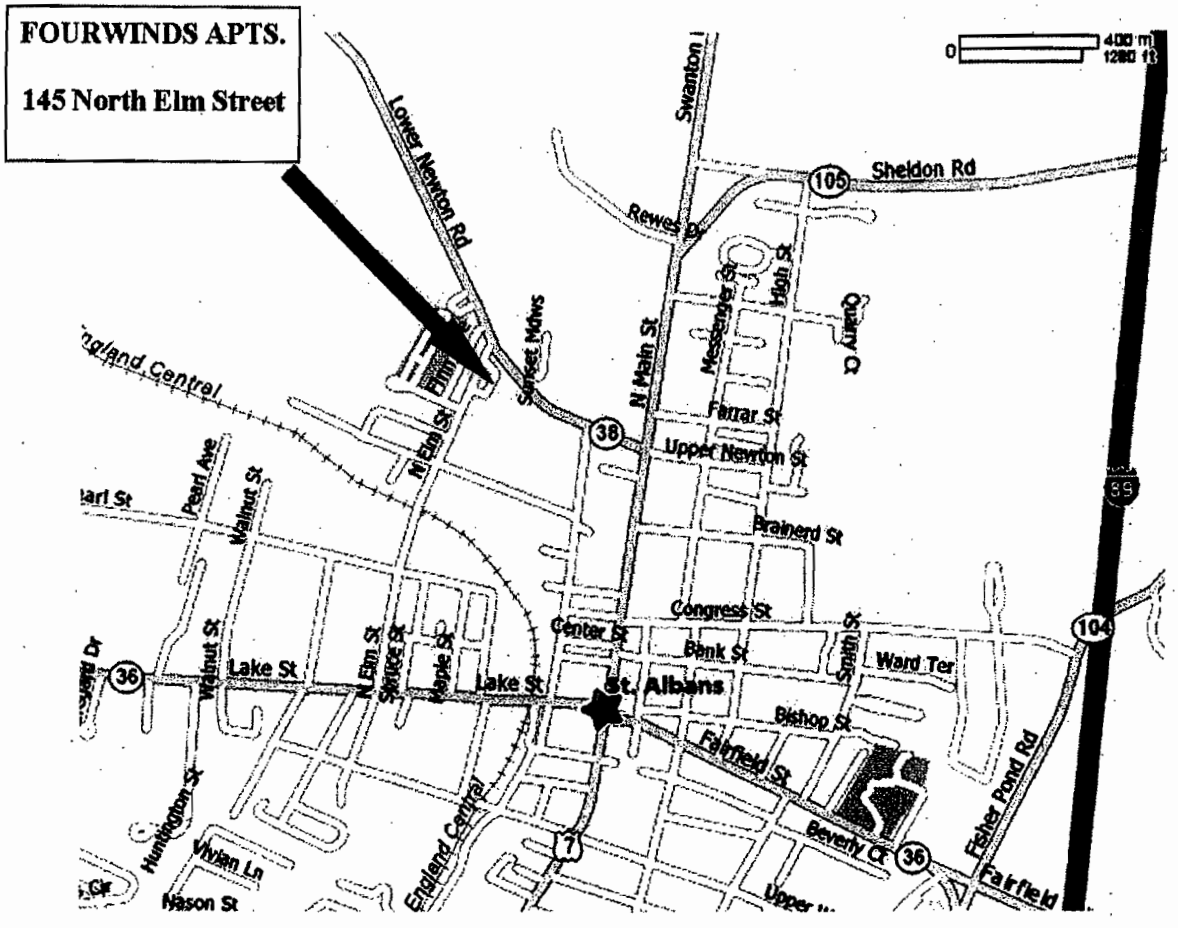
Project Background:
The property was constructed in 1979 as affordable housing and financed under the RD 515 program, which provides low-rate financing and project-based rent assistance. The owner, Emile Legere, wishes to sell and believes there is potential to convert the property to market-rate rental housing. Cathedral Square Corporation has signed a Purchase and Sale Agreement with the owner and intends to preserve the property as affordable housing. Staff believe that market conversion is possible, but probably not very easy nor very likely. Current contract rents are $815 per unit, including all utilities, with the RD rent assistance. HUD Fair Market rents are $783 (up from $640 in only 2005). The appraiser states that one-bedroom rents in St Albans range from $600-$750 per month, which does not include all utilities. Based on the relative newness of these units, and the inclusion of all utilities in the rent, he selected a market rent of $825 per month. Forty-four apartments coming onto the market, all at this high rent and without rent assistance, would likely take a long while to lease. However, the owner is willing to sell the property for $1.8 million in a bargain-sale transaction to Cathedral Square Corporation. This cash price of $41k per unit for subsidized housing in this market area seems reasonable, and is supported by the appraisal (which shows a value of $2.75 million).

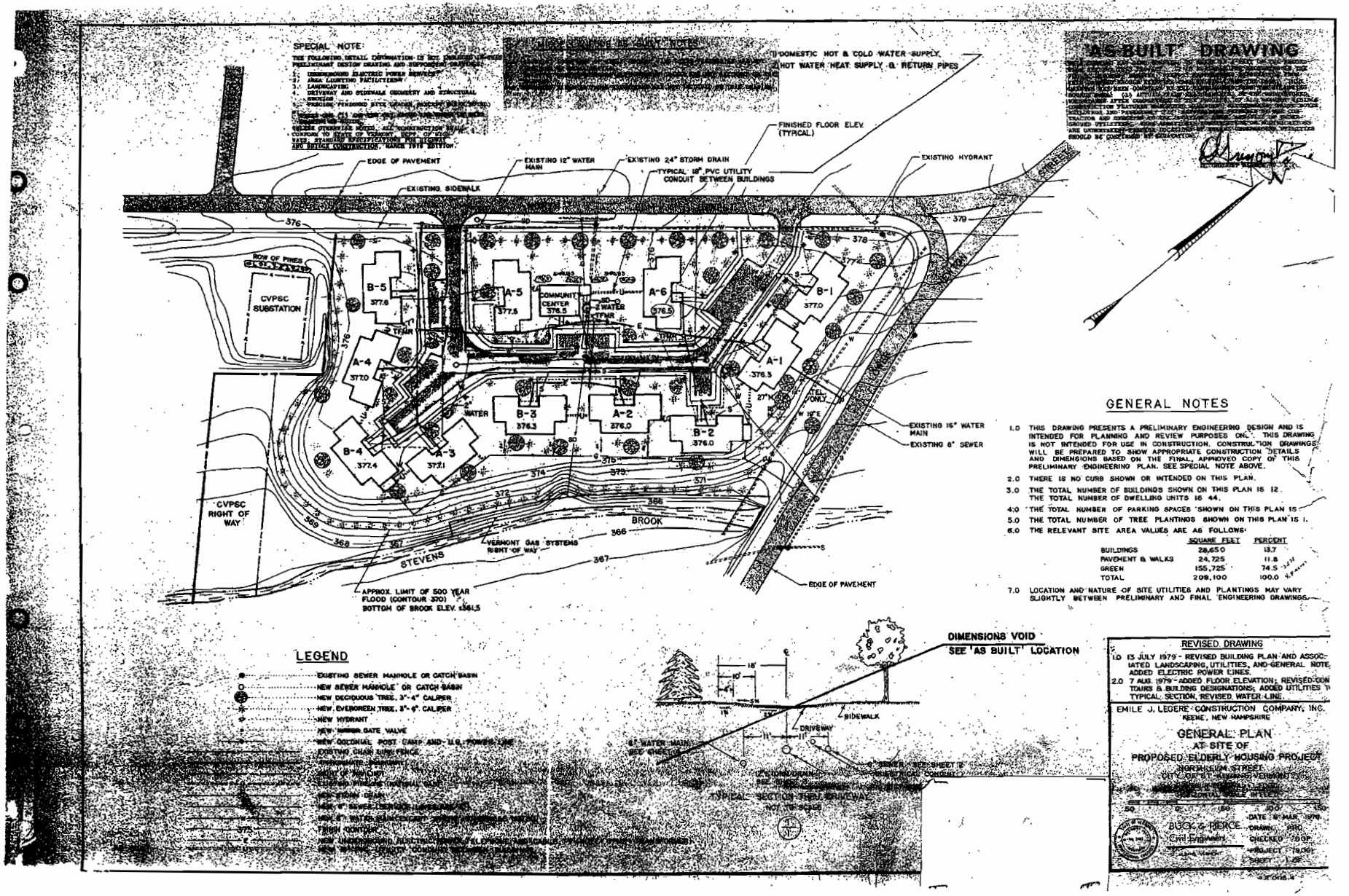
The project has commitments of HOME, RD, and VHCB funds, and the tax credits and VHFA financing are the last major financial commitments needed. No Act 250 permits are needed, and the local and State permits required should be readily available. This project is being done under a new program at Rural Development where the existing amortizing debt will remain in place but be reclassified from amortizing to deferred. The project will also get new RD funding, so it will ultimately carry two amortizing loans, from RD and from VHFA. RD will subordinate to VHFA's security position for the permanent debt. The project is on municipal water and sewer and is serviced by natural gas lines. A Capital Needs Assessment was done in March 2007 and the scope of work includes most or all of what was identified as immediate needs. The property also has an appraisal and a market study, and a Phase I Environmental Site Assessment has been ordered. Efficiency Vermont has begun an assessment of the energy improvements needed and the sponsor plans to follow their recommendations, and will receive some financial incentives for the energy improvements. The buildings are on crawlspaces and some are reportedly damp and moldy. Cathedral Square has had inspections and testing done and has developed a remediation plan. The scope of work will need to include remediation of this condition in a manner approved by VHFA. Proposed work includes: heating system replacements (the buildings still use their original boilers), other energy measures, roofing, gutters, siding repair, ventilation/insulation and air sealing, sewer line replacements, exterior lighting, sitework, and drainage. Portions of the 4.8 acre lot are in the floodplain of Stevens Brook, but those areas of the lot affected appear to be undeveloped. The parcel is flat to gently sloping, and there are twelve buildings (eleven residential and one with common space) and some community gardens.

The sponsor intends to close on the acquisition in January 2008, and to do the renovations from March to October. Jeff Kantor is the development consultant and Scott + Partners are the architects. Cathedral Square Corporation will be the owner and manager and will coordinate service needs to the population of tenants, a third of whom are over 80 years old, and ten percent of whom are over 90. There is no separate line item in the operating budget for services (RD does not allow for services in its approved budget), but the sponsor is capitalizing a fund to pay for services and service coordination.

The Allocation Plan requires as a threshold that all Housing Credit projects provide 15% of the units at market rate, to promote mixed-income housing. The sponsor requests a waiver, since this is an existing, fully-subsidized development and they wish to continue to operate it thus, with no displacement. Staff supports the sponsor's request.

FOURWINDS APARTMENTS SITE LOCATION MAP
ST. ALBANS, VERMONT




SPECIAL NOTE:
AS BUILT DRAWING
EDGE OF PAVEMENT
EXISTING 12" WATER MAIN
EXISTING 24" STORM DRAIN
TYPICAL 18" PVC UTILITY CONDUIT BETWEEN BUILDINGS
FINISHED FLOOR ELEV. (TYPICAL)
EXISTING HYDRANT
EXISTING SIDEWALK
CVPSC SUBSTATION
ROW OF PINES
COMMUNITY CENTER 376.5
B-5 377.6
A-5 377.5
A-6 376.5
B-1 377.0
A-4 377.0
A-1 376.5
B-3 376.3
A-2 376.0
B-2 376.0
B-4 377.4
A-3 377.1
EXISTING 16" WATER MAIN
EXISTING 8" SEWER
CVPSC RIGHT OF WAY
BROOK
STEVENS
VERMONT GAS SYSTEMS RIGHT OF WAY
APPROX. LIMIT OF 500 YEAR FLOOD (CONTOUR 370)
BOTTOM OF BROOK ELEV. ±361.5
EDGE OF PAVEMENT
DOMESTIC HOT & COLD WATER SUPPLY, HOT WATER HEAT SUPPLY & RETURN PIPES
GENERAL NOTES
1.0 THIS DRAWING PRESENTS A PRELIMINARY ENGINEERING DESIGN AND IS INTENDED FOR PLANNING AND REVIEW PURPOSES ONLY. THIS DRAWING IS NOT INTENDED FOR USE IN CONSTRUCTION. CONSTRUCTION DRAWINGS WILL BE PREPARED TO SHOW APPROPRIATE CONSTRUCTION DETAILS AND DIMENSIONS BASED ON THE FINAL, APPROVED COPY OF THIS PRELIMINARY ENGINEERING PLAN. SEE SPECIAL NOTE ABOVE.
2.0 THERE IS NO CURB SHOWN OR INTENDED ON THIS PLAN.
3.0 THE TOTAL NUMBER OF BUILDINGS SHOWN ON THIS PLAN IS 12. THE TOTAL NUMBER OF DWELLING UNITS IS 44.
4.0 THE TOTAL NUMBER OF PARKING SPACES SHOWN ON THIS PLAN IS
5.0 THE TOTAL NUMBER OF TREE PLANTINGS SHOWN ON THIS PLAN IS 1.
6.0 THE RELEVANT SITE AREA VALUES ARE AS FOLLOWS:
SQUARE FEET PERCENT
BUILDINGS 28,650 13.7
PAVEMENT & WALKS 24,725 11.8
GREEN 155,725 74.5
TOTAL 209,100 100.0
7.0 LOCATION AND NATURE OF SITE UTILITIES AND PLANTINGS MAY VARY SLIGHTLY BETWEEN PRELIMINARY AND FINAL ENGINEERING DRAWINGS.
LEGEND
EXISTING SEWER MANHOLE OR CATCH BASIN
NEW SEWER MANHOLE OR CATCH BASIN
NEW DECIDUOUS TREE, 3"-4" CALIPER
NEW EVERGREEN TREE, 3"-4" CALIPER
NEW HYDRANT
NEW GATE VALVE
NEW COLONIAL POST CAMP AND U.G. POWER LINE
EXISTING CHAIN LINK FENCE
NEW STORM DRAIN
NEW 8" SEWER
NEW 8" WATER
TRUCK CONTOUR
DIMENSIONS VOID SEE 'AS BUILT' LOCATION
SIDEWALK
DRIVEWAY
8" WATER MAIN SEE SHEET 2
8" SEWER SEE SHEET 2
TYPICAL SECTION THRU DRIVEWAY
NOT TO SCALE
REVISED DRAWING
1.0 13 JULY 1979 - REVISED BUILDING PLAN AND ASSOCIATED LANDSCAPING, UTILITIES, AND GENERAL NOTE, ADDED ELECTRIC POWER LINES.
2.0 7 AUG. 1979 - ADDED FLOOR ELEVATION; REVISED CONTOURS & BUILDING DESIGNATIONS; ADDED UTILITIES TYPICAL SECTION, REVISED WATER LINE.
EMILE J. LEGERE CONSTRUCTION COMPANY, INC.
KEENE, NEW HAMPSHIRE
GENERAL PLAN
AT SITE OF
PROPOSED ELDERLY HOUSING PROJECT
NORTHERN AVE. STREET
CITY OF ST. ALBANS, VERMONT
DATE 6 MAR. 1979
BUCK & PIERCE Civil Engineers
DRAWN RHD
CHECKED JBDP
PROJECT 79-06
SHEET 1 OF

26-Nov-07 **FourWinds, St Albans**

Total Residential Units:	44	Increase in Income from Rental Units:	1.50%	
Housing Credit Restricted Units:	44	Increase in Income from Other Sources:	1.50%	
Percent Restricted:	100.00%	Increase in Income from Commercial:	0.00%	
Total Development Cost:	4,199,500	Expense increase:	2.20%	
Total Development Cost per Unit:	95,443	Vacancy Rate:	3.00%	
Total Development Cost Per SF:	147	Partner's Tax Rate:	35%	
		Long Depreciation Schedule:	27.5	years
Max Credit Potential:	133,258	Short Depreciation Schedule:	7	years
Credit Amount Allocated:	**131,000**	Sponsor's Estimated Yield:	85.88%	
VT State Credit	0			
LIHTC - 4%	3.46%	Nov. '07		
LIHTC - 4%	3.46%			

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term	
First Mortgage	850,000	20.24%	6.75%	30	30	
RD Loan new	880,000	20.95%	1.00%	50	30	
RD existing	597,500	14.23%	1.00%	deferred	21	
VHCB/HOME	440,000	10.48%	0.00%	deferred	30	
HOME	200,000	4.76%	0.00%	deferred	30	
REEP	22,000	0.52%	0	0	Cap Contribution	
Project Reserves	35,000	0.83%				
VHCB Feasibility	10,000	0.24%	0		Cap Contribution	
Deferred Fee/Dev Loan	40,000	0.95%	0	30	deferred	
Tax Credit Equity LP	1,125,000	26.79%	N/A	N/A		
	4,199,500	100.00%				

USES

Acquisition	1,813,500	43.18%
Construction Hard Costs	1,463,600	34.85%
Soft Costs	922,400	21.96%
TOTAL USES	4,199,500	100.00%

		Rate	Term (months)	Interest
Gap	0			
VHFA Construction Loan	2,200,000	7.25%	12	79,750

General Partner's Capital Contribution	11,250	1.00%
Limited Partner's Capital Contribution	1,113,750	99.00%
Total Equity	1,125,000	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	44
Total Units	44
Unit Fraction	100.00%
Tax Credit Square Footage	28,650
Total Residential Square Footage	28,650
Square Footage Fraction	100.00%
Applicable Fraction	100.00%

26-Nov-07 **FourWinds, St Albans** 114.38

	Total Project	Budget	Per Unit	Per s.f.	VHCB	HOME	RD New	RD Existing	VHFA Perm	VHCB Feas.	REEP	Def Fee	Reserves	Equity	TOTAL SOURCES
	ACQUISITION				440,000	200,000	880,000	597,500	850,000	10,000	22,000	40,000	35,000	1,125,000	
1	Land	75,000	6,818	2.62	75,000										75,000
2	Purchase of Building(s)	1,725,000	156,818	60.21	365,000			597,500	762,500						1,725,000
3	Demolition (without replacement)		0	0.00											0
4	Property Appraisal	5,000	455	0.17			5,000								5,000
5	Legal - Title and Recording	8,500	773	0.30			8,500								8,500
	Subtotal - Acquisition	1,813,500	164,864	63.30											
	CONSTRUCTION HARD COSTS														
6	Rehabilitation	1,224,400	111,309	42.74		200,000	842,400							182,000	1,224,400
7	Energy efficiency	22,000	2,000	0.77							22,000				22,000
8	Accessory Buildings		0	0.00											0
9	Sitework		0	0.00											0
10	Commercial Space Costs (if any)		0	0.00											0
11	General Requirements		0	0.00											0
12	Contractor Overhead & profit		0	0.00											0
13	Contractor Profit		0	0.00											0
14	Construction Contingency	162,000	14,727	5.65										87,000	87,000
15	Construction Management		0	0.00											0
16	Construction Bond Fee		0	0.00											0
17	Hazardous Materials Abatement	29,200	2,655	1.02										29,200	29,200
18	Off-Site Improvements		0	0.00											0
19	Furnishings, Fixtures, & Equipment	26,000	2,364	0.91										26,000	26,000
20			0	0.00											0
	Subtotal - Hard Costs	1,463,600	133,055	51.09											
	SOFT COSTS														
21	Architectural / Engineering	90,000	8,182	3.14			18,850		61,150	10,000					90,000
22	Survey	4,500	409	0.16										4,500	4,500
23	Legal	15,000	1,364	0.52										15,000	15,000
24	Cost Certification audit	5,000	455	0.17										5,000	5,000
25	Environmental Assessment	5,000	455	0.17										5,000	5,000
26	Civil Engineering	30,000	2,727	1.05										30,000	30,000
27	Permits/Fees		0	0.00											0
28	Clerk of the Works	55,000	5,000	1.92										60,000	60,000
29	Relocation	15,000	1,364	0.52											0
30	Independent Market Study	1,000	91	0.03										1,000	1,000
31	Construction Period Insurance		0	0.00											0
32	Construction Interest	75,000	6,818	2.62					8,850					66,150	75,000
33	Loan Origination Fee	7,800	709	0.27					7,800						7,800
34	Taxes During Construction		0	0.00											0
35	Inspection Fee	6,000	545	0.21					4,700					1,300	6,000
36	Marketing		0	0.00											0
37	Tax Credit Fees	5,250	477	0.18			5,250								5,250
38	Soft Cost Contingency	10,400	945	0.36										25,000	25,000
39	VHFA Lender's Council Fee	5,000	455	0.17					5,000						5,000
43	Capital Needs Assessment	2,000	182	0.07										2,000	2,000
	SYNDICATION COSTS														
44	Organizational (Partnership)	1,500	136	0.05										1,500	1,500
45	Bridge Loan Fees and Expenses	20,850	1,895	0.73										20,850	20,850
46	Syndication Consultant	3,500	318	0.12										3,500	3,500
47	Tax Opinion		0	0.00											0
	DEVELOPER'S FEES														
48	Developer's Fees	295,000	26,818	10.30								40,000		320,000	360,000
49			0	0.00											0
50	Consultant Fees	64,600	5,873	2.25										70,000	70,000
	RESERVES														
51	Working Capital	66,000	6,000	2.30										20,000	20,000
52	Rent-up (Deficit Escrow) Reserve		0	0.00											0
53	Replacement Reserves	35,000	3,182	1.22									35,000		35,000
54	Service Coordinator Sinking Fund	104,000	9,455	3.63										150,000	150,000
55	Replacement Reserves		0	0.00											0
	Subtotal - Soft Costs	922,400	83,855	32.20											
	TOTAL DE[illegible]PMENT COSTS	4,199,500	95,443	146.58	440,000	200,000	[illegible]	597,500	850,000	10,000	22,000	40,000	35,000	1,125,000	4,199,[illegible]

[redacted]St Albans

		Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	75,000					
2	Purchase of Building(s)	1,725,000	1,725,000		1,725,000		
3	Demolition (without replacement)	0			0		
4	Property Appraisal	5,000	5,000		5,000		
5	Legal - Title and Recording	8,500	8,500		8,500		
	Subtotal - Acquisition	1,813,500					
	CONSTRUCTION HARD COSTS						
6	Rehabilitation	1,224,400		1,224,400	1,224,400		
7	Energy efficiency	22,000		22,000	22,000		
8	Accessory Buildings	0		0	0		
9	Sitework	0		0	0		
10	Commercial Space Costs (if any)	0					
11	General Requirements	0		0	0		
12	Contractor Overhead & profit	0		0	0		
13	Contractor Profit	0		0	0	0	
14	Construction Contingency	162,000		162,000	162,000		
15	Construction Management	0		0	0	0	
16	Construction Bond Fee	0		0	0		
17	Hazardous Materials Abatement	29,200		29,200	29,200		
18	Off-Site Improvements	0		0	0	0	
19	Furnishings, Fixtures, & Equipment	26,000		26,000	26,000	0	
20	0	0		0	0	0	
	Subtotal - Hard Costs	1,463,600					
	SOFT COSTS						
21	Architectural / Engineering	90,000		90,000	90,000		
22	Survey	4,500		4,500	4,500		
23	Legal	15,000		15,000	15,000		
24	Cost Certification audit	5,000		5,000	5,000		
25	Environmental Assessment	5,000		5,000	5,000		
26	Civil Engineering	30,000		30,000	30,000	0	
27	Permits/Fees	0		0	0		
28	Clerk of the Works	55,000		55,000	55,000		
29	Relocation	15,000		15,000	15,000		
30	Independent Market Study	1,000		1,000	1,000		
31	Construction Period Insurance	0		0	0		
32	Construction Interest	75,000		75,000	75,000		
33	Loan Origination Fee	7,800		7,800	7,800		
34	Taxes During Construction	0		0	0		
35	Inspection Fee	6,000		6,000	6,000		
36	Marketing	0					
37	Tax Credit Fees	5,250					
38	Soft Cost Contingency	10,400		10,400	10,400		
39	VHFA Lender's Council Fee	5,000		5,000	5,000		
43	Capital Needs Assessment	2,000					
	SYNDICATION COSTS						
44	Organizational (Partnership)	1,500					
45	Bridge Loan Fees and Expenses	20,850					
46	Syndication Consultant	3,500					
47	Tax Opinion	0					
	DEVELOPER'S FEES						
48	Developer's Fees	295,000		295,000	295,000		
49	0	0		0	0		
50	Consultant Fees	64,600		64,600	64,600		
	RESERVES						
51	Working Capital	66,000					
52	Rent-up (Deficit Escrow) Reserve	0					
53	Replacement Reserves	35,000					
54	Service Coordinator Sinking Fund	104,000					
55	Replacement Reserves	0					
	Subtotal - Soft Costs	922,400					
	TOTALS	4,199,500	1,738,500	2,147,900	3,860,400	0	
	LESS: Amount of Non-qualified Financing			35,000	35,000	0	
	LESS: Adjustment for per unit cost limits	100.00%		0			
	LESS: Historic tax Credit (Residential Portion)			0	0	20%	Historic Credit Rate
	Total Eligible Basis		1,738,500	2,112,900		0	Annual Historic Credit
	TIMES: Adjusted for QCT/DDA	100.00%		2,112,900			
	TIMES: Applicable Fraction	100.00%	1,738,500	2,112,900			
	Total Qualified Basis		1,738,500	2,112,900	3,825,400		Long Term Depreciable Basis
	TIMES: Applicable Percentage		3.46%	3.46%	27.5		Depreciation Schedule
	Total Annual Credit Qualified		60,152	73,106	139,105		Annual Depreciation
	Total Tax Credits Requested	131,000		133,258	26,000		Short Term Depreciable Basis
	Estimated Net Syndication Proceeds (excluding historic credit equity)	1,125,000			7		Depreciation Schedule
	Estimated Yield - Housing Credit Syndication	85.88%			3,714		Annual Depreciation
	Equity Gap	0					
	Credits Needed to fill Equity Gap	0					

0.00

26-Nov-07 **FourWinds, St Albans**

Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
1 Br		631	44	799	0	421,872
1 Br					0	0
2 Br					0	0
					0	0
					0	0
					0	0
Common Space		900				
	Totals	28,650	44			421,872

Less Vacancy	3.00%		(12,656)
		NET RENT	409,216
OTHER INCOME			
Laundry			5,680
Interest			
Commercial Space Income			0
Other			0
		TOTAL INCOME	414,896

26-Nov-07 **FourWinds, St Albans**

	Check all Applicable									A					B						C					
Building #	**Unit #**	**HOME Unit**	**Lead Paint Unit**	**Project Based Assistance**	**Tax Credit Unit**	**VHCB Restricted**	**Accessible**	**Adaptable**	**Unrestricted**	**Number of Bedrooms**	**Proposed Square Footage**	**Proposed Rent**	**Utility Allowance for Tenant-Paid Utilities**	**Gross Rent (Rent + Tenant-Paid Utilities)**	**OCCUPIED BY: Income level of residents to be served:**						**AFFORDABLE TO: Units affordable to residents at:**					
															<30%	**<50%**	**<60%**	**<80%**	**<100%**	**>100%**	**30%**	**50%**	**60%**	**65%**	**80%**	**100%+**
1	1	x		x	x	x	x			1	631	799	0	799		x					x					
	2			x	x	x				1	631	799	0	799		x					x					
	3			x	x	x				1	631	799	0	799		x					x					
	4			x	x	x				1	631	799	0	799		x					x					
2	5			x	x	x				1	631	799	0	799		x					x					
	6			x	x	x				1	631	799	0	799		x					x					
	7	x		x	x	x				1	631	799	0	799		x					x					
	8			x	x	x				1	631	799	0	799		x					x					
3	9			x	x	x	x			1	631	799	0	799		x					x					
	10			x	x	x				1	631	799	0	799		x					x					
	11	x		x	x	x				1	631	799	0	799		x					x					
	12			x	x	x				1	631	799	0	799		x					x					
4	13			x	x	x				1	631	799	0	799		x					x					
	14			x	x	x				1	631	799	0	799		x					x					
	15	x		x	x	x				1	631	799	0	799		x					x					
	16			x	x	x				1	631	799	0	799		x					x					
5	17			x	x	x				1	631	799	0	799		x					x					
	18			x	x	x				1	631	799	0	799		x					x					
	19			x	x	x				1	631	799	0	799		x					x					
	20			x	x	x				1	631	799	0	799		x					x					
6	21			x	x	x	x			1	631	799	0	799		x					x					
	22	x		x	x	x				1	631	799	0	799		x					x					
	23			x	x	x				1	631	799	0	799		x					x					
	24			x	x	x				1	631	799	0	799		x					x					
7	25			x	x		x			1	631	799	0	799		x					x					
	26			x	x					1	631	799	0	799		x					x					
	27			x	x					1	631	799	0	799		x					x					
	28			x	x					1	631	799	0	799		x					x					
8	29			x	x					1	631	799	0	799		x					x					
	30			x	x					1	631	799	0	799		x					x					
	31			x	x					1	631	799	0	799		x					x					
	32			x	x					1	631	799	0	799		x					x					
9	33			x	x		x			1	631	799	0	799		x					x					
	34			x	x					1	631	799	0	799		x					x					
	35			x	x					1	631	799	0	799		x					x					
	36			x	x					1	631	799	0	799		x					x					
10	37			x	x					1	631	799	0	799		x					x					
	38			x	x					1	631	799	0	799		x					x					
	39			x	x					1	631	799	0	799		x					x					
	40			x	x					1	631	799	0	799		x					x					
11	41			x	x					1	631	799	0	799		x					x					
	42			x	x					1	631	799	0	799		x					x					
	43			x	x					1	631	799	0	799		x					x					
	44									1	631	799	0	799		x					x					
12	community center									1	900					x					x					
Total # Units	**44**		**0**	**44**	**44**				**0**	**Totals:**	**28,650**	**35,156**		**Total # Units:**	0	44		0	0	0	44	0	0	0	0	0

26-Nov-07 **FourWinds, St Albans**

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	26,664	2,222	51	6.4%
mangement overhead	8,236	686	16	
Audit/Accounting	5,500	458	10	
Legal	500	42	1	
On Site Management/support	18,720	1,560	35	
LIHTC compliajce monitoring	2,112	176	4	
Marketing	1,183	99	2	
Other	4,050	338	8	office phone, mileage
TOTAL ADMINISTRATIVE	66,965	5,580	127	
Utilities				
Electricity	29,000	2,417	55	
Fuel	29,000	2,417	55	
Water and Sewer	7,700	642	15	
Fire Alarm / Emergency	3,800	317	7	
Other		0	0	
TOTAL UTILITIES	69,500	5,792	132	
Maintenance				
Maintenance / Janitor Payroll	51,659	4,305	98	
Maintenance Overhaed				
janitor supplies	1,000	83	2	
Exterminating	1,200	100	2	monthly contract
Trash Removal	4,000	333	8	
Snow Removal	7,000	583	13	
Grounds	3,000	250	6	
Repairs Material	9,000	750	17	
Repairs Contract	9,000	750	17	
HVAC Repairs / Maintenance	6,500	542	12	
Elevator Contract / Repairs		0	0	
Painting and Decorating	1,000	83	2	
Other		0	0	
TOTAL MAINTENANCE	93,359	7,780	177	
Real Estate Taxes	34,320	2,860	65	per unit month excl. ds & res.
Property Insurance	13,500	1,125	26	526
Replacement Reserves	34,320	2,860	65	
Primary Debt Service		0	0	
Other "must pay" debt service		0	0	
Other		0	0	
Total	311,964	25,997	591	

277,644

form revision date: 2/27/97

26-Nov-07	FourWinds, St Albans														
Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
RD 1% Loan, No Interest Credit															
Operating Income															
Gross Rent	421,872	428,200	434,623	441,142	447,760	454,476	461,293	468,212	475,236	482,364	489,600	496,944	504,398	511,964	519,
Other Income	5,680	5,765	5,852	5,939	6,029	6,119	6,211	6,304	6,398	6,494	6,592	6,691	6,791	6,893	6,9
Vacancy and other losses	(12,656)	(12,846)	(13,039)	(13,234)	(13,433)	(13,634)	(13,839)	(14,046)	(14,257)	(14,471)	(14,688)	(14,908)	(15,132)	(15,359)	(15,589
Total Operating Income	414,896	421,119	427,436	433,848	440,355	446,961	453,665	460,470	467,377	474,388	481,504	488,726	496,057	503,498	511,050
Operating Expenses															
Total Expenses (excl. Reserves)	277,644	283,752	289,995	296,375	302,895	309,559	316,369	323,329	330,442	337,712	345,142	352,735	360,495	368,426	376,531
Reserves	34,320	34,320	34,320	34,320	34,320	34,320	34,320	34,320	34,320	34,320	34,320	34,320	34,320	34,320	34,320
Sub-Total Operating Expense	311,964	318,072	324,315	330,695	337,215	343,879	350,689	357,649	364,762	372,032	379,462	387,055	394,815	402,746	410,851
Total Operating Expense	311,964	318,072	324,315	330,695	337,215	343,879	350,689	357,649	364,762	372,032	379,462	387,055	394,815	402,746	410,851
Net Operating Income	102,932	103,047	103,121	103,153	103,140	103,082	102,976	102,821	102,615	102,356	102,042	101,671	101,242	100,752	100,199
Less Primary Debt Service	66,157	66,157	66,157	66,157	66,157	66,157	66,157	66,157	66,157	66,157	66,157	66,157	66,157	66,157	66,157
Less Secondary Debt Service	22,372	22,372	22,372	22,372	22,372	22,372	22,372	22,372	22,372	22,372	22,372	22,372	22,372	22,372	22,372
Annual Cash Flow	14,403	14,518	14,592	14,624	14,611	14,553	14,447	14,292	14,086	13,827	13,513	13,142	12,713	12,223	11,670
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash	14,403	14,518	14,592	14,624	14,611	14,553	14,447	14,292	14,086	13,827	13,513	13,142	12,713	12,223	11,670
DCR	116.27%	116.40%	116.48%	116.52%	116.50%	116.44%	116.32%	116.14%	115.91%	115.62%	115.26%	114.84%	114.36%	113.81%	113.18%
Cumulative Cash Flow															
Beginning Balance	66,000	69,555	73,251	77,049	80,908	84,783	88,628	92,397	96,039	99,502	102,732	105,672	108,263	110,445	112,153
Deposits	14,403	14,518	14,592	14,624	14,611	14,553	14,447	14,292	14,086	13,827	13,513	13,142	12,713	12,223	11,670
Interest 1.5%	495	522	549	578	607	636	665	693	720	746	770	793	812	828	841
Withdrawals	(11,343)	(11,343)	(11,343)	(11,343)	(11,343)	(11,343)	(11,343)	(11,343)	(11,343)	(11,343)	(11,343)	(11,343)	(11,343)	(11,343)	(11,343)
Ending Balance	69,555	73,251	77,049	80,908	84,783	88,628	92,397	96,039	99,502	102,732	105,672	108,263	110,445	112,153	113,321
Cumulative Replacement Reserves															
Beginning Balance	35,000	69,577	104,419	139,522	174,889	210,520	246,419	282,588	319,027	355,740	392,728	429,993	467,538	505,365	543,475
Deposits	34,320	34,320	34,320	34,320	34,320	34,320	34,320	34,320	34,320	34,320	34,320	34,320	34,320	34,320	34,320
Interest 1.5%	257	522	783	1,046	1,312	1,579	1,848	2,119	2,393	2,668	2,945	3,225	3,507	3,790	4,076
Withdrawals	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	69,577	104,419	139,522	174,889	210,520	246,419	282,588	319,027	355,740	392,728	429,993	467,538	505,365	543,475	581,871
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income	102,932	103,047	103,121	103,153	103,140	103,082	102,976	102,821	102,615	102,356	102,042	101,671	101,242	100,752	100,199
Plus Reserves	34,320	34,320	34,320	34,320	34,320	34,320	34,320	34,320	34,320	34,320	34,320	34,320	34,320	34,320	34,320
RD Return on Equity	(11,343)	(11,343)	(11,343)	(11,343)	(11,343)	(11,343)	(11,343)	(11,343)	(11,343)	(11,343)	(11,343)	(11,343)	(11,343)	(11,343)	(11,343)
Less Interest Expense	(71,811)	(71,043)	(70,230)	(69,369)	(68,456)	(67,487)	(66,460)	(65,370)	(64,213)	(62,984)	(61,678)	(60,290)	(58,815)	(57,246)	(55,576)
Less Long Depreciation	(139,105)	(139,105)	(139,105)	(139,105)	(139,105)	(139,105)	(139,105)	(139,105)	(139,105)	(139,105)	(139,105)	(139,105)	(139,105)	(139,105)	(139,105)
Less Short Depreciation	(3,714)	(3,714)	(3,714)	(3,714)	(3,714)	(3,714)	(3,714)	0	0	0	0	0	0	0	0
Taxable Income (Loss)	(88,722)	(87,839)	(86,951)	(86,058)	(85,158)	(84,248)	(83,327)	(78,678)	(77,726)	(76,756)	(75,764)	(74,747)	(73,701)	(72,622)	(71,506)
Cash Flow	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings	31,053	30,744	30,433	30,120	29,805	29,487	29,164	27,537	27,204	26,865	26,518	26,162	25,795	25,418	25,027
Plus Tax Credits	131,000	131,000	131,000	131,000	131,000	131,000	131,000	131,000	131,000	131,000					
After Tax Cash Flow	162,053	161,744	161,433	161,120	160,805	160,487	160,164	158,537	158,204	157,865	26,518	26,162	25,795	25,418	25,027

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: CONSTRUCTION AND PERMANENT FINANCING AND PROPOSED USE OF BOND HOUSING CREDITS FOR FOURWINDS SENIOR HOUSING, ST. ALBANS

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow monies and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, an application has been submitted to the Agency by Cathedral Square Corporation (the "Sponsor") on behalf of a to be formed limited partnership in which the Sponsor or its subsidiary will be the general partner (the "Borrower") involving the acquisition and rehabilitation of forty-four (44) units of senior rental housing in the City of St. Albans (the "Development"); and

WHEREAS, the application contemplates a mortgage loan for construction and permanent financing for the Development with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds; and

WHEREAS, the Sponsor 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; and

WHEREAS, the Agency administers the allocation and use of the federal Low Income Housing Tax Credits (both Allocated Housing Credits and Bond Housing Credits) and the State Housing Credits under the State's Qualified Allocation Plan; and

WHEREAS, the Governor of the State of Vermont has approved the 2005-2006 Qualified Allocation Plan; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi dated November 21, 2007, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income, or qualifies for financing with proceeds of federally tax-exempt obligations, or at least 20 percent of the units are for occupancy by persons and families of low and moderate income.

2. The acquisition and construction 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 increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency 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 loan.

6. The Sponsor is financially responsible and is a qualified housing sponsor within the meaning of the Act. The Borrower will be required to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsor for the construction and permanent financing of the Development based on the recommendations in the attached Memorandum. 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 Sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the Borrower for the construction and permanent financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsor as the representative of the Borrower. The Commitment Letter shall be conditioned on the satisfaction by the Sponsors of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

3. The Executive Director and the Loan Review Committee will establish the final source and amount of the loan for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines, and the conditions described in the Memorandum.

4. The recommendations for the use of Bond Housing Credits contained in the Memorandum which is attached and incorporated by this reference are hereby approved.

5. The Executive Director and the appropriate staff are hereby authorized to take such actions as are described in the 2005-2006 Qualified Allocation Plan regarding the use of Bond Housing Credits in an amount necessary for the Development's feasibility for the Fourwinds Senior Housing project in the City of St. Albans, Vermont.

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Directors
Joint Committee on Tax Credits
Other Housing Credit Interested Parties

FROM: Joe Erdelyi, Director of Development
Josh Slade, Multifamily Operations Specialist

DATE: November 12, 2007

RE: 2008-2009 Qualified Allocation Plan (the "Plan")

Recommended Action: Board adopt the attached Plan as proposed.

Background: Attached is a copy of the proposed Plan with significant changes marked in color. This document can also be found at www.vhfa.org/developers/lihtc/overview.php. The Plan has been before the Joint Committee on Tax Credits at its meeting of September 21st and their comments and changes have been incorporated. This is being sent in advance of the usual Board mailing to give more time for review.

The changes to the Plan are:

- A section has been added so that if a Homeownership component of the State Affordable Tax Credit is passed, the Plan addresses it and staff can start to implement it. (The last draft legislation required that the homeownership credit be allocated in accordance with the Plan.)
- LEED-H and Green Communities have been added as a new evaluation criterion, in the last place in order of priority. Staff is working on green building and design standards, and when those are done staff intends to ask the Board to adopt them for all multifamily programs, both loans and Housing Credits. Until those standards are passed, staff wanted to acknowledge the efforts already underway among the development community to go green.
- Housing along ski area corridors have been added in the top "consolidated plan" evaluation criterion. (Previously this was proposed as an either/or with the subcategory that gives acknowledgement to projects in compact village and urban centers, but now has been broken out into its own subcategory.) Staff have seen developments along ski area corridors that would provide much needed housing but do not score particularly well, since such areas tend to be outside compact village centers or downtowns. (Future changes to the Consolidated Plan might want to consider this as well, since this addition makes the Plan somewhat inconsistent with the Consolidated Plan.)
- Other minor changes include punctuation, numbering and spacing, some definitions, and other proofing edits.

Also attached is a draft of the summary checklist staff uses in evaluating projects, consistent with this draft Plan. Please call Joe Erdelyi at 652-3432 or e-mail him at jerdelyi@vhfa.org if you have any questions or concerns.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

VHFA 2008-2009 HOUSING CREDIT EVALUATION CHECKLIST

CT NAME		**LOCATION**	
SPONSOR		**STATUS**	___ Non-Profit ___ For-Profit
UNITS: LIHTC **TOTAL**	_____ Commercial Space? _____ ___Yes ___No	**PRE-APPLICATION MEETING**	**Date**
LIHTC REQUESTED	$_____	**APPLICATION RECEIVED**	**Date**
CREDIT TYPE	___ Out of Cap ___ Acquisition ___ Allocated ___ Rehabilitation ___ Both ___ New Const.	**LETTER OF INTENT ISSUED or REJECTED**	**Date**
STATE CREDIT REQUESTED	$_____	**RESERVATION CERTIFICATE or BINDING AGREEMENT**	**Date**
MINIMUM SET-ASIDE ELECTION	___ 40/60 ___ 20/50 ___ Deep Rent Skewing	**CARRYOVER ALLOCATION**	**Date**
SITE VISIT	**Date**	**8609**	**Date**

APPLICATION REQUIREMENTS	**COMMENTS**	
1. VHFA LIHTC Application form is complete, including all required attachments (elevations, zoning letter, site control, etc) and payment of required fees.	___ Yes ___ No	**FEE:** $_____pd / _____date
2. Meets the basic occupancy and rent restrictions, inc. design standards.	___ Yes ___ No	
3. Applicant has established the need & demand (i.e. market feasibility) for the type and cost of housing that is being proposed.	___ Yes ___ No	**Market Study Date:**
4. Reservations will be based upon the experience and capacity of the project team.	___ Yes ___ No	
5. Developer's Fee / Consultant Fees in the budget does not exceed the program limits.	___ Yes ___ No	**FEE:** $ / %
6. Builder's Profit / Overhead / General Requirements in the budget complies with Allocation Plan limits.	___ Yes ___ No	/ /
7. Applicant must agree to perpetual rent & income restrictions, and may provide a right of first refusal to a nonprofit to purchase the property as described in the Allocation Plan.		
8. C.N.A for lesser rehabilitation projects.	___ Yes ___ No	
9. At least three top-tier and one other evaluation criteria must be met.	___ Yes ___ No	
EVALUATION CRITERIA **(1 – 5 are in order of priority)**		
1. State Consolidated Plan Priorities / Other Priorities (**not in order of priority within each tier**): Top Tier (weighted higher than second tier): (a) Rehabilitation, including lead-based paint abatement, accessibility modifications, and energy efficiency upgrades; or infill		

ACTION	DATE	COMMENTS & CONDITIONS
Pre-Development Meeting		
Board Approval Zoning Administrator Letter Evidence of Site Control Elevation Drawings Local CEO Letter		
Letter of Intent		
Reservation Certificate / Binding Rate Agreement Fair Housing Plan Letter from Homeless Service Provider Plans & Specs Financing Commitments 10% Cost Certification		
Carryover Allocation Capital Needs Assessment Final Cost Certification		
8609		

Joe Erdelyi

From: Richard Williams [richard@VSHA.ORG]

Sent: Friday, November 30, 2007 4:43 PM

To: Joe Erdelyi

Cc: Sarah Carpenter; Gus Seelig; Hall, John S; Kevin Dorn; Molly Dugan; Cathy Voyer ; Dave Adams; Cindy Reid

Subject: tax credit allocation plan

Joe, I know it's late to be suggesting this and I did not bring it up at the September meeting but since then I have
discussions with several non profits about adding the following:

1. add Preservation of existing subsidized housing as a tier item (1st or 2nd)
2. revise development fee for Aquisition & Rehab of existing subsidized housing from 10% to 12%.

It may be too late to bring this before the VHFA board on Monday, but if you would or if others members of the VHFA board or tax credit committee would at least give it some consideration, I would appreciate it.

I was hoping to make the meeting on Monday, but my schedule does not allow for it. Looks like a big snow storm coming in so you may not even have the meeting.

Regards

Richard M. Williams
Executive Director
Vermont State Housing Authority
802-828-3028

2008-2009 ALLOCATION PLAN

FEDERAL HOUSING CREDIT PROGRAM

VERMONT AFFORDABLE HOUSING TAX CREDIT PROGRAM

STATE OF VERMONT

Joint Committee on Tax Credits

John Hall
Commissioner
Department of Housing and Community Affairs

Sarah Carpenter
Executive Director
Vermont Housing Finance Agency

Gustave Seelig
Executive Director
Vermont Housing and Conservation Trust Fund

Cathy Voyer
Agency of Human Services

Richard M. Williams
Executive Director
Vermont State Housing Authority

For Further Information Contact:

Allocation Plan and Policies:

Sarah Carpenter
Vermont Housing Finance Agency
(802) 652-3421 or (800) 339-5866

Applications and Program Administration:

Joe Erdelyi/Cindy Reid
Vermont Housing Finance Agency
(802) 652-3432 or (802) 652-3462 or (800) 339-5866

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DEFINITIONS

Each definition containing an asterisk (*) is intended to be consistent with the tax credit program statutes at IRC Section 42 and Regulations 1.42-1(T) through 1.42-17.

Allocating Agency (or Agency): means Vermont Housing Finance Agency (VHFA).

Applicable Fraction:* The fraction used to determine the qualified basis of the qualified low income building, which is the smaller of the unit fraction or the floor space fraction, all determined as provided in Section 42(c)(1).

Binding Rate Agreement:* A document in which the owner of a project elects, irrevocably, to fix the applicable percentage with respect to a building or buildings.

Blight: A condition that exists when a significant portion of a building is uninhabitable or unusable due to neglect, condemnation, or damage from fire or other natural disaster.

Bond Credits: ("Automatic Housing Credits", "out-of-cap credits", or "4% credits") Housing Credits that are available to a project when half or more of a project's total cost is financed with tax-exempt financing. Bond Credits differ from Ceiling Credits.

Broadband: A form of high-speed data transmission where a single medium (wire, or an equivalent wireless system) can carry different types of information simultaneously (i.e. voice, video and/or data). For example, a single cable may provide internet access, telephone and cable television.

Builder's Overhead, Profit, and General Requirements: The following limits shall apply when there is an identity of interest between the developer and the contractor: builder's profit - 6%; builder's overhead - 2%; general requirements - 6%. These limits will also apply for projects where the builder is selected by the developer without competitive bidding. These limits will not apply to projects that are competitively bid, whether through open public bidding or selective bidding; the bid process will determine the amount of builder's profit, builder's overhead, and general requirements. The developer must make best efforts to obtain at least three competitive bids; documentation of the bid process must be provided. For Rural Development (RD) 515 projects, the limits will be the amounts approved for each project under the RD cost containment guidelines.

Capital Needs Assessment (CNA): An independently, professionally prepared report that evaluates the systems of a building and identifies the remaining useful life of those systems, as well as estimating the cost of replacing them. ~~For all new construction, adaptive reuse, and rehabilitation projects wherein all major systems are replaced, a CNA will be required no later than 6 months of construction completion of the project or prior to issuance of the 8609 (whichever comes first) in order to adequately size the replacement reserve. For all other projects, a CNA will be required upfront in order to plan the scope of rehabilitation work as well as the replacement reserve budget.~~ More specifics can be found

in the VHFA, VHCB, DHCA (VCDP) Capital Needs Assessment Guidance Policy at http://www.vhfa.org/documents/property_managers/cna_assistance.pdf .

Carryover Allocation:* An allocation of current year tax credit authority by the Allocating Agency, pursuant to Section 42(h)(1)(E) of the Code and Treasury Regulations Section 1.42-6.

Ceiling Credits: Federal Housing Credits that are allocated to each state based on its population. Federal legislation passed at the end of 2000 granted the State of Vermont a "small state set-aside" of $2,000,000, which is adjusted annual by an inflation index. Despite the increase, Ceiling Credits are a limited and therefore competitive resource.

Code: The Internal Revenue Code of 1986 as amended.

Compliance Period:* The period of 15 taxable years beginning with the first taxable year of the credit period, as defined in Section 42(i)(1) of the Code.

Consultant Fee: Defined as any fee(s) paid by the developer to a third party for services that a developer generally would be expected to perform, such as preparing applications for financing, obtaining local permits and approvals, and overseeing project functions. Consultant Fees do not include the fees paid to independent third party professionals for specific development-related services, such as architectural, engineering, appraisal, construction supervision, and environmental testing or assessment. Consultant Fees are included in the Developer's Fee. VHFA shall make the final determination of which fees in a specific project shall be considered Consultant Fees.

Cost Certification: A certified accountant-prepared statement (following the format outlined in the VHFA Housing Credit Application package) that documents the capital costs incurred by the developer. There are two versions of the Cost Certification, the "10%" cost certification and the "final" Cost Certification. These must be prepared and submitted for VHFA review prior to issuance of a Carryover Allocation or an IRS Form 8609 respectively.

Design Standards: The standards adopted by VHFA for all properties being developed under the tax credit program. They can be found at www.vhfa.org/documents/developers/design_standards.pdf

Developer's Fee: Capital budget fee taken by the developer as compensation for their time and risk associated with the development. The total Developer's Fee shall not exceed 15% of the total development cost (excluding the fee itself and cash accounts) when the total development cost is less than or equal to $1.5 million. For projects in which the total development cost exceeds $1.5 million, the total Developer's Fee shall not exceed 12% of the total development cost (excluding the fee itself and cash accounts), payable by full occupancy. If at least one-third of the Developer's Fee (but not less than $100,000) is deferred, then the developer can take up to a 15% fee. The term of repayment of the

deferred Developer's Fee will be based upon the financial strength of the development. Interest on the deferred Development Fee will not exceed the long term Applicable Federal Rate (AFR) as published monthly by the IRS, in the month the deferred fee note is executed.

In addition to these not-to-exceed limits, the Developer's Fee shall be calculated according to the following schedule:

> Projects of under 60 units: the "not-to-exceed" limits (above) apply.
>
> Projects of 60 units and over: the maximum Developer's Fee shall be 10% of total development cost as defined above, and the maximum cash portion of the fee (i.e. the total fee less any lent back to the project) shall not exceed $1,000,000.

For all projects that involve the refinance, recapitalization, or workout of developments already in the developer's portfolio (including transfers to or from related-party controlled partnerships or limited liability companies), the maximum developer's fee will be the greater of 15% of the hard construction cost (including contingency) or $3,500 per unit. For projects that involve the arm's length acquisition of an existing subsidized development from an unrelated seller involving substantial construction work to be done by the buyer, the fee limit shall be 10% of the total development cost (which for purposes of calculating the fee excludes the fee itself and capitalized cash accounts) "Substantial construction work" for purposes of this section is defined as: any development whose construction eligible basis (as defined by Section 42 of the IRS Code) less developer's fee (and less consultant fees that are by definition included in the developer's fee limit) is greater than the project's acquisition eligible basis plus land cost. For projects that involve an arm's length acquisition of an existing subsidized development with less than substantial construction work, the developer's fee will be the greater of 15% of the hard construction cost (including contingency) or $3,500 per unit.

> When any developer-related party is doing any work at all on the development (except for: 1) construction, which has separate limits, and 2) architectural, which will be reviewed for cost reasonableness), then that work will be considered part of the overall limit.

Difficult Development Area (DDA):* Any area designated by the Secretary of Housing & Urban Development as having high construction, land and utility costs relative to Area Median Gross Income in accordance with Section 42(d)(5)(C)(iii)(I) of the Code.

Downtown: Defined in the Consolidated Plan and as provided for in 24 VSA Chapter 76A, "Downtown" means the traditional central business district of the community that has served as the center for socioeconomic interaction in the community characterized by a cohesive core of commercial and mixed use buildings, often interspersed with civic,

religious, and residential buildings and public spaces, arranged along a main street and intersecting side streets and served by public infrastructure.

Employer Assisted Housing Program: A program through which employers assist workers in the purchase of a home through down payment assistance grants or closing cost grants.

Energy Standards: A standard relating to energy efficiency and water conservation that has been adopted by VHFA, VHCB, and the Vermont Department of Housing and Community Affairs, for their collective housing funding programs. A copy of the standards is available at http://www.vhfa.org/documents/ developers/energy_checklist.pdf.

Eventual Tenant Ownership: Projects must demonstrate that the tenants that will be occupying the project at the end of the tax credit initial compliance period would have the choice of purchasing their residence, either as a condominium, a housing cooperative, or a single-family home.

Extended-Use Period:* The period described in Section 42(h)(6)(D) of the Code. For projects receiving 9% (ceiling/allocated) credits, the extended use period is perpetual. For projects receiving 4% (bond) credits, this period is a minimum of 30 years.

Family Housing: Housing development in which 50% of the residential rental units are two-bedroom or larger.

Federally Subsidized and At-Risk:* Defined as any development currently occupied by low-income households that faces, within the next five years: 1) a loss of deep rental assistance or other operating subsidy; and 2) faces prepayment of its mortgage or other action by its owner that would terminate federal low income use restrictions. In addition, any project(s) that is slated to receive federal funding specifically for the preservation of the units as affordable housing. Examples include but are not limited to RD 515, Section 8, Section 23, Section 236, and Section 221(d)3.

Green Communities: A standard of construction promoted and maintained by the Enterprise Community Partners, a national nonprofit, to encourage green building practices. More information can be found on the website www.greencommunitiesonline.org.

Historic Settlement Patterns of Compact Village and Urban Centers: Characteristics of compact urban, town, and village centers include: higher density than surrounding areas; mixed uses; developments with pedestrian, bike, transit, and auto access; public facilities, services, and spaces; diversity in the types and scale of housing, businesses, and industries; center for community activity; open space, including productive farm and forestland, surrounding the town center; and exemplifying a unique cultural heritage.

Housing Credits:* Means low income housing tax credits as described in Section 42 of the Code.

Homeownership Tax Credit: Tax credits provided for owner-occupied developments which meet the eligibility criteria of the Vermont Housing Finance Agency homeownership loan program. The developer must ensure the perpetual affordability to moderate and low income Vermonters and that the tax credit will benefit future homeowners.

Housing Subsidy Covenant:* The agreement between the Agency and an owner restricting a property to affordable housing use during the Compliance Period and Extended Use Period. See Section 42(h)6 of the Code.

IRS Form 8609:* The Low Income Housing Credit Allocation Certification, IRS Form 8609, is prepared by the Agency once the project is completed and its costs have been reviewed and certified by a certified public accountant. The first part of the form is completed by the Agency, the second part by the owner. The form is then attached to the owner's federal income tax return every year for the Compliance Period.

LEED-H: A standard of construction promoted and maintained by the U.S. Green Building Council to encourage green building practices. LEED-H (also known as LEED for Homes) is an abbreviation for Leadership in Energy and Environmental Design – Homes. More information can be found on the US Green Building Council's website, www.usgbc.org.

Letter of Intent: A letter issued by the Agency that sets aside Housing Credits for a development, subject to conditions. The amount of the credits may be subject to change depending on the project's budget, but the amount stated in the Letter will equal the project's qualified basis times the applicable percentage in effect at the time of the letter (plus some allowance for future fluctuations in the basis or the percentage).

Market Area: Unless otherwise defined in the Agency's market study standards, market area refers to the city or town in which the proposed development is located, and adjacent cities or towns.

Market Study: Defined as a comprehensive study of housing needs of low-income individuals in the market area to be served by the project. The market study needs to follow any standards that have been adopted by the Agency. Multifamily standards are located at http://www.vhfa.org/documents/developers/market_study_standards.pdf.

Minimum Set-Aside Election:* Means the federally imposed minimum proportion of total project units set aside as low income units at one or more area median gross income level(s). The minimum set-asides include the "20-50" test and the "40-60" test. This election is made by the applicant, and meets the minimum requirements of Section 42 of the Code.

Mixed-Income Housing: For developments of 20 units or greater on a single site or contiguous sites, mixed-income means 15% or more of the units are targeted to households whose income is greater than 60% of the Area Median Gross Income (AMGI). For developments of less than 20 units, mixed-income means having at least one unit targeted to households whose income is greater than 60% of the AMGI.

Nonprofit Material Participation:* Means involvement in the development and operation of a project by a Nonprofit Sponsor (defined below) which is regular, continuous, and substantial as defined in Section 42 and 469(h) of the Code.

Nonprofit Sponsor:* An organization that is described in Section 501(c)(3) or (4) of the Code, that is exempt from federal income taxation under Section 501(a) of the Code, that is not affiliated with or controlled by a for profit organization, and includes as one of its exempt purposes the fostering of low income housing within the meaning of Section 42(h)(5)(C) of the Code.

Qualified Census Tract (QCT):* Defined in Section 42 (d)(5)(C) of the Code, means a census tract designated by the Secretary of Housing & Urban Development in which 50 percent or more of households have an income less than 60 percent of the area median gross income or in which there exists a poverty rate of 25 percent or greater.

Reservation Certificate:* A document in which the Agency and the owner enter into a binding agreement as to the Housing Credit dollar amount to be allocated to a building or buildings.

Resident Manager's Unit:* Means a unit set aside by an owner of a development as a residential rental unit for a manager. In accordance with IRS Revenue Ruling 92-61, a manager's unit can be included in the eligible basis of the building but will be excluded from both the numerator and the denominator of the applicable fraction. A manager's unit is not classified as a residential rental unit, but rather as a facility reasonably required by a project that is functionally related and subordinate to residential rental units.

Residential Rental Unit:* A rental unit in a development used as an accommodation on a non-transient basis, that contains complete physical facilities and fixtures for living, sleeping, eating, cooking, and sanitation. Qualified units are rented or available for rent on a continuous basis, with a term of at least 6 months, are available to members of the general public, and are suitable for occupancy.

Right of First Refusal: A separate legal document that entitles an entity to purchase the property from the owner (which will generally be a limited partnership or limited liability company) for a specified price and under specified conditions. The Right of First Refusal price must be the highest of: 1) the same terms and considerations contained in an offer of a third party; 2) the minimum purchase price as described in Section 42(i)(7)(B) of the Internal Revenue Code; or 3) the target return provided in the Borrower's Limited Partnership Agreement or other document provided to the Agency in a satisfactory form.

The Right of First Refusal must allow the holder of the right to make the offer on the property that triggers the Right of First Refusal.

Serving Tenants on Public Housing Waiting Lists: Projects must demonstrate that the tenant group to be served by the development are families and individuals that are on waiting lists to receive Section 8 rental assistance but are not yet receiving such assistance. An example of this is a letter of commitment from a public housing authority board to provide project-based Section 8 Certificates or Vouchers to the proposed project.

Special Needs Housing: Special Needs Housing includes any project that incorporates a majority of special needs populations and provides service-enriched housing. Special needs populations include households or individuals who cannot live independently without supportive services. Such populations include, but are not limited to:

- persons in need of transitional housing to avoid or alleviate homelessness;
- at-risk youth;
- frail elders or persons with physical, sensory, cognitive, developmental and/or mental disabilities;
- or other populations where a combination of housing and supportive services will enhance the quality of life for both residents and the community at large.

Criteria for Defining Special Needs Housing for Seniors

Projects that serve persons who are:
- lower income or at risk of Medicaid dependency; and
- frail or disabled.

will be considered Special Needs Housing only if the project meets one or more of the following criteria:

1. Licensed Residential Care Homes, Assisted Living Residences, Therapeutic Community Residences, Homes for the Terminally Ill, Continuing Care Retirement Communities or other licensed combination of housing and care or services; or,
2. Unlicensed combinations of affordable housing and affordable services that the Vermont Department of Aging and Disabilities finds will help residents to accomplish independent living and/or aging in place and where services and housing are affordable and/or coordinated with eligibility for publicly subsidized services. Projects will have a plan to utilize applicable Medicaid State Plan services, Medicaid Waiver Programs, federal or state funded services or programs, and local nonprofit services to the extent possible and in a manner such that independent living and/or aging in place is promoted to the extent possible and to a greater extent than in so-called "independent" housing; or,
3. Projects that:

a. Have been named by the Vermont Real Choices Integrating Long Term Supports with Affordable and Accessible Housing Grant Advisory Group as an access project; or,
b. Are deemed by the Department of Aging & Independent Living to provide a critical option for seniors in regions or market areas that have not met the state goal for community-based long-term care service utilization relative to nursing home utilization; or,

4. Give a preference or otherwise target units to renters participating in a 1915 c Medicaid Waiver or 1115 Medicaid Research and Demonstration program designed to provide alternatives to nursing home or other institutional placements.

Supportive Housing: Supportive housing is permanent housing with supportive services for persons who are homeless or at risk of homelessness. It plays an important role in the continuum of care and provides housing with services to help individuals or families become successful in independent permanent housing which may not include services. Candidates are often referred by, but not limited to, the following: homeless shelters, corrections departments, mental health agencies, community action agencies and other social service providers. Residency is not time limited.

Supportive services include, but are not limited to, life skills, budgeting, credit counseling, housekeeping and parenting. The purpose of the services is to stabilize situations and allow the individual or family to develop the resources or skills needed to access independent permanent housing.

Services may be provided by the organization managing the housing or coordinated by them with other public or private agencies who are local partners. Supportive housing can be provided in one structure or several structures, at one site or in multiple structures at scattered sites.

State Credit: Means the Affordable Housing Tax Credit established by the Vermont legislature in 2000, as set forth in 32 VSA chapter 151, subchapter 11I, section 5930u. Projects utilizing Ceiling or Bond Credits may also apply for State Credits. Since State Credits are used with either Ceiling or Bond Credits, the allocation process for the State Credits will mirror that of the federal credit for which they are applying.

Tax Credit Rent:* A rent which, including tenant-paid utilities, cannot exceed 30% of qualifying income (up to 50% or 60% of area gross median income depending on set-aside election). To calculate rent, a certain number of occupants are assumed to occupy a unit depending on the unit's number of bedrooms (not number of occupants) (e.g. 1 person in a studio and 1.5 persons per bedroom for units of one bedroom and larger).

Transitional Housing: Some people who are homeless or at risk of becoming homeless need more intensive services and therefore providing them with transitional housing helps them reach their goals until they can move into permanent housing. Transitional housing is similar to Supportive Housing since there is not always a distinction in the type or design of a transitional housing unit. The only distinction from permanent Supportive Housing is

that the housing occupancy is time limited; residency generally lasts from six months to two years.

Similar to Supportive Housing, Transitional Housing plays an important role in the continuum of care and provides housing with services to help individuals or families become successful in some form of permanent housing, whether it be supportive or independent. Candidates are referred by similar agencies as Supportive Housing, and the supportive services can also be those listed under Supportive Housing. Those services can also be provided by the organization managing the housing or coordinated by them with other public or private agencies who are local partners. Transitional Housing can be provided in a purpose built facility or as part of existing housing in one structure or several structures, at one site or in multiple structures at scattered sites.

Universal Design: A set of design practices intended to make space usable by many people, to the greatest extent possible, at little or no extra cost. Some Universal Design features include: entrances which do not involve steps; wide doorways; and light switches located at a height more reachable by all (including children and the elderly).

Village Center: As defined and designated by the Agency of Commerce and Community Development, Division for Historic Preservation and as provided for in 24 VSA Chapter 76A, this means the central area of a village or town. Only projects in those towns that have obtained this designation can meet this evaluation category.

Year 15 Policy: This policy: 1) outlines options available to owners of Housing Credit properties once they reach year 15 in their tax credit partnerships. Options include maintaining a development as affordable housing; selling or transferring ownership to an entity exercising a right of first refusal; or selling a development through the Qualified Contract Process; and 2) contains information about modified compliance monitoring requirements after year 15. It can be found at http://www.vhfa.org/documents/developers/year_15.pdf.

INTRODUCTION

The purpose of this Allocation Plan is to set forth the process and criteria under which specific housing developments will be selected to receive Homeownership Tax Credits, State Affordable Housing Tax Credits and federal Housing Credits that have been returned from allocations made in 2006 or 2007 or that otherwise may become available in 2008 and 2009. In accordance with the requirements of the Omnibus Budget Reconciliation Act of 1989, this Allocation Plan describes the application and allocation decision-making process. Priorities are set by the requirements of the law and by the rental housing needs of Vermont, as determined by the Joint Committee on Tax Credits (Joint Committee) and the VHFA Board of Commissioners.

The Agency of Commerce and Community Development (ACCD) was designated as the Housing Credit Allocating Agency by then Governor Kunin in March 1987. An advisory Joint Committee on Tax Credits was established to review and adopt allocation policies. The Joint Committee is comprised of the Commissioner of Housing and Community Affairs or his or her designee, the Executive Director of VHFA or his or her designee, the Executive Director of the State Housing Authority or his or her designee, the Director of Planning, Office of Policy Research and Coordination, and one additional member representing housing interests appointed by the Secretary of ACCD.
Through a Memorandum of Understanding, ACCD gave the administration of the program to VHFA. In 2004, VHFA was designated the State Housing Credit Agency by Executive Order of Governor Douglas.

The Federal Housing Credit program was established by Congress as part of the Tax Reform Act of 1986. It offers a ten-year federal income tax credit to owners of rental housing who make certain percentages of their rental housing available for occupancy by low-income residents for at least 15 years. This incentive for the development, acquisition and rehabilitation of low-income housing allows owners, developers, and/or investors to reduce their federal tax liability in exchange for the provision of eligible low-income rental housing.

SUMMARY OF ALLOCATION PLAN REQUIREMENTS

The 1989 and 1990 laws made numerous changes to the Housing Credit program, including the requirement to create a "qualified allocation plan." The State's Allocation Plan must set forth selection criteria that include:

1. Project location
2. Housing needs characteristics
3. Project characteristics, including whether the project includes the use of housing as part of a community revitalization plan in a Qualified Census Tract
4. Sponsor characteristics
5. Tenant populations with special housing needs
6. Public housing waiting lists
7. Tenant populations of individuals with children, and
8. Projects intended for eventual tenant ownership.

In addition, the states must give preference among selected projects to those serving the lowest income tenants and to those serving qualified tenants (those persons at or below the maximum income limits set by law) for the longest period, as well as projects in Qualified Census Tracts that contribute to a concerted community revitalization plan.

States may include such other criteria as they deem appropriate and there are no requirements as to the relative weight of the various factors. As part of the review for each selected project, the chief executive officer of the particular local jurisdiction within which the project is located is to be provided "a reasonable opportunity" to comment on the proposed allocation.

Additional Housing Credit responsibilities of the Allocating Agency mandated by Congress include:

1. Assurance that the amount of Housing Credits allocated does not exceed the amount "necessary for the financial feasibility of the project and its viability as a qualified low-income housing project throughout the credit period."

2. Evaluation of all projects for consistency with the Allocation Plan and for credit need, including situations when the project is financed using tax-exempt bonds.

3. Agreement to "an extended low-income housing commitment" for every project. This agreement must be recorded as a restrictive covenant binding all successor owners and must allow low-income individuals the right to enforce the commitment in state court (see Section 8, "Compliance"). The commitment must require continued low-income occupancy for all Housing Credit units for the Extended-Use Period. Under the terms of the Housing Subsidy Covenant, applicants for both Ceiling and Bond Credits agree not to exercise the opt-out provision of the Code [Section 42 (h)(6)(E)(i)(II)]. The owner agrees that they will make no such

notification to the Allocating Agency to terminate the extended use provisions. Nonprofit organizations, government agencies, and tenant groups can arrange in advance, through a right of first refusal, to purchase the project at the end of the initial 15-year Compliance Period, also at a pre-determined price. Even after such a purchase, the property is subject to the Extended-Use Period of the housing subsidy covenant.

4. Monitoring of compliance with the provisions of Section 42 and notifying the Internal Revenue Service of any non-compliance of which the Agency becomes aware.

The State has adopted certain other additional requirements for the program, including:

Cost Certification Requirements: Detailed project financial documentation must be submitted at various stages of the Housing Credit approval process, in support of VHFA's responsibilities under the law. Certifications regarding projected or actual costs and sources of funds are required at the time the 10% test is met and at the time the final Housing Credit allocation (IRS Form 8609) is requested.

Internal Rate of Return: The method the Allocating Agency will use to demonstrate the internal rate of return that the tax credits as an investment will generate involves discounting all equity "pay-ins" to the same date - the construction closing. The discount rate will be the "long term" Applicable Federal Rate (AFR) as published monthly by the IRS (annual compounding rate). The tax benefits will be "future valued" to the end of the initial 15-year compliance period using the same long term AFR. The internal rate of return will then be calculated by discounting the "future valued" benefits back to the date of the discounted equity contributions. This method is described in A Developer's Guide to the Low Income Housing Tax Credits, 3rd Edition, by Herb Stevens and Tom Tracy, Chapter 5, Section 5.03(B)(3), p. 124. To equalize comparison of developments with and without Historic Rehabilitation Tax Credits, the benefits stream will be reduced by the amount of the historic credit in the first year and the first equity contribution(s) will be reduced by .85 times the historic credit amount (an approximation of the equity raised from syndication of the historic credit).

Purchase Price Parameters: Under certain situations, if the purchase price exceeds the outstanding balance of debt on the property plus capital improvements and appropriate closing costs, the project will be ineligible for Housing Credits. (Debt may include amortizing debt, deferred debt, seller financing, and seller contributions. All debt, capital improvements, and closing costs must be normal, well-documented, and in a format acceptable to VHFA.) Those situations are: 1) when an owner forms a partnership or corporation to purchase a property it currently owns; or 2) when a nonprofit, governmental entity, or quasi-governmental entity sells a property it owns to another party that is applying for Housing Credits; or 3) when any owner who used state or federal subsidies or subsidized financing to acquire, build, or rehabilitate the property originally is the seller of a property that is applying for Housing Credits. An exception to this third

instance is specifically made for applications that would preserve existing "deep subsidy" affordable housing, such as Section 8 New Construction / Substantial Rehabilitation projects. In some instances, these projects are located in competitive markets or provide current owners with other incentives to opt out of the assisted/affordable housing stock at the end of the rental assistance contract. Acquisition cost in these cases would be determined by appraised value.

Optional Services: Sponsors of developments offering optional services shall describe the services to be offered and the cost(s). Optional services must be competitively priced, reasonable, and affordable. Assumptions regarding income from optional services shall be reasonable and result in a financially feasible project. The Allocating Agency may reject applications based on services being offered if those services are not reasonable and/or competitively-priced. Projects which either add or remove services after an application has already been submitted will need to be reviewed anew.

Energy Standards and Design Standards: VHFA has adopted Energy Standards and Design Standards for projects receiving Housing Credits or State Credits. In addition to these there are Federal requirements that may apply to projects receiving Housing Credits, including: the Fair Housing Amendments Act of 1988 (45 U.S.C. 3604(F)(3)(c)); and, if certain HUD assistance is also being provided, the requirements outlined in HUD Notice PIH 2003-31.

Cost Guidelines: VHFA encourages development at the lowest reasonable cost and will review development costs for reasonableness.

Return of Previously Allocated Credits: VHFA may re-issue Housing Credits allocated to projects that have not utilized the Housing Credit. Returned Housing Credits will be re-used in accordance with this Allocation Plan. In the event that the following four conditions are met, the Allocating Agency may accept a return of Housing Credits from a Project and re-allocate an amount of Housing Credits less than or equal to the amount of returned Housing Credits to the same Project without the necessity of holding a competitive round for the Housing Credits:

I. The Project's viability is threatened by extraordinary circumstances (which generally will not include delays in securing state or local approvals) that become apparent so late in a year that it is not feasible to hold a competitive round;
II. With the return and re-allocation, the Project can be placed in service within the maximum time limits allowed by the Internal Revenue Code under the original allocation;
III. The amount of Housing Credits available to the State is not reduced; and
IV. The VHFA Board of Commissioners approves the return and re-allocation.

Continuance of Ownership Entity: The applicant for Housing Credits must be an entity that will have an ownership interest in the development. Historically (in most cases) a limited partnership or limited liability company has been the owner. The limited

partnership or limited liability company need not be legally created when the application is filed, but the identity of all principals must be disclosed in the application and the application must be submitted by at least one legally existing principal on behalf of the owner. VHFA reserves the right throughout the allocation process, up to the issuance of the IRS Form(s) 8609, to approve any changes in the identity of the principals of the ownership entity or such changes to the ownership entity's governing documents as VHFA, at its sole discretion, considers material.

Senior Housing and Ceiling Credits: The Housing Needs Assessment, conducted as part of the 2005 Consolidated Plan, showed a much higher need for family housing than independent senior housing. Therefore, this Qualified Allocation Plan's highest priorities will be to alleviate the shortage of affordable family housing, to reduce and eventually eliminate homelessness, and house those with special needs, as defined by the Consolidated Plan.

Senior housing will be considered for funding when it leverages new rental assistance or other subsidies* for the lowest income seniors or when it meets a clear, unmet need in the region.

> * Other subsidies shall mean funding from capital sources outside the commonly used housing programs that are annually funded – HOME and VCDP funds would not meet this leverage test, but (for example) HUD Special Purpose or AHP funds would.

Per Project Limit: There is an overall per project limit of 30% of the annual "per capita" tax credits. The Joint Committee on Tax Credits can waive this limit for projects of "statewide significance". A project of statewide significance is defined as: one which, if it does not go forward: 1) will result in a loss of considerable federal funding for Vermonters; or 2) will result in the displacement of a large number of low income households; or 3) will result in the continued presence of significant health hazards (e.g. extraordinary environmental cleanup is a component of the project and the cost of that cleanup is high). The VHFA Board may amend this definition and may determine on a case-by-case basis that a project has statewide significance even if it does not meet one of these three definitions. By law, a minimum of 10% of Vermont's annual credit ceiling must be reserved for developments sponsored by nonprofit organizations that own an interest in the project (directly or through a partnership) and materially participate in the development and operation of the project throughout the compliance period.

Broadband:
Broadband or high-speed access to the Internet is rapidly becoming an essential tool for both community and economic vitality. In order for the residents of Vermont to have access to the same educational, social and employment opportunities as other parts of the world, broadband access is critical. Unfortunately many low to moderate-income households are unable to access the service, primarily due to cost and availability factors. The state of Vermont should promote Broadband access through their housing policy in the follow manner:

1. Require that all new affordable housing units and substantial renovations of existing units will have the appropriate wiring (or an equivalent wireless system) to support high-speed video, voice and data.

2. Encourage owners and managers of all affordable units to work with broadband providers and tenants to aggregate demand for more affordable services. The State should work with key stakeholders to develop a procedure to ensure that these relationships develop.

Investor Services Fees (also called Asset Management Fees):
Developers whose affiliated general partner provides a direct asset management function may take a budgeted fee not to exceed $8 per unit per month, and any additional asset management fees or other income from operations will be taken only as a distribution of surplus cash. Developers may be required to submit some evidence of compliance (accounting records, affidavit, etc.) with this requirement on existing Housing Credit projects in order to be eligible to apply for Housing Credits for any new or existing developments.

APPLICATION PROCESS

The process of applying for and receiving Ceiling Credits involves six benchmarks, each carrying with it submission requirements. These are outlined on Table A (attached). Some important features of this process are:

- The sponsor can receive a Letter of Intent to Provide an Allocation of Housing Credits relatively early in the development process so that if the development can be constructed as proposed, this significant piece of the funding sources is assured.
- VHFA staff can, when an approved development has hit certain benchmarks, issue the appropriate documentation of the credit award (including a Binding Rate Agreement, Reservation Certificate, Carryover Allocation, and 8609).
- The VHFA Board of Commissioners is able to make their decision to provide this Letter of Intent all at once, based on features of the development (including design features) that the sponsor represents, rather than having the sponsor resubmit the same (or a very similar) proposal repeatedly in order to get approval during pre-determined funding cycles.
- Any proposal that goes before the VHFA Board and is not approved for a Letter of Intent cannot re-apply for credits for a six-month period.
- In the event that a sponsor who has received a Letter of Intent from VHFA is unable to move the project forward and receive a Reservation Certificate / Binding Rate Agreement within 18 months of the Letter of Intent date, the Letter of Intent will expire and the sponsor is "locked-out" from re-applying for credits for that development for a six-month period. This 18-month period can be extended by the VHFA Board if the project's permits are under appeal in Environmental Court or the Vermont Supreme Court.

1. PRE-APPLICATION MEETING

VHFA staff and the developer will meet to discuss the proposal. Prior to this meeting the developer will have had discussions with the other funding agencies that are shown in the draft pro-forma to discuss the availability of such funding, the timing of their award cycles, the reasonableness of the amount requested, and the compatibility of the funding source with the proposed development. No formal application for these other funding sources needs to have been submitted at the time of the Housing Credit pre-application meeting. Developers do not need to have site control for this meeting but do need to have an identified site, and will provide VHFA staff with a site map (i.e. tax map or pre-existing site survey map, such as a map for zoning or subdivision purposes).

The purpose of this meeting is to allow VHFA staff to see how compatible the proposal is with the evaluation criteria in the Plan and to provide feedback to the developer on what if any changes might be considered to make the development more compatible. VHFA staff will also provide feedback on whether other funding sources than those listed in the draft pro-forma ought to be pursued.

2. FULL APPLICATION

VHFA is required by law to assure that each project that receives a Housing Credit allocation substantiates its viability and need for Housing Credits. An applicant must meet the following basic qualifications:

I. Submission of a complete VHFA application and Housing Credit Appendix, including all required attachments and payment of required fees.

At the time of application the developer must submit either elevation drawings or computer-generated images of the completed buildings (for new construction; for rehabilitation of existing structures, photographs will suffice). For both types of projects a site plan needs to be provided. The developer must also provide evidence (i.e. a letter from the town) that they have met with the town's zoning administrator and that the municipality finds the proposal's density is allowed under the current zoning for the site. Other required application submissions are listed in the Housing Credit application package.

The developer of a scattered site development (in which not all of the units are Housing Credit restricted) can submit either a separate application for each building or group of buildings on contiguous sites or one application for the entire scattered site project. If just one application is submitted, in the event any one building in the project drops out, the entire Housing Credit award will be returned. For scattered site proposals under common ownership, management, and financing, there will be only one application fee charged for the entire development regardless of whether one application or multiple applications are used.

Any significant change in a proposal, once it has been issued a Letter of Intent, will jeopardize the set-aside of credits and staff, in consultation with the VHFA Board, can at that point require the credits to be returned. A significant change will mean any reduction in the number of bedrooms per unit or square footage of units, decrease in number of total units, increase in rents (other than because of the annual increase in the published tax credit rents), increase in overall density, loss of site control, or any change that, had it been in the original proposal, might have resulted in a different evaluation of the project.

II. Proposal must meet the basic occupancy and rent restrictions.

The Application form has tables with the minimum rent and tenant income restrictions. According to the Code, at least 20% of the units must be restricted to tenants at or below 50% of Area Median Gross Income (AMGI) or 40% of the units must be restricted to tenants at 60% of AMGI. The restrictions are enforced with the Housing Subsidy Covenant (see "Compliance" section).

III. Applicant has established the need and demand (i.e. market feasibility) for the type and cost of housing that is being proposed.

A disinterested party who is approved by the Allocating Agency must conduct a market study at the developer's expense. An independently-prepared project-specific market study that meets the Market Study Standards must be submitted by the developer at time of application. The Allocating Agency will also consider the impact that the proposed development will have on the existing stock of rental housing in the area, whether subsidized or unsubsidized, and may, at its sole discretion, reject an application that might have a negative impact on the existing housing stock. For example, if a development for newly constructed housing is proposed in a community with relatively high vacancy rates in rental units, has an older housing stock of rental units (in need of rehabilitation), or both, the Allocating Agency may, at its sole discretion, determine that constructing new housing may have a negative impact on the existing housing stock (i.e. vacancy rates may rise, physical conditions may deteriorate further) and, therefore, may not reserve credits for the proposed development on this basis.

IV. Housing Credit Awards will be based upon the experience and capacity of the project team.

The developer must demonstrate the capacity to undertake the development as proposed, either through its own experience and capacity or through the use of experienced consultants. In the event the developer is proposing multiple projects in any given year, the organization must have the capacity to oversee all of the developments proposed.

V. Developer's Fee / Consultant Fee in the budget does not exceed the program limits.

The developer and the Allocating Agency prior to the issuance of the initial Housing Credit Reservation Certificate/Binding Rate Agreement shall agree upon the amount of the Developer's Fee. In the event that no Reservation Certificate or Binding Rate Agreement is issued, the relevant date will be the issuance of the Carryover Allocation. Once this fee has been agreed upon, the Allocating Agency will not recognize any increases in the fee, whether total development costs increase or decrease, in any Carryover Allocation or final allocation of Housing Credits. However, in the event of a substantial change in the project (such as an increase or decrease in the total number of units in the project) the Allocating Agency may permit an increase or require a decrease in the Developer's Fee. VHFA may consider exceptions to the Developer's Fee limit on a case-by-case basis for extraordinary circumstances.

VI. Builder's Profit / Overhead / General Requirements in the budget comply with Allocation Plan limits.

VII. Applicant may, at its option, agree to provide a Right of First Refusal to purchase the property to a nonprofit at the end of the 15 year Compliance Period; all projects receiving Ceiling Credits must agree to a perpetual Housing Subsidy Covenant.

In projects receiving credits "automatically" from the use of tax-exempt bond financing, a 30 year Housing Subsidy Covenant will be required. Both types of Covenants will require that the income and rent restrictions imposed by the Housing Credit Program will remain in effect for the initial 15 Year Compliance Period as described in the Covenant. Income and rent restrictions may be modified in accordance with the Year 15 Policy.

VIII. The developer will provide a Capital Needs Assessment for all projects and will ensure that the scope of work addresses all long-term capital needs of the project. For projects that are new construction (or are creating new housing units through an adaptive re-use of a building), or for projects that are "gut" rehabilitation (such that all major systems are either being replaced or are in good condition and are expected to have the same capital lifespan as if they were new) the CNA can be submitted later in the development process (but prior to issuance of the IRS Form 8609). For all other developments the CNA is required prior to issuance of the Reservation Certificate / Binding Rate Agreement or, if no such agreement is needed, prior to the Carryover Allocation. The purpose of this requirement is to provide, in a timely fashion, information to the owner and to VHFA regarding the scope of rehabilitation and the funding of the replacement reserves in the operating budget.

IX. Threshold Criteria (For Ceiling Credit Applications Only): In order to be brought to the Board for approval, the project must meet at least three of the top tier evaluation categories and at least one other (top tier or lower tier) evaluation categories from the "Consolidated Plan Priorities / Other Priorities" evaluation criterion. In addition, for projects of 20 or more units, at least 15% of the units must be Mixed-Income Housing. For projects of less than 20 units, there is no Mixed-Income Housing requirement (second tier criteria points will be awarded to Mixed-Income Housing projects under twenty units). Finally, all rehabilitation developments must plan on performing a substantial rehabilitation such that all of the long-term capital needs that have been identified in the Capital Needs Assessment will be addressed. In most cases this amount of rehabilitation will exceed the minimum required by the Code, which is $3,000 per unit. In the event that the credits are fully committed and competition for the credits becomes more intense requiring lockouts of applications for extended periods of time, the Board may at its discretion change the minimum threshold requirements (e.g. require more than the three top tier and one additional as described above) and evaluate projects competitively.

3. BOARD APPROVAL

The VHFA Board of Commissioners at its monthly meeting will vote on approving Housing Credits for specific proposals. At that time conditions may be imposed by the

Board in addition to conditions that Staff will be requiring. These additional conditions may include, but are not limited to: requiring the sponsor to seek alternative funding sources to those shown in the pro forma; design changes or the addition of other features or amenities; documentation of representations made by the sponsor; changes to the fee structure of optional services, or to the services themselves; changes to the tenant income mix or rent structure; and a requirement that the project be brought back before the VHFA Board after some conditions have been satisfied. A target of up to two years' worth of Ceiling Credits may be committed via Letters of Intent (this amount may be adjusted from time to time by the VHFA Board).

4. RESERVATION CERTIFICATE / BINDING RATE AGREEMENT

VHFA staff will issue a Reservation Certificate or a Binding Rate Agreement when certain benchmarks have been met, including any conditions that have been imposed in the VHFA Board Approval and those reflected in the Letter of Intent. Those benchmarks include: submission of a CNA (lesser rehabilitation projects only – see "Application Process – Full Application, Section VIII"); having plans and specifications for construction in a form sufficient to prepare reasonably accurate construction cost estimates; all required local approvals have been obtained and the Act 250 approval process, if required, has been initiated; submission of a fair housing plan suitable to VHFA and evidence that the developer has met with the local provider of services to homeless persons; and, all sources of $100,000 or greater in the pro forma have issued conditional commitments for funding.

With regard to Reservation Certificate / Binding Rate Agreements, VHFA shall retain authority to revise or retract the Certificate at any time if it is judged infeasible for the developer to meet any of the conditions set forth in the Certificate or if financial information provided by the applicant indicates, in the opinion of VHFA, that a lesser or greater amount of Housing Credits are needed for project feasibility.

5. CARRYOVER ALLOCATION

VHFA is authorized to issue Carryover Allocations to certain projects that will not be placed in service by the later of: 1) the end of year in which a reservation is issued, or 2) six months from the date in which the Reservation Certificate / Binding Rate Agreement was issued, so long as a minimum of 10% of the reasonably expected basis (depreciable basis plus land) has been expended by that time. The owner must provide a Cost Certification prior to the issuance of Carryover Allocation. This certification must be accompanied by updated project information including a current pro forma. Staff may also ask for documentation of additional costs.

VHFA reserves the right, as permitted by Section 42 of the Internal Revenue Code, to issue less than the maximum credit allocation otherwise supportable by the project's eligible basis. An allocation of Housing Credits to a project in an amount less than requested may be permitted, with conditions that the gap thereby created be filled by another funding source by a specified date. This reduction will be used only on a very limited basis, with

the agreement of the applicant and not be applied across the board to every applicant on a pro rata basis. **In all cases,** any funding gap must be filled in time to meet the absolute Carryover Allocation deadline or such earlier Carryover Allocation deadline as staff imposes in the Reservation Certificate / Binding Rate Agreement.

6. FINAL TAX CREDIT ALLOCATION (IRS FORM 8609) AND COST CERTIFICATION

VHFA requires final Cost Certifications for all projects prior to issuance of IRS form 8609 based on the following guidelines:

I. For projects of 10 or fewer units, final certification of cost prepared by the owner (which includes back-up documentation of costs) will be accepted.

II. For projects of more than 10 units, the final Cost Certification must be prepared by an independent CPA. If the CPA certification is not possible prior to the end of the calendar year in which the last building is placed in service, VHFA will issue the IRS form 8609 on the basis of an owner's final certification of costs and supporting documentation, but requires the CPA Cost Certification to be submitted as soon thereafter as possible.

CPA-prepared cost certifications are recommended for all projects.

EVALUATION CRITERIA (in order of priority from I through IV)

I. State Consolidated Plan Priorities / Other Priorities (**Note: Within tiers, the factors are not in order of priority. However, the top tier priorities have twice the weight of lower tier priorities):**

Top Tier Priorities:

a. Project provides rehabilitation, including lead-based paint abatement, accessibility modifications, and energy efficiency upgrades; or infill new construction in housing markets with a vacancy rate of 3.5% or less; or in housing markets where there is insufficient rehabilitatable housing stock or a lack of affordable housing stock.

b. Project provides family housing, unless local or regional need for another type of housing is demonstrated in the market study to be greater.

c. Project is planned to maintain the historic settlement pattern of compact village and urban centers separated by rural countryside.

d. Projects that are in a downtown or a village center, or projects that support downtowns or village centers by virtue of their location (i.e. that are within a reasonable walking distance from the town core) will also qualify for this criterion. **A map outlining the downtown / village center and the location of the project must be included with the application.**

e. Project proposes the removal of blight.

f. Any project that incorporates a majority of Special Needs populations and provides service-enriched housing.

g. Project accommodates workforce housing in a ski area where: development in the nearest downtown or village center is infeasible; the community is underserved in having its affordable housing needs met; the site is available at a bargain-sale or other below market price; the housing is clustered on the site; and reasonable efforts have been made to connect the site to other services in the community.

Second Tier Priorities:

a. Mixed-Income Housing Developments. To receive acknowledgment for meeting this priority no fewer than 20% of the units in the development must be either unrestricted as to income and rents, or restricted to households above 60% of the area median gross income. This priority applies to developments that consist of 20 or more units on a single site or contiguous sites. For developments of under 20 units, a single unit that is either unrestricted or restricted above 60% is needed for the development to meet this priority.

b. Projects exhibiting a unique design, such as a creative rehabilitation of a historic structure of statewide significance. For purposes of this priority, "historic structure" refers to properties that are themselves designated as historic by the State Division of Historic Preservation, and not just

structures that are located in (or contribute to) a historic district. Development of a project that is universally designed would also meet this priority. Other proposals exhibiting unique design could also meet this priority and will be evaluated on a case-by-case basis.

c. Housing affordable to households earning less than or equal to 30% of the area median gross income (AMGI) or housing that targets clients of agencies that serve the homeless;

d. Project that serves families currently on public housing (State or local) waiting lists;

e. Projects intended for eventual tenant ownership.

II. Preference must be given among selected projects to proposals serving:

a. The lowest income tenants, and
b. Qualified tenants for the longest period.

III. Preference must be given for the acquisition and rehabilitation of existing federally subsidized projects, where the preservation of a project's existing affordability is at risk.

IV. Geographic targeting: Project is in a market area that has been underserved historically in having its affordable housing needs met. The stock of affordable, assisted housing in the market area will be considered to see if housing of the type proposed is already present in the market area.

V. Preference must be given to projects that will be built to LEED H or Green Communities standards.

COMPLIANCE

The Budget Reconciliation Act of 1990 adopted by Congress amended Section 42 of the Code to require that state tax credit agencies provide a procedure for monitoring developments for compliance with the requirements of the law and for notifying the IRS of any non-compliance discovered.

In order to implement this responsibility, all Housing Credit recipients will be required to execute and record a Housing Credit Housing Subsidy Covenant (the "Covenant"). The Covenant must be approved by VHFA. The Covenant must be signed by the Owner and sent to the municipality for recording prior to VHFA issuing a Carryover Allocation or IRS Form 8609. The Covenant will, at a minimum, require conditions wherein the developer and the development must continuously comply with Section 42 and other applicable sections of the Code and the Treasury Regulations issued thereunder and will bind any successors' interest for the specified time period. Except for first position debt, all financing on the development will be subordinate to the Covenant. In the event that a project's funding source requires its own Housing Subsidy Covenant, the provisions of the Housing Credit Housing Subsidy Covenant may be incorporated into such Covenant and the requirement of a separate Housing Credit Housing Subsidy Covenant may be waived by VHFA. In addition, owners are required to provide VHFA with a copy of the IRS Form 8609, with Part II & Schedule A completed by the Owner, for the first year of the Compliance Period.

I. VHFA is required to monitor compliance with the provisions of Section 42 and to notify the Internal Revenue Service of non-compliance and will charge fees to cover costs related to this monitoring. The fee structure is four dollars per Housing Credit unit per month.

Housing Credit developments are very management intensive and require a thorough understanding of the Section 42 regulations. The owner and/or management agent is required to attend compliance training or document that they have received training prior to lease up.

II. Recordkeeping and Record Retention

The owner of a Housing Credit eligible development must keep records for each qualified Housing Credit eligible building in the project showing:

a. The total number of residential rental units in the building, including square footage;

b. The percentage of residential rental units in the building that are Housing Credit eligible units (square footage fraction or unit fraction);

c. The rent charged on each residential rental unit in the building, including utility allowance;

d. The Housing Credit eligible unit vacancies in the building and the occupancy of the next available units;

e. The income certification of each Housing Credit eligible tenant;

f. Documentation to support each Housing Credit eligible tenant's income certification (for example, a copy of the tenant's federal income tax return, W-2 Forms, or verifications of income from third parties such as employers or state agencies paying unemployment compensation; owners should retain the right in their leases to obtain this documentation at any time, even after tenants have moved into the unit); and

g. The character and use of the nonresidential portion of the building included in the building's eligible basis under Section 42(d) (*e.g.* tenant facilities that are available on a comparable basis to all tenants and for which no separate fee is charged for use of the facilities or facilities reasonably required by the project).

The owner of a Housing Credit eligible development must retain the records specified in this Section II. for each building in the project for a period of at least 6 years beyond the end of the Compliance Period for each building.

Annually, the owner must provide a project status report that summarizes the activity of the development. The format of this report is included in the VHFA compliance manual which can be found at http://www.vhfa.org/documents/property_managers/lihtc_manual/LIHTC_Compliance_Manual_702.pdf.

III. Certification and Review Procedures

The Agency will utilize a certification procedure as set forth by the IRS under their final monitoring regulations.

a. Certification Procedure

Under the certification procedures, the owner of a Housing Credit eligible development is required to certify to the Agency, under penalty of perjury, at least annually, that:

i. The project meets the requirements of the 20-50 test under Section 42(g)(1)(A) or the 40-60 test under Section 42(g)(1)(B), according to the election made by the sponsor at the time of the allocation;

ii. There has been no change in the applicable fraction of any building in the project or, when there has been a change, a description of the change;

iii. The owner has received an annual income certification from each Housing Credit eligible tenant and documentation to support that certification or, in the case of a tenant receiving Section 8 housing assistance payments, a statement from the appropriate public housing authority declaring that the tenant's income does not exceed the applicable income limit under section 42(g);

iv. Each Housing Credit eligible unit in the project is rent-restricted under Section 42(g)(2);

v. All units in the project are for use by the general public and are used on a non-transient basis;

vi. No finding of discrimination under the Fair Housing Act, 42 U.S.C 3601-3619, has occurred for this project. A finding of discrimination includes an adverse final decision by the Secretary of Housing and Urban Development (HUD), 24 CRF 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency, 42 U.S.C 3616a(a)(1), or an adverse judgement from a federal court;

vii. Each building in the project is suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards), and the state or local government unit responsible for making building code inspections did not issue a report of a violation for any building or low income unit in the project;

viii. There has been no change in the eligible basis (as defined in Section 42(d)) of any building in the project or, when there has been a change, a description regarding the nature of the change;

ix. All tenant facilities included in the eligible basis under Section 42(d) of any building in the project (such as swimming pools, other recreational facilities, and parking areas) are provided on a comparable basis without charge to all tenants in the building;

x. If a Housing Credit eligible unit in the project became vacant during the year, reasonable attempts were or are being made to rent that unit or another available unit of comparable or smaller size to tenants having a qualifying income before any units in the project were or will be rented to tenants not having a qualifying income;

xi. If the income of tenants of a Housing Credit eligible unit in the project increases above the limit allowed in Section 42(g)(2)(D)(ii) the next available unit of comparable or smaller size in the project will be rented to tenants having a qualifying income;

xii. An extended Low Income Housing Tax Credit commitment (Subsidy Covenant) was in effect, including the requirement under section 42(h)(6)(B)(iv) that an owner cannot refuse to lease a unit in the project to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, 42 U.S.C. 1437s. Owner has not refused to lease a unit to an applicant based solely on their status as a holder of a Section 8 voucher and the project otherwise meets the provisions, including any special provisions, as outlined in the extended low-income housing commitment (not applicable to buildings with tax credits from years 1987-1989);

xiii. During the preceding 12-month period no tenants in low-income units were evicted or had their tenancies terminated other than for good cause and that no tenant had an increase in the gross rent with respect to a low-income unit not otherwise permitted under Section 42 of the Code.

xiv. The owner received its Housing Credit allocation from the portion of the state ceiling set-aside for a project involving "qualified non-profit organizations" under Section 42(h)(5) of the code and its non-profit entity materially participated in the operation of the development within the meaning of Section 469(h) of the Code;

xv. There has been no change in the ownership or management of the project.

The certifications required under the above paragraph of this Section III (Certifications and Review Procedures) must be made at least annually through the end of the 15-year compliance period under Section 42(i)(1) and be under penalty of perjury. The format of this certification can be found in the VHFA Compliance Manual.

b. Review Procedure

Under the review procedure, the Agency will review at least twenty percent (20%) of Housing Credit files at least once every three years, starting the first year the credits are claimed.

c. Exception for Certain Buildings

The review procedure outlined above may not apply to the following types of Housing Credit eligible buildings, which are subject to other monitoring programs and may include additional compliance regulations:

i. Buildings financed by the Rural Development (RD) under its section 515 program; and

ii. Buildings in which 50 percent or more of the aggregate basis (taking into account the building and the land) is financed with the proceeds of obligations the interest on which is exempt from tax under section 103 of the Internal Revenue Code.

IV. Auditing Procedure

The Agency has the right to perform an audit of any eligible Housing Credit development at least through the end of the Compliance Period of the buildings in the project. An audit includes a physical inspection of any building or buildings in the project, as well as a review of the records described in Section II. The audit may be performed in addition to any inspection of income certifications and documentation under the review procedure. The Treasury requires the Agency to conduct an initial physical inspection by the end of the second calendar year following the year the last building in the project is placed in service. The physical inspection is performed every three years.

V. Notification of Non-Compliance

a. If the Agency does not receive the certification described in paragraph a. of Section III. or discovers upon audit, inspection, review, or in some other manner that the project is not in compliance with the provisions of Section 42, the Agency will provide prompt written notice to the owner of the project.

b. The Agency will file Form 8823, Low-Income Housing Credit Agencies Report of Non-Compliance, with the Internal Revenue Service no later than 45 days after the end of the correction period described in paragraph c. of this section, whether or not the non-compliance or failure to certify is corrected. The Agency must explain on Form 8823 the nature of the non-compliance or failure to certify and indicate whether the owner has corrected the non-compliance or failure to certify.

c. The correction period shall be a period of up to 90 days from the date of the notice to the owner under paragraph a. of this section and, during that period, the owner must supply any missing certifications and bring the

project into compliance with the requirements of Section 42. For good cause shown, the Agency may extend the correction period for up to six months.

VI. Delegation of Authority

The Agency may retain an agent or other private contractor to perform compliance monitoring. VHFA will retain the responsibility to notify the Internal Revenue Service under paragraph b. of Section V. (above).

VII. Liability

Compliance with the requirements of Section 42 is the responsibility of the owner of the building for which the Housing Credits are allocated. The Agency's obligation to monitor for compliance does not make the Agency liable for an owner's non-compliance.

HOMEOWNERSHIP TAX CREDIT

I. Project Selection

The Homeownership Tax Credit may only be used on projects that participate in the VHFA Homeownership Construction Loan program, or on projects that are participating in a Mobile Home Park Home Replacement Program, to be designed and administered by VHFA.

II. Eligible Developer

Both for-profit and not-for-profit developers who have demonstrated financial strength and experience in for-sale single family housing development consistent with the nature and scope of the proposed development may apply for the Homeownership Tax Credit.

III. Eligible Development

Projects must meet each of the following criteria:

a. Developments must be equal to or greater than five (5) units. Eligible housing types include: single family detached units, single family attached units including: condominium, cooperative, cohousing and planned unit developments. Units may be stick-built, modular, panelized or manufactured homes; however, projects must conform to the VHFA Building and Design Standards.

b. Development provides infill new construction in housing markets where there is a lack of affordable housing stock.

c. Project is planned to maintain the historic settlement pattern of compact village and urban centers separated by rural countryside; or, projects that are in downtown or a village center, or projects that support downtowns or village centers by virtue of their location (i.e. that are within a reasonable walking distance from the town core) will also qualify for this criterion.

Preference will be given to projects which meet the following criteria:

a. Projects which are supported under an Employer Assisted Housing Program.

b. Project uses Section 8 Homeownership Vouchers in combination with Homeownership Tax Credit for deeper subsidy to very low income households.

IV. Purchase Price Limit & Occupancy Standard

Fifty-one percent (51%) of the units in the project must sell at or below the higher of: the purchase price limits allowed by the VHFA program, or the purchase price limits of the Homeland program.

The Housing Developer must agree to provide sales documentation, upon request of the Agency that demonstrates 100% of the Homeownership Tax Credit units are owner occupied.

V. Income Limit

Fifty-one percent (51%) of the units in the project must be sold to households whose incomes are at or below the VHFA income limits.

The Homeownership Tax Credit may be "stepped" subsidies to allow for different income levels per unit thereby increasing an income mix. The Homeownership Tax Credit may be evenly spread over some units as well.

VI. Term of Affordability

All units receiving the Homeownership Tax Credit must be created and maintained as affordable housing in perpetuity.

Perpetually affordable housing may be ensured through a shared appreciation model, a program modeled after the Homeland program, or through a soft second mortgage program. In the case of a shared appreciation model or a program modeled after the Homeland program, there will be a soft second mortgage and a covenant to secure the subsidy. The covenant must name the nonprofit designee that will monitor the resale. Either of these two programs must be administered by an existing entity that administers similar programs (such as VHCB, or a community-based non-profit who has a demonstrated plan, has adequate experience with homeownership programs, has adequate staff capacity, and has adequate funding).

VII. Final Allocation and Cost Certification

Upon approval by the Board of Commissioners of VHFA, a developer will receive a letter of intent from VHFA for the Homeownership Tax Credit.

Upon completion of the project (or the phased completion of units) VHFA will issue a Credit Certificate and a State 8609 for each unit.

DISCLAIMERS

VHFA is charged with issuing no more Housing Credits to any given development than are required to make that development economically feasible. This decision shall be made solely at the discretion of VHFA, but VHFA in no way represents or warrants to any sponsor, investor, lender or others that the project is in fact feasible or viable, either before or after the final allocation decision.

VHFA's review of documents submitted in connection with any Housing Credit allocation is for its own purposes. VHFA makes no representations to the owner or anyone else as to compliance with the Internal Revenue Code, Treasury regulations, or any other laws or regulations governing the Housing Credit program.

No member, officer, agent or employee of VHFA, or the Joint Committee on Tax Credits shall be personally liable concerning any matters arising out of, or in relation to, the allocation, issuance, or compliance monitoring of the Housing Credit.

VHFA may enter into binding commitments to allocate Housing Credits from a future year's Housing Credit ceiling. In addition, VHFA is under no obligation to necessarily reserve or allocate any part of Vermont's Housing Credit ceiling.

The VHFA Board of Commissioners may, at its sole discretion, reserve or allocate credits to a project regardless of its rank or score, provided the Board finds that the project serves a positive community development need or the public good. A written explanation will be made available to the general public for any allocation of a housing credit dollar amount which is not made in accordance with established priorities and selection criteria of the Allocating Agency.

The final decision regarding reservations and allocations of credits lies with the VHFA Board of Commissioners. The VHFA Board will consider recommendations of staff and its own experience and interpretation of the Plan in making the final reservation or allocation decision.

The State of Vermont's Housing Credit Allocation Plan for 2008 – 2009 has been developed by Vermont Housing Finance Agency in accordance with the Federal Internal Revenue Code (IRC) of 1986, Section 42, as amended. This Allocation Plan shall remain in effect until amended by the Governor of the State of Vermont as may be necessitated by changes in federal law or changes in the State's housing market.

Approved by: _____
James Douglas, Governor

Effective Date: _____

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Clarence E. Davis, Development Underwriter

DATE: November 27, 2007 for Board Meeting of December 3, 2007

RE: Request for Additional Bridge Financing Cameron's Run-Milton

Name:	Cameron's Run	**Location:**	Milton
Housing Type:	Single Family - For Sale Homes	**Unit Type:**	SF Detached
Unit Count:	15	**Unit Sizes:**	3-bedroom, 1.5 baths, porch: 1,470 sq ft
Total Cost of Construction	NA	**Total Cost / Sq Ft** **Total Cost / Unit**	$158.00 cost per square foot $231,150 cost per unit
		Sponsor:	Champlain Housing Trust
Request to VHFA	$135,000 taxable Bridge loan.		
Other Funding:	CHT received grant commitments from the Vermont Housing and Conservation Board and the Vermont Community Development Program.		

Recommendation: Staff recommends that the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board authorize the Executive Director to issue a Letter of Interest and/or a Commitment Letter to finance this property upon satisfactory completion of staff underwriting and due diligence.

Project Summary:
Champlain Housing Trust (CHT) requests a bridge loan that would allow them to purchase two more homes from their development partner. CHT has a contractual obligation to purchase these homes by December 15th from Don Turner for $464,000, of the total financing needed to purchase these homes, $328,000 will come from the Vermont Community Loan Fund leaving a funding gap of $135,000. CHT is requesting that VHFA assist in covering that gap.

CHT approached Citizen's bank to finance the purchase of these two homes, however due to a delay in the processing Citizens was not able to begin underwriting the request until this week. CHT is anticipating a delay of at least a month in the process and as such would not be able to meet their contractual obligation to purchase these two homes. A closing with Citizens is anticipated for the end of January 2008, at that time funds from that closing would be used to repay VHFA.

Due to concerns raised by this Agency and other lenders regarding current market absorption rates CHT has implemented several strategies to address them;

1- Vermont Housing Conservation Board (VHCB) is seeking the authority and flexibility from their Board to address the needs of their non-profit partners, including covering the carryings costs (interest on bridge financing, property taxes and insurance) associated with their home ownership projects.

2- VHCB staff has also recommend to their Board and increase in the single family assistance program loans, which will allow CHT to offer greater financial assistance to prospective buyers.

3- VHCB is allowing CHT flexibility in the usage of an unused Homeland grant. This will allow CHT to lower the price on six of the homes in their portfolio reducing the price from $185,000 to $169,900.

4- CHT has approached several organizations most notably the Vermont National Guard (VNG) to discuss marketing through their newsletter. Part of that discussion with be around the possibility of creating a "Homes for Vermont Veteran" down payment program for returning Vermont Vets.

5- Finally, CHT has hired a full-time marketing and communication specialist to provide aggressive outreach and respond to the changes and challenges in the current market.

BACKGROUND

Cameron's Run is a 35 lot subdivision located in the Milton Center Marketplace district, which abuts the downtown business district. The homes are energy rated by Efficiency Vermont and use high-efficiency heaters. Medium grade finishes will include wall-to-wall carpet, ceramic tile, wood trim, and vinyl siding. Eighteen of the homes will be affordable to families with incomes below 80% of median income. CHT has a contract to purchase up to fifteen homes, which will have a buyers' net mortgage amount of $185,850.

CHT will purchase each home for $231,150 and sell for $241,150, with a $55,000 grant that will bring the net cost to the buyer to $186,150. The VT Housing Finance Agency has approved the project for its new construction mortgage that carries as 4.75% rate. This brings affordability to families earning approximately $46,500, which is 66% of the median income for a household of four and 73% of median household income for a family of three. Milton is also a rural town eligible for Rural Development mortgages, which carry interest rates from 1%-5% depending on buyer income and contain a subsidy recapture provision. With the additional subsidy that CHT is now able to offer, the homes will now be affordable to households earning $43,000 and the net purchase prices has been lowered to $169,900.

Champlain Housing Trust

Joining together the
Burlington Community Land Trust
and Lake Champlain Housing
Development Corporation

www.champlainhousingtrust.org
www.getahome.org

CENTRAL OFFICE
PO Box 523
179 South Winooski Avenue
Burlington, Vermont 05402
Phone 802.862.6244
Fax 802.862.5054
TDD 802.864.2526

RIVERSIDE AVENUE OFFICE
220 Riverside Avenue, Suite 1
Burlington, Vermont 05401
Phone /TDD 802.863.5248
Fax 802.864.0734

HOMEOWNERSHIP CENTER
CHITTENDEN
PO Box 523
179 South Winooski Avenue
Burlington, Vermont 05402
Phone 802.660.0642
Fax 802.660.0641

HOMEOWNERSHIP CENTER
FRANKLIN-GRAND ISLE
48 Lower Newton Street, Suite 2
St. Albans, Vermont 05478
Phone 802.527.2361
Fax 802.527.2373

FRANKLIN COUNTY
MANAGEMENT OFFICE
13 Lake Street
St. Albans, Vermont 05478
Phone 802.524.1423
Fax 802.527.2961
Maintenance 802.524.1378

This organization is an Equal Opportunity Employer and Provider

NeighborWorks
CHARTERED MEMBER

EQUAL HOUSING OPPORTUNITY

Marketing strategies for Camerons Run, Milton
Supplement to VHFA staff memo of November

Update as of December 3, 2007

Contact to Employers in Franklin, Grand Isle, and Chittenden Counties:

- Four Franklin County employers have agreed to include inserts in paychecks by December 7, 2007. The inserts will go to a total of 150 employees. These include:
  Teknor Apex Company
  Peerless Clothing
  Sun Hill Foods
  Simport Corp.

- Five businesses have agreed to hang flyers in employee break/lunch rooms.

- CHT will continue outreach attempts to employers in Franklin and Chittenden counties – University of VT will be approached next for a broad-cast e-mail.

Contact Service Providers in Franklin, Grand Isle, and Chittenden Counties:

- CHT will send flyers to service providers that connect regularly with individuals who may be eligible for Camerons Run homes. CHT will also ask these social service agencies to let their staff know of CHT homeownership opportunities.

- Names of service providers will be acquired through our property management office, the United Way of Chittenden County and the United Way of Franklin-Grand Isle Counties.

- Mailings will be sent to approximately 80 agencies and will include flyers for them to hang and distribute to staff and clients.

- The Vermont AIRS (Alliance of Information and Referral Systems) newsletter will run an article about CHT services/homes for sale

Contact to "Active" CHT Buyer List:

- 44 individuals/families from our homebuyer workshops are on current list of active CHT buyers and CHT is maintaining telephone and e-mail contact with these households.

Champlain Housing Trust
Marketing strategies for Camerons Run, Milton
December 3, 2007

- CHT has updated all ads and listings of properties showcasing lower price of $169,900.

- CHT is maintaining regular telephone contact with approximately 20 households that have already attended open houses.

On-going strategies previously in place:

Print and Internet Advertisting

- Seven Days
- Picket Fence Preview Print Edition
- Picket Fence Preview Online Ad
- Real Estate Extra (Burlington Free Press)
- Will add Buyer's Digest to print media ad list
- Continue to advertising on craigslist.com
- Jodi will research other print and online FSBO advertising opportunities
- Renew contact with USDA circuit rider (USDA will have new mortgage funds in Jan)
- Research possibility of appearing on talk radio programs
- Letter is going to lenders notifying them of lower price opportunity
- Finders fee letter went to large list of realtors from VT Association of Realtors mailing list

Open houses

- Held 5-6 open houses Oct-Nov with 4-5 households attending each
- Have scheduled open houses every weekend through next two months after Dec.
- Universal Mortgage Co. has added to CHT capacity by volunteering to attend some of the open houses – will solicit other lenders to attend as well

Homebuyer Education Workshops

- The December workshop is full, with roughly 20 households/40 individuals registered
- All (4) workshops this fall had between 8-15 households/12-23 individuals attending
- CHT maintains an e-mail list of workshop participants and stays in touch with e-newsletters and announcements of sales

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: ADDITIONAL BRIDGE FINANCING FOR CAMERON'S RUN, MILTON

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow monies and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, an application has been submitted to the Agency by Champlain Housing Trust, Inc. (the "Borrower") involving additional bridge financing of the purchase, on a turnkey basis, of fifteen (15) single family homes in the Town of Milton (the "Development"); and

WHEREAS, the application contemplates a mortgage loan for bridge financing of the Development with the interest rates to be determined by the Agency depending on the source of funds, but not to exceed 100 basis points above the Agency's cost of funds; and

WHEREAS, the Borrower 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; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Clarence E. Davis dated November 27, 2007, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

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

2. The acquisition costs to be incurred by the Borrower are for housing 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 to be served by the proposed Development 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 and sufficient mortgage financing for occupancy by the persons or families.

4. The Borrower undertaking the Development will increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency 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 loan.

6. The Borrower is financially responsible and is a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the Borrower for the bridge financing of the purchase of the Development based on the recommendations in the attached Memorandum. 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 Borrower in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the Borrower for the bridge financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter shall be conditioned on the satisfaction by the Borrower of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

3. The Executive Director and the Loan Review Committee will establish the final source and amount of the loan for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FR: David Adams, Chief of Program Operations

RE: Changes to Single Family 4.75% Program

DT: November 28th, for the December 3rd, 2007 Board Meeting

Board Action Requested
Authorization to set purchase price and income limits for the remaining funds in the 4.75% Single Family Loan program to equal our Move program limits. (Maximum price of $275,000, and income limits as set for each County.)

Background:
At the November Board retreat, it was recommended and the Board authorized staff to set aside $1 million of the funds remaining for single family for-sale developments currently financed by the Agency and to increase the purchase price limits from $235,000 to $240,000. Staff felt this was adequate but a transaction occurred this week that suggests we should have requested a higher price limit. Staff prefers not to create exceptions for individual loan transactions that require Board approval each time.

A homebuyer in Middlebury South Village signed a Purchase and Sales Agreement this week for one of the cape-style units. The base price of the unit was $235,000. To accommodate the family size and needs, a finished second floor and a full basement were added. They eliminated the garage to offset some of the added cost but the end price was $244,000, $4,000 above the recently approved limits.

The borrower is applying for a $115,000 VHFA mortgage at the 4.75% rate. They will not qualify even at this amount without the 4.75% rate and all of the other subsidies being provided. Subject to Board approval of this request, we advised the lender to proceed with this application but we also feel we may run into this again.

There is now $1.4 million remaining in the 4.75% program. It is likely that all of this will be used in those projects with outstanding VHFA construction financing that have a set-a-side of the 4.75% financing. Although Staff believes most transactions will come in well below the $275,000 price limit, we are requesting to use our normal program price and income limits for the remainder of the 4.75% program. This will provide greater flexibility for staff to work with and avoid the potential of having to request additional changes from the Board.

Staff recommendation:
Staff recommends the Board approve the changes requested above.

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phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners
FROM: Patricia Crady, Director of Homeownership Programs
DATE: November 26, 2007
RE: Changes to Homeownership Programs

At the Board retreat a number of program changes were discussed including changes to VHFA's whole loan programs and the implementation of programs where loans are swapped for Mortgage Backed Securities (MBS). Over the next several months we will provide a plan and recommendations for implementation; however, there are some changes discussed at the retreat that do not require changes to our contracts with lenders and can be implemented quickly. The following are changes that can be implemented without changes to contracts.

Elimination of the MOVE Stepped Rate Option

VHFA has offered the MOVE Stepped Rate Option for a number of years. The stepped rate option provides a lower interest rate for the first 3 years and then a fixed rate for the remaining 27 years. The interest rate starts at 55 basis points below the MOVE fixed rate and ends at 45 basis points over the MOVE fixed rate. Some lenders do not offer stepped rate options because they cannot properly disclose this type of loan. During the period of January 1, 2005 through November 16, 2007, VHFA purchased 2514 mortgages; 204 or approximately 8% were MOVE Stepped Rate loans. We looked at the 204 loans that were approved and found that 63 loans would have had income to expense ratios that would exceed our maximum ratio and may not have qualified for a fixed rate loan. Of the 63 loans, we believe that 24 loans would have qualified if the loans were processed through an automated underwriting system (AU). A MBS program will not accommodate a stepped rate program; however with more full reliance on automated underwriting under MBS we are not sure how many of the 12-14 loans a year that appear to not be eligible now might qualify with more expanded AU. Staff recommends that we discontinue this program option effective February 1, 2008.

Additional Targeting of Cash Assistance Option

During the period of July 1, 2005 through June 30, 2007 VHFA purchased 291 loans under the Cash Assistance Option. This represents approximately 18% of total production. We completed an analysis of the loans and found that 121 of the Cash Assistance Loans were made to borrowers with other assets (not including retirement funds) that they could have used for down payment and/or closing costs. This represents approximately 41% of borrowers who used this option. Staff recommends that we continue to offer Cash

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Assistance but restrict the program to borrowers who really need this subsidy. Our recommendations include restricting the program to borrowers with loan-to-values of 97% or greater and who have less than $10,000 in cash assets. Staff also recommends that we extend the payback period from 48 months to 60 months before the Cash Assistance Loan is forgiven. This will allow VHFA to recover the subsidy on prepayments. Changes would be effective on February 1, 2008.

Elimination of the Fixed 35 Program Option

The Fixed 35 Program Option was introduced in 2006 and offers a fixed interest rate for 35 years; 5 years of interest only and then a 30 year amortization. As of October 31, 2007, VHFA purchased a total of 7 loans in the amount of $1.458 million. Some lenders do not offer this option and those that do report limited interest. It appears that all borrowers who used this program did so out of choice because all would have qualified for VHFA's fixed rate. Both FannieMae and FreddieMac offer interest only products; however, earlier this year they implemented changes based on guidance for non-traditional mortgages issued by regulatory agencies that govern mortgage lending. Both FannieMae and FreddieMac qualify borrowers based on the full principal and interest payment and not the interest only payment. This change eliminates the advantage of interest only programs in qualifying. Staff recommends that we discontinue this program option effective February 1, 2008.

Elimination of the HOUSE Stepped Rate Option

The HOUSE Stepped Rate Option is offered to borrowers purchasing a home that will remain permanently affordable. Over the past three years, VHFA purchased 120 loans for a total amount of $13.3 million. This represents approximately 5% of total production during that time. We discussed the possibility of eliminating the HOUSE stepped rate program and replacing it with a lower fixed interest rate. The nonprofits who assist buyers in the purchase of permanently affordable homes all agreed that a lower fixed rate program was a better fit for their buyers. Some stated that they do not use the HOUSE Program for their borrowers because some lenders do not offer this product, and others feel that a fixed rate product is more appropriate for the population they serve. We completed an analysis of the 120 loans and found that 21 loans would have had income to expense ratios that would exceed our maximum ratio and as a result may not have qualified for a fixed rate loan. Of the 21 loans, 8 loans had offsetting factors that would have allowed for approval. Staff recommends that we replace the HOUSE Stepped Rate Option with a fixed rate that is 50 basis points below the MOVE fixed rate. Of the 3-5 households per year who appear to not qualify now (with a 125 bps reduction in year one) we do not know how many would qualify with a 50 bps reduction and expanded AU. This program is subsidized within a bond issue and staff recommends that the change would be implemented with the next issue (estimate 4/1/08). We would continue to offer the HOUSE stepped rate option until that date.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Tom Connors, Chief Financial Officer TC

RE: **Approval of General Authorizing Resolution of up to $150 million in single family housing bonds and notes**

DATE: November 26, 2007

Board Action Requested: Approve authority for staff to issue single family bonds and notes up to $150 million

In order to meet expected funding demands, we are asking the Board to approve general authority for staff to issue single family bonds up to $150 million. This will meet the expected need for financing single family mortgages over the next twelve months. This recommendation is similar to the general authorizing resolution approved by the Board in the June 2007 Board Meeting. Rather than ask the Board for approval for each single family resolution, we are asking for overall authority up front and will provide progress reports to the Board over time. Of the $120 million authorized in June, the remaining balance is $13.5 million, which we expect to use up in early 2008. Please find attached a General Authorizing Resolution to issue up to $150 million in single-family housing bonds.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

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VERMONT HOUSING FINANCE AGENCY

Resolution Authorizing the Issuance and Sale of a Maximum of $150,000,000 of Bonds and Notes In One or More Series to Finance Single Family Mortgages

Adopted December 3, 2007

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VERMONT HOUSING FINANCE AGENCY
SERIES RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF A MAXIMUM OF $150,000,000 OF BONDS AND NOTES IN ONE OR MORE SERIES TO FINANCE SINGLE FAMILY MORTGAGES

December 3, 2007

WHEREAS, the Vermont Housing Finance Agency (hereinafter referred to as the "Agency") is authorized to finance Mortgage Loans for single-family residential housing for persons and families of low and moderate income in the State of Vermont pursuant to the provisions of the Vermont Housing Finance Agency Act, being No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (hereinafter referred to as the "Act"), and to issue its bonds to obtain funds for such purpose and to refund the same; and

WHEREAS, in order to obtain funds with which to provide financing for mortgage loans to acquire, construct, rehabilitate or improve residential housing for persons and families of low and moderate income, it is deemed necessary and advisable to issue and sell one or more series of bonds and notes of the Agency, not to exceed $150,000,000 in the aggregate, all as hereinafter provided;

NOW, THEREFORE, BE IT RESOLVED BY THE VERMONT HOUSING FINANCE AGENCY and the Commissioners thereof, as follows:

ARTICLE I

DEFINITIONS AND AUTHORITY

Section 1.01. Definitions. As used in this Resolution, unless the context shall otherwise require, the following terms shall have the following respective meanings:

"*Bonds*" means the Bonds of the Agency of the Series authorized by this Resolution and a Series Certificate.

"*Code*" means the Internal Revenue Code of 1986, as amended.

"*DTC Eligible*" means Bonds and Notes issued in book-entry form through the facilities of a securities depository, to provide for the registration of such depository's nominee as owner thereof.

"*General Resolution*" means the resolution entitled "Single Family Housing Bond Resolution" adopted on September 20, 1990, as amended and supplemented, the general indenture entitled "Trust Indenture (Multiple Purpose Bonds)" approved on April 2, 2007, as amended and supplemented, or any other resolution or trust indenture adopted by the Agency which permits the issuance of one or more series of bonds and notes thereunder to finance mortgage loans for single-family residential housing for low- and moderate-income persons.

"*Mortgage Loan*" means any mortgage loan with respect to single-family residential housing for low- and moderate-income persons as authorized by the Act and may include not

only first mortgage loans but also down payment/closing costs assistance loans and home improvement loans to the extent authorized by resolution of the Agency and a General Resolution.

"Notes" means the Notes of the Agency of the Series authorized by this Resolution and a Series Certificate; provided, however, that as provided in Section 2.01 hereof and as may be provided in a Series Certificate, a portion of any Notes may be issued as a separate issue from any Bonds for federal tax purposes.

"*Program*" means the general program of the Agency under which it finances Mortgage Loans.

"*Offering Statement*" means the Official Statement, Private Placement Memorandum or similar offering document of the Agency describing the Bonds and Notes, and used in conjunction with the sale thereof.

"*Resolution*" means this Resolution Authorizing the Issuance and Sale of a Maximum of $150,000,000 of Bonds and Notes In One or More Series to Finance Single Family Mortgages.

"*Series Certificate*" means the Series Certificate or Certificates of the Agency dated on or before the date of issuance of the related Series of Bonds or Series of Notes, which Series Certificate shall establish certain terms and provisions of such Bonds and Notes as provided herein; a Series Certificate may also be and include a Supplemental Indenture which contains the provisions required hereby of a Series Certificate.

The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this Resolution, refer to this Resolution.

Section 1.02. Authority for Resolution. This Resolution is adopted pursuant to and in accordance with the provisions of the Act and any General Resolution that may be applicable as hereinafter set forth.

ARTICLE II

AUTHORIZATION, TERMS AND ISSUANCE OF BONDS

Section 2.01. Authorization of Bonds, Notes, Principal Amount and Series. In order to provide sufficient funds necessary for the Program, in accordance with and subject to the terms, conditions and limitations established in this Resolution and in any General Resolution applicable thereto, one or more series of Bonds and Notes are hereby authorized to be issued, from time to time, each by the execution and delivery of a Series Certificate, in an aggregate principal amount not to exceed $150,000,000; provided, however, that (i) any issuance of Bonds or Notes hereunder is subject to limitations imposed by the Act, including, but not limited to, a cap on the total outstanding principal amount of bonds of the Agency, if any, and (ii) notes may be issued as short term obligations with a maturity of less than 3 years from the date of issuance thereof, the proceeds of which shall not be made available for the funding of mortgage loans until such obligations have been refunded with a series of long term Bonds, and may be issued as their own tax plan. Such Series Certificate shall be signed by at least two of the following—

Chairman, Vice-Chairman, Executive Director, Chief Financial Officer or Chief of Program Operations; provided that one of the signatories thereto must be the Chairman or Vice-Chairman. The Agency is of the opinion and hereby determines (a) that the issuance of Bonds and Notes in said amount is necessary to provide sufficient funds to be used and expended from time to time for the Program; (b) that the Mortgage Loans to be made or financed on behalf of the Agency with the proceeds of the Bonds can be issued bearing a rate or rates of interest which will be less than the prevailing rate of interest on comparable mortgage loans available in the State of Vermont without the assistance of the Agency; and (c) that the Agency will derive receipts, revenues and other income from the Mortgage Loans purchased or made with the proceeds of the Bonds sufficient to provide, together with any investment income derived from proceeds of such Bonds and Notes, and all other available receipts, revenues and income of the Agency, for the payment of the Bonds and Notes and the payment of all costs and expenses incurred by the Agency with respect to the Program or purpose for which the Bonds and Notes are issued.

Section 2.02. Purposes. The purposes for which the Bonds and Notes are being issued are to provide funds to make or finance Mortgage Loans, including making deposits in any funds or accounts of a General Resolution, and include refunding bonds of the Agency issued for such purpose, all as shall be specified in detail in one or more Series Certificates as hereinafter described; provided, however, the proceeds of any Notes shall not be made available for the funding of Mortgage Loans until such obligations have been refunded with a series of long term Bonds. Only Mortgage Loans meeting the requirements of the Program, as approved by the Agency, may be financed by the proceeds of Bonds authorized hereby.

Section 2.03. Bond and Note Provisions; Series Certificate. A Series of Bonds or Notes shall be issued hereunder only upon the delivery of a Series Certificate which shall specify the terms and conditions of such Bonds or Notes, and the sale and delivery thereof, including without limitation the following:

(a) the principal amount of Bonds and Notes to be issued pursuant thereto;

(b) the Series or sub-Series designation and title;

(c) the maturity or maturities of the Bonds and Notes, which in no event shall exceed 40 years, subject in any case to limitations imposed by the Act;

(d) the interest rate or rates on the Bonds and Notes or the method of determining the same, provided that the interest rate or rates on the Bonds (or the initial rate or rates if the rates are not fixed rates) shall not exceed 7½% if the interest on the Bonds and Notes is to be exempt from federal income taxation or 9% otherwise, and provided further that if the initial rate or rates are not fixed rates the maximum permitted rate in any case may not exceed 12%;

(e) the date or dates on which interest on the Bonds and Notes are payable;

(f) the dated date or dates of the Bonds and Notes, or the method of determining the same;

(g) the redemption provisions for the Bonds and Notes, which may include optional, mandatory and/or sinking fund redemptions, provided that the Bonds shall be optionally redeemable no later than 15 years after their date of issuance and at a redemption premium not exceeding 3% and reducing by at least 1% annually thereafter;

(h) the minimum and authorized denominations of the Bonds and Notes;

(i) whether or not the interest on the Bonds and Notes is to be exempt from federal income taxation;

(j) whether or not the Bonds and Notes are to be DTC Eligible;

(k) the form or forms of the Bonds and Notes, the manner of numbering and lettering such Bonds and Notes, and the Agency commissioners or officers authorized to execute and deliver the same;

(l) whether or not the Bonds and Notes are to be general obligations of the Agency and in any event the source of revenues to be pledged and used to pay the same, which pledge shall be immediately effective as provided by the Act;

(m) that the Agency will derive receipts, revenues and other income from the Mortgage Loan(s) made or purchased with the proceeds of such Series of Bonds sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of such Series of Bonds and the payment of all costs and expenses incurred by the Agency with respect to the Program or for the purpose for which such Series of Bonds are issued;

(n) the reserve fund or funds, any requirements with respect to the Bonds or Notes, and the method of funding the same;

(o) whether the Bonds shall be insured or guaranteed by a third party, and the premium or fee therefor, provided that such premium or fee shall be less than the present value of the interest rate savings on the Bonds occasioned by such insurance or guaranty;

(p) the specific use of the proceeds of the sale of the Bonds and Notes, the type of Mortgage Loans to be financed or refinanced by the Bonds, and any bonds of the Agency to be refunded the Bonds or Notes;

(q) the manner in which the Bonds and Notes are to be sold, the purchaser or purchasers of the Bonds and Notes, the form of the agreement used to sell the Bonds and Notes (which form shall be comparable to the forms previously used by the Agency in similar sales of bonds and notes) and the sale price of the Bonds and Notes, which may include a sale discount or fee paid to the purchaser not to exceed 1.5% of the principal amount of the Bonds and Notes;

(r) if the Bonds are to be remarketed, the remarketing agent therefor and the remarketing agent fee (which shall not exceed 0.50% per annum);

(s) if the Bonds are to be auctioned, the auction agent therefor and the auction agent fee (which shall not exceed 0.30% per annum);

(t) if the Bonds are subject to tender by the owners thereof, the tender agent therefor and any liquidity facility therefor, provided that any liquidity facility fee shall not exceed 0.50% per annum;

(u) the form of the documents pursuant to which the Bonds and Notes are to be issued, and any and all documents in connection therewith;

(v) the form of the Offering Statement, if any used to sell or market the Bonds and Notes (which form shall be comparable to the forms previously used by the Agency in similar sales of bonds and notes);

(w) the form of continuing disclosure agreement, if any, required to satisfy the federal securities laws (which form shall be comparable to the forms previously used by the Agency in similar sales of bonds and notes);

(x) the trustee and/or paying agent, if any for the Bonds and Notes, provided that if the Bonds and Notes are issued under a General Resolution the trustee and/or paying agent thereunder shall be the trustee or paying agent, as the case may be, for such Bonds and Notes;

(y) whether or not any investment agreements, repurchase agreements or similar instruments are to be used for the investment of all or any Bond or Note proceeds, and any conditions thereto or limitations thereon;

(z) if the Bonds do not pay interest at a fixed rate, whether or not any third party agreements will be used to reduce the risks to the Agency of possible interest rate fluctuations and, if so, any conditions thereto or limitations thereon, provided that any interest rate swap, cap or similar hedging agreement shall be consistent with any swap management plan adopted by the Agency; and

(aa) any other matters not inconsistent herewith deemed appropriate and necessary and authorized by the Act.

A Series Certificate may specify that this Resolution and the Bonds and Notes authorized hereby and thereby shall be considered a "Series Resolution" under a General Resolution or a "Supplemental Indenture" under a general Trust Indenture or Indenture of Trust, and thereupon this Resolution (as applicable to such Series, Series of Bonds or Series of Notes) and such Series Certificate shall be so treated for all purposes with respect to the Bonds and Notes authorized and issued thereby, provided that to the extent such General Resolution permits modification by a "Series Resolution" thereunder or such general Trust Indenture or Indenture of Trust permits modification by a "Supplemental Indenture" thereunder, the Series Certificate may specify such modifications even though the same are not set forth herein.

ARTICLE III

SPECIAL COVENANTS FOR TAX-EXEMPT BONDS

Section 3.01. Covenants as to Code. If and to the extent a Series or sub-Series of Bonds or Notes is designated as Bonds or Notes the interest on which is not to be subject to federal income taxation, the Agency shall not permit at any time or times any moneys made available to purchase Mortgage Loans in accordance herewith or any proceeds of the Bonds to be used, directly or indirectly, in a manner which would result in such bonds being qualified for the exclusion of any such Bond from the treatment afforded by subsection (a) of Section 103 of the Code by reason of such bond being classified as an "arbitrage bond" within the meaning of Section 148 of the Code, and, without limiting the generality of the foregoing, the Agency shall:

(a) Include restrictions in all agreements relating to the purchase or making of Mortgage Loans with the moneys made available to purchase or make Mortgage Loans so as to permit the financing of Mortgage Loans only in compliance with the Code, and establish and maintain reasonable procedures to ensure compliance with the requirements of the Code, if applicable. Any failure to meet such requirements shall be corrected by the Agency within a reasonable period after failure is discovered;

(b) Continuously monitor the nonmortgage investments made directly or indirectly with the proceeds of such Bonds and Notes, and shall take immediate and appropriate action to reduce the amount invested in nonmortgage investments with a yield materially higher than the yield on such Bonds and Notes, as may be required by the Code; and

(c) Take such other action as may be necessary or desirable to maintain the exclusion of interest on such Bonds and Notes in accordance with Section 103(a) of the Code.

Section 3.02. Rebate. If and to the extent a Series or sub-Series of Bonds and Notes is designated as Bonds and Notes the interest on which is not to be subject to federal income taxation:

(a) The Agency hereby covenants to establish such separate accounts or subaccounts as may be necessary or desirable to adequately trace and account for the direct and indirect proceeds of such Bonds and Notes in order to comply with the rebate or yield reduction payment requirements of Section 148 of the Code. Such accounts or subaccounts may be established at any time upon the written direction of an authorized officer of the Agency.

(b) At least annually, the Agency shall compute and certify in reasonable detail the amount required to be rebated to the United States pursuant to Section 148 of the Code.

(c) As required by Section 148 of the Code, the Agency or any Bond or Note trustee as directed by the Agency shall pay to the United States on behalf of the Agency the amount then required to be paid under Section 148 of the Code. If for any reason

funds are not otherwise available for such payment, the Agency covenants to transfer moneys from its own funds for such payment.

(d) The Agency or any Bond or Note trustee as directed by the Agency shall keep such records as will enable them to fulfill their responsibilities under this Section and shall retain such records for at least six years following final payment of the related Bonds and Notes.

Section 3.03. Governmental Program Requirement. If and to the extent a Series or sub-Series of Bonds or Notes is designated as Bonds and Notes the interest on which is not to be subject to federal income taxation, the Agency shall not make any arrangement, formal or informal, pursuant to which any mortgagor, mortgage lender or other person (or any related person as defined in Section 147 of the Code) who may receive a Mortgage Loan under the Program shall purchase Bonds of the Series or issue which financed such Mortgage Loan in an amount related to the amount of such Mortgage Loan.

Section 3.04. Compliance With Article III. If and to the extent a Series or sub-Series of Bonds or Notes is designated as Bonds and Notes the interest on which is not to be subject to federal income taxation, the provisions of this Article III shall be complied with by the Agency in order to meet the requirements of the Code such that interest on such Bonds and Notes shall be and remain exempt from federal income taxes; provided, however, that the Agency shall not be required to comply with any such provision with respect to such Bonds and Notes in the event the Agency receives a Counsel's Opinion from a nationally recognized bond counsel firm that compliance with such provision is no longer required to satisfy the requirements of the Code or that compliance with some other provision in lieu of a provision specified in this Article III will satisfy said requirements, in which case compliance with such other provision specified in the Counsel's Opinion shall constitute compliance with the provisions specified in this Article III.

ARTICLE IV

MISCELLANEOUS

Section 4.01. Amendments. This Resolution may be amended from time to time prior to the issuance of any Series of Bonds or Series of Notes, which right shall be in addition to any other rights to amend. To the extent a Series of Bonds or a Series of Notes is issued under and pursuant to a General Resolution, this Resolution and any Series Certificate with respect to such Bonds and Notes may be amended under the conditions and to the extent permitted by such General Resolution.

Section 4.02. General. The Agency may adopt, and specify in an Officer's Certificate, any additional covenants as to Mortgage Loans, mortgagors or lenders.

Section 4.03. Authorization of Officers. The Chairman, Vice Chairman or any other Commissioner of the Agency, Executive Director, Treasurer, Chief Financial Officer, Chief of Program Operations and Secretary of the Agency are hereby authorized and directed to do all acts and things (including the conduct of any public hearings required by federal tax laws) and to execute and deliver any and all documents, filings, certificates and other instruments necessary

or desirable to effectuate the transactions contemplated by this Resolution or any Series Certificate.

Section 4.04. Effective Date. This resolution shall take effect immediately.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Tom Connors, Chief Financial Officer TC

DATE: November 26, 2007

RE: **Status of 2007 Private Activity Volume Cap and End of Year Resolution**

Action Requested: Adoption of attached resolution to authorize allocation of any additional 2007 volume cap and filing of carry-forward election.

Status of Agency's Use of Private Activity Volume Cap

The following chart shows the status of the Agency's available private activity volume cap as of November 26, 2007:

		Allocated by VHFA Board		
	Unallocated by VHFA	Homeownership	Multifamily	Total Volume Cap Available
Carryforward from 2006			7,160,890	
2007 State Allocation	113,000,000			
VHFA Allocation	(113,000,00)	113,000,000		
2007 Private Activity Bonds Issued		(113,000,000)	(7,920,000)	
2007 Contingency Received (August E-Board)	4,500,000			
2007 Contingency Allocated	(3,359,110)		3,359,110	
Balance as of 11/26/07	**1,140,890**		**2,600,000**	**3,740,890**
Bonds Currently Seeking Authorization			(2,600,000)	(2,600,000)
Balance after current authorization	**1,140,890**	**0**	**0**	**1,140,890**

The attached resolution authorizes staff to allocate the remaining 2007 allocation, as may be required, and to accept any additional 2007 volume cap. It also authorizes Sarah or me to file the carryforward into 2008 and to allocate private activity volume cap between homeownership and multifamily in future years.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

The remaining balance of $1,140,890 could be used to partially fund an outstanding multifamily project, thus using up all volume cap within calendar 2007. However, staff has made a deliberate decision to carry forward this remaining balance into 2008, which will allow us to fully fund the outstanding project and will result in preservation of approximately $500,000 in volume cap, due to IRS restrictions on refunding (recycling) volume cap.

Please feel free to call me at 652-3436 if you have any questions or comments about this information.

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: ALLOCATION OF 2007 PRIVATE ACTIVITY BOND VOLUME CAP, ELECTION TO CARRYFORWARD 2007 PRIVATE ACTIVITY BOND VOLUME CAP ALLOCATION

WHEREAS, the Vermont Housing Finance Agency (the "Agency") has been allocated a total of $117,500,000 in 2007 private activity bond volume cap by the State of Vermont Emergency Board ("2007 Allocation"); and

WHEREAS, the Agency wishes to accept any additional allocation of 2007 private activity volume cap from the State of Vermont and to allow the Executive Director to designate its use for either qualified mortgage bonds and/or mortgage credit certificates or exempt facility bonds or a combination of both; and

WHEREAS, the Agency desires to carryforward 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 authorizes the Executive Director to allocate the remainder of its 2007 Allocation pursuant to Section 146 of the Internal Revenue Code of 1986 as amended for the purposes of issuing exempt facility bonds or qualified mortgage bonds and/or mortgage credit certificates or a combination of both.

2. If the Agency is allocated any additional volume cap in 2007 by the State of Vermont, it authorizes the Executive Director to allocate any additional volume cap for the purposes of issuing exempt facility bonds or qualified mortgage bonds and/or mortgage credit certificates or a combination of both.

3. The Agency elects to carryforward all of its unused volume cap pursuant to section 146 of the Internal Revenue Code of 1986 for the purposes consistent with its allocation of such carryforward between exempt facility bonds and qualified mortgage bonds and/or mortgage credit certificates.

4. The Executive Director and Chief Financial Officer are directed, and each of them is authorized, to take all steps necessary to carryforward 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.

5. The Agency hereby authorizes the Executive Director and Chief Financial Officer, individually, to allocate annual allocations of private activity volume cap pursuant to

Section 146 of the Internal Revenue Code of 1986 as amended for the purposes of issuing exempt facility bonds or qualified mortgage bonds and/or mortgage credit certificates or a combination of both. Such allocations in total may be adjusted through the course of the calendar year.

6. The Executive Director and Chief Financial Officer are directed, and each of them is authorized, to take all steps necessary to do such allocations of the annual allocations as needed, including the preparation, execution, and delivery of such individual allocations in such form as may be required by the Internal Revenue Service and consistent in content and effect with this Resolution.

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Director of Homeownership Programs

DATE: November 26, 2007

RE: Summary of Homeownership Activities

PRODUCTION

Production reports as of September 30, 2007 by fiscal year and calendar year are attached. VHFA's total pipeline is $32 million.

COLLECTIONS

Delinquency reports as of September 30, 2007 are attached. As of September 30, 2007 VHFA owned 3 properties.

If you have any questions please do not hesitate to call me at 652-3442 or email me at pcrady@vhfa.org.

CY07 Production Summary

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	Total
MOVE	6,478,688	5,154,110	9,199,141	7,493,657	9,454,524	14,182,842	15,006,819	22,493,246	18,558,175	9,782,437			**117,803,639**
HOUSE	201,680	225,325	692,110	419,285	495,000	231,525	753,673	932,565	537,140	629,082			**5,117,385**
RURAL DEV.													**0**
LIMITED REFI							74,638						**74,638**
FIXED35			247,500		205,000								**452,500**
Total	**6,680,368**	**5,379,435**	**10,138,751**	**7,912,942**	**10,154,524**	**14,414,367**	**15,835,130**	**23,425,811**	**19,095,315**	**10,411,519**	**0**	**0**	**123,448,162**
MOBILE HOME	865,250	220,750	565,164	1,009,882	1,070,175	1,110,190	1,749,881	1,764,831	1,747,220	709,668			**10,813,011**

CY06 Production Summary

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	Total
MOVE	5,747,307	5,115,359	6,723,853	7,002,262	8,709,255	14,414,830	12,358,137	16,354,977	14,702,565	9,391,304	11,050,470	12,027,936	**123,598,255**
HOUSE	257,220		565,314	440,420	379,400	608,070	170,654	640,120	267,939	264,000	387,900	722,916	**4,703,953**
RURAL DEV.	32,000					25,460			26,500	28,500			**112,460**
LIMITED REFI			31,950	55,000	164,820					113,953			**365,723**
FIXED35										422,000	220,000	189,050	**831,050**
Total	**6,036,527**	**5,115,359**	**7,321,117**	**7,497,682**	**9,253,475**	**15,048,360**	**12,528,791**	**16,995,097**	**14,997,004**	**10,219,757**	**11,658,370**	**12,939,902**	**129,611,441**
MOBILE HOME	905,200	577,811	396,190	707,480	972,825	1,809,676	1,505,907	1,043,436	392,800	1,336,196	1,151,800	1,279,875	**12,079,196**

CY07 Dollar Volume by Lender

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	YTD TOTAL
NEW ENGLAND FCU	1,346,555	1,541,630	2,594,454	1,717,618	2,358,018	3,217,408	2,500,103	5,527,200	3,344,176	3,013,918			27,161,080
CHITTENDEN MTG SVCS	1,273,940	1,152,919	1,731,800	361,585	1,607,077	1,441,129	2,501,634	2,016,250	2,894,442	1,267,799			16,248,575
UNIVERSAL	770,522	902,682	829,070	824,216	1,855,392	1,539,086	1,184,600	1,471,914	1,550,702	451,400			11,379,584
MTG FINANCIAL	178,208	75,000	119,900	171,111	218,113	1,557,495	1,162,002	1,192,472	1,708,271	159,417			6,541,989
COMMUNITY	314,700	140,904	534,669	300,300	384,761	661,539	1,162,605	1,162,574	422,122	423,969			5,508,143
SUMMIT	213,928	164,560	1,127,002		395,214	365,884	845,101	903,864	588,438	855,756			5,459,747
NORTHFIELD	317,900		439,504	133,000	105,000	1,193,006	602,331	811,060	707,269	517,100			4,826,170
VT STATE ECU	211,700	383,050	222,000	274,316	308,990	174,800	509,638	1,321,576	928,128	151,600			4,485,798
N.E. HOME LOAN	330,950		483,760	163,430	328,850	495,875	423,305	916,666	692,365	200,800			4,036,001
HERITAGE FCU	198,203	389,100	56,000	1,003,800	151,000	150,000	285,562	766,020	676,027	75,000			3,750,712
LIBERTYQUEST	214,442		145,000	348,225	308,073	352,298	586,000	721,160	511,000	395,000			3,581,198
VT FEDERAL CU			277,000	98,500		75,000	994,641	691,930	686,047	664,150			3,487,268
UNION	242,570		393,000		458,110		307,000	658,948	748,500	413,350			3,221,478
NORTH COUNTRY CU	492,800		268,200	105,875	80,000	343,227	341,500	929,727	140,230	352,059			3,053,618
FIRST COMMUNITY			210,175	441,401	184,600	776,645		114,000	709,586	161,162			2,597,569
TDBANKNORTH	224,050	266,100		337,973	420,000		477,493	612,700	154,000				2,492,316
PEOPLES TRUST		175,000		493,400	175,000	443,200	198,500		431,600	145,800			2,062,500
GMAC		75,000				350,895	261,240	396,000	685,300	234,000			2,002,435
CTX				242,125	168,571	207,757			654,250	171,000			1,443,703
CT RIVER		113,490			312,205	148,473		574,800		75,000			1,223,968
COUNTRYWIDE	252,900		149,900	269,865		411,650	131,000						1,215,315
BRATTLEBORO				200,500	143,200		386,500	190,000	78,500	92,239			1,090,939
OPPORTUNITIES CU			135,800				543,053	358,500					1,037,353
BERKSHIRE BANK						245,000		293,000	196,600	260,000			994,600
NAT'L BNK MIDDLE				129,782		103,000	100,000	299,200	208,000	128,000			967,982
LAKE SUNAPEE			103,000				197,472	472,100	135,762				908,334
CCO MORTGAGE			205,200			142,000	101,850	234,250		100,000			783,300
MASCOMA	97,000		113,317	227,420				327,000					764,737
NATIONAL CITY								295,000	103,000				398,000
BANK OF BENN				68,500	151,050				60,000				279,550
FIRST NAT'L BNK ORWELL								167,900		103,000			270,900
RIVER VALLEY CU					41,300	19,000	32,000		81,000				173,300
WELLS FARGO													0
VHFA (RD)													0
LYNDONVILLE													0
KEY BANK													0
TOTAL	$6,680,368	$5,379,435	$10,138,751	$7,912,942	$10,154,524	$14,414,367	$15,835,130	$23,425,811	$19,095,315	$10,411,519	$0	$0	$123,448,162

No longer participating:
Kittredge Mortgage

Re-Activated:
CCO Mortgage (Charter One)
Wells Fargo
First Brandon (aka Lake Sunapee)
National City
KeyBank

CY07 Number of loans

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	YTD TOTAL
NEW ENGLAND FCU	8	9	16	10	15	18	16	34	21	17			164
CHITTENDEN MTG SVCS	9	8	11	3	10	9	17	16	21	10			114
UNIVERSAL	5	5	5	7	13	9	9	10	9	3			75
COMMUNITY	3	1	4	3		6	8	9	4	3			41
MTG FINANCIAL	1	1	1	1	1	9	8	7	9	1			39
NORTHFIELD	3		3	1	1	8	4	5	7	4			36
N.E. HOME LOAN	3		4	2	3	4	4	8	5	3			36
VT STATE ECU	2	3	1	2	2	1	3	9	6	1			30
SUMMIT	1	1	6		2	2	5	5	3	5			30
HERITAGE FCU	2	3	1	7	1	1	2	6	5	1			29
UNION	2		3		3		2	5	5	4			24
VT FEDERAL CU			2	1		1	6	4	5	4			23
NORTH COUNTRY CU	4		3	1	1	2	3	6	1	2			23
LIBERTYQUEST	1		1	2	2	2	4	5	3	2			22
FIRST COMMUNITY			3	3	2	6		1	5	1			21
TDBANKNORTH	2	2		3	3		4	4	1				19
GMAC		1				3	2	3	5	2			16
PEOPLES TRUST		1		3	1	4	1		3	1			14
COUNTRYWIDE	2		1	2	3	3	1						12
CT RIVER		1			2	1		5		1			10
NAT'L BNK MIDDLE				1		2	1	2	2	1			9
BRATTLEBORO				2	1		2	1	2	1			9
CTX				1	1	1			4	1			8
BERKSHIRE BANK						2		2	2	2			8
OPPORTUNITIES CU			1				4	2					7
MASCOMA	1		1	2				2					6
LAKE SUNAPEE			1				1	3	1				6
CCO MORTGAGE			1			1	1	2		1			6
RIVER VALLEY CU					1	1	1		1				4
NATIONAL CITY								2	1				3
BANK OF BENN				1	1				1				3
FIRST NAT'L BNK ORWELL								1		1			2
WELLS FARGO													0
VHFA (RD)													0
LYNDONVILLE													0
KEY BANK													
TOTAL	49	36	69	58	69	96	109	159	132	72	0	0	849

No longer participating:
Kittredge Mortgage

Re-Activated:
CCO Mortgage (Charter One)
Wells Fargo
First Brandon (aka Lake Sunapee)
National City
KeyBank

FY08 Production Summary

July 1, 2007 - June 30, 2008

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total
MOVE	15,006,819	22,493,246	18,558,175	9,782,437									**65,840,677**
HOUSE	753,673	932,565	537,140	629,082									**2,852,460**
RURAL DEV.													**0**
LIMITED REFI	74,638												**74,638**
FIXED35													**0**
Dollar Total	**15,835,130**	**23,425,811**	**19,095,315**	**10,411,519**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**68,767,775**
Total # of Loans	**109**	**159**	**132**	**72**									**472**
MOBILE HOME	17	17	17	9									**60**
Total # of MH*													**0**

*The Mobile Home # is included in the above line item titled "Total # of Loans"

FY07 Production Summary

July 1, 2006 - June 30, 2007

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total
MOVE	12,358,137	16,354,977	14,702,565	9,391,304	11,050,470	12,027,936	6,478,688	5,154,110	9,199,141	7,493,657	9,454,524	14,182,842	**127,848,351**
HOUSE	170,654	640,120	267,939	264,000	387,900	722,916	201,680	225,325	692,110	419,285	495,000	231,525	**4,718,454**
RURAL DEV.			26,500	28,500									**55,000**
LIMITED REFI				113,953									**113,953**
FIXED35				422,000	220,000	189,050			247,500		205,000		**1,283,550**
Dollar Total	**12,528,791**	**16,995,097**	**14,997,004**	**10,219,757**	**11,658,370**	**12,939,902**	**6,680,368**	**5,379,435**	**10,138,751**	**7,912,942**	**10,154,524**	**14,414,367**	**134,019,308**
Total # of Loans	**87**	**122**	**104**	**75**	**82**	**90**	**49**	**36**	**69**	**58**	**69**	**96**	**937**
MOBILE HOME	1,505,907	1,043,436	392,800	1,336,196	1,151,800	1,279,875	**865,250**	220,750	565,164	1,009,882	1,070,175	1,110,190	**11,551,425**
Total # of MH*	**15**	**13**	**5**	**14**	**13**	**13**	**9**	**2**	**6**	**9**	**12**	**13**	**124**

*The Mobile Home # is included in the above line item titled "Total # of Loans"

FY08 Dollar Volume by Lender

July 1, 2007- June 30, 2008

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD TOTAL
NEW ENGLAND FCU	2,500,103	5,527,200	3,344,176	3,013,918									$14,385,397
CHITTENDEN MTG SVCS	2,501,634	2,016,250	2,894,442	1,267,799									$8,680,125
UNIVERSAL	1,184,600	1,471,914	1,550,702	451,400									$4,658,616
MTG FINANCIAL	1,162,002	1,192,472	1,708,271	159,417									$4,222,162
SUMMIT	845,101	903,864	588,438	855,756									$3,193,159
COMMUNITY	1,162,605	1,162,574	422,122	423,969									$3,171,270
VT FEDERAL CU	994,641	691,930	686,047	664,150									$3,036,768
VT STATE ECU	509,638	1,321,576	928,128	151,600									$2,910,942
NORTHFIELD	602,331	811,060	707,269	517,100									$2,637,760
N.E. HOME LOAN	423,305	916,666	692,365	200,800									$2,233,136
LIBERTYQUEST	586,000	721,160	511,000	395,000									$2,213,160
UNION	307,000	658,948	748,500	413,350									$2,127,798
HERITAGE FCU	285,562	766,020	676,027	75,000									$1,802,609
NORTH COUNTRY CU	341,500	929,727	$140,230	352,059									$1,763,516
GMAC	261,240	396,000	685,300	234,000									$1,576,540
TDBANKNORTH	477,493	612,700	154,000										$1,244,193
FIRST COMMUNITY		114,000	709,586	161,162									$984,748
OPPORTUNITIES CU	543,053	358,500											$901,553
CTX			654,250	171,000									$825,250
LAKE SUNAPEE	197,472	472,100	135,762										$805,334
PEOPLES TRUST	198,500		431,600	145,800									$775,900
BERKSHIRE BANK		293,000	196,600	260,000									$749,600
BRATTLEBORO	386,500	190,000	78,500	92,239									$747,239
NAT'L BNK MIDDLE	100,000	299,200	208,000	128,000									$735,200
CT RIVER		574,800		75,000									$649,800
CCO MORTGAGE	101,850	234,250		100,000									$436,100
NATIONAL CITY		295,000	103,000										$398,000
MASCOMA		327,000											$327,000
FIRST NAT'L BNK ORWELL		167,900		103,000									$270,900
COUNTRYWIDE	131,000												$131,000
RIVER VALLE CU	32,000		81,000										$113,000
BANK OF BENN			60,000										$60,000
WELLS FARGO													$0
VHFA (RD)													$0
LYNDONVILLE													$0
TOTAL	$15,835,130	$23,425,811	$19,095,315	$10,411,519	$0	$0	$0	$0	$0	$0	$0	$0	$68,767,775

FY08 Loan Volume by Lender

July 1, 2007 - June 30, 2008

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD TOTAL
W ENGLAND FCU	16	34	21	17									88
CHITTENDEN MTG SVCS	17	16	21	10									64
UNIVERSAL	9	10	9	3									31
MTG FINANCIAL SRV	8	7	9	1									25
COMMUNITY	8	9	4	3									24
NORTHFIELD	4	5	7	4									20
VT STATE ECU	3	9	6	1									19
VT FEDERAL CU	6	4	5	4									19
SUMMIT	5	5	3	5									18
N.E. HOME LOAN	4	8	5										17
UNION	2	5	5	4									16
LIBERTYQUEST	4	5	3	2									14
HERITAGE FCU	2	6	5	1									14
NORTH COUNTRY FCU	3	6	1	2									12
GMAC	2	3	5	2									12
TDBANKNORTH	4	4	1										9
FIRST COMMUNITY		1	5	1									7
OPPORTUNITIES CU	4	2											6
NAT'L BNK MIDDLE	1	2	2	1									6
NATIONAL CITY		2	1	3									6
CT RIVER		5		1									6
BRATTLEBORO	2	1	2	1									6
BERKSHIRE BANK		2	2	2									6
PEOPLES TRUST	1		3	1									5
LAKE SUNAPEE	1	3	1										5
CTX			4	1									5
CCO MORTGAGE	1	2		1									4
RIVER VALLEY CU	1		1										2
MASCOMA		2											2
FIRST NAT'L BNK ORWELL		1		1									2
COUNTRYWIDE	1												1
BANK OF BENN			1										1
WELLS FARGO													0
VHFA (RD)													0
LYNDONVILLE													0
KEYBANK													0
TOTAL	109	159	132	72	0	0	0	0	0	0	0	0	472

VERMONT HOUSING FINANCE AGENCY
HOMEOWNERSHIP PROGRAM MONTHLY DELINQUENCY REPORT
October 31, 2007

Lenders	Total Loans	30 Days		60 Days		90+ Days		In Foreclosure		Total Delinquent		REO	
Chittenden Mortgage Services	1226	64	5.22%	19	1.55%	8	0.65%	16	1.31%	107	8.73%	1	0.08%
Bank of Bennington	64	3	4.69%	1	1.56%	1	1.56%	0	0.00%	5	7.81%	0	0.00%
Graystone Mortgage Company	2401	96	4.00%	15	0.62%	6	0.25%	23	0.96%	140	5.83%	2	0.08%
Community National Bank	340	15	4.41%	2	0.59%	2	0.59%	0	0.00%	19	5.59%	0	0.00%
Opportunities CU	130	2	1.54%	3	2.31%	0	0.00%	1	0.77%	6	4.62%	0	0.00%
Mascoma Savings Bank	48	2	4.17%	0	0.00%	0	0.00%	0	0.00%	2	4.17%	0	0.00%
Union Bank	326	8	2.45%	1	0.31%	2	0.61%	2	0.61%	13	3.99%	0	0.00%
Peoples Trust Co.	115	3	2.61%	0	0.00%	1	0.87%	0	0.00%	4	3.48%	0	0.00%
Brattleboro Savings & Loan	92	2	2.17%	0	0.00%	1	1.09%	0	0.00%	3	3.26%	0	0.00%
Heritage Family Credit Union	149	3	2.01%	0	0.00%	0	0.00%	0	0.00%	3	2.01%	0	0.00%
Connecticut River Bank	62	1	1.61%	0	0.00%	0	0.00%	0	0.00%	1	1.61%	0	0.00%
New England Federal CU	548	2	0.36%	2	0.36%	0	0.00%	0	0.00%	4	0.73%	0	0.00%
CitiMortgage	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Randolph National Bank	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Totals	**5505**	**201**	**3.65%**	**43**	**0.78%**	**21**	**0.38%**	**42**	**0.76%**	**307**	**5.58%**	**3**	**0.05%**
Totals Previous Month	**5476**	**225**	**4.11%**	**53**	**0.97%**	**23**	**0.42%**	**43**	**0.79%**	**344**	**6.28%**	**2**	**0.04%**
Totals Same Mo. Last Yr.	**4946**	**194**	**3.92%**	**44**	**0.89%**	**14**	**0.28%**	**35**	**0.71%**	**287**	**5.80%**	**3**	**0.06%**

Note: Of the loans in foreclosure, a total of 22 are under a Chapter l3 Bankruptcy Plan

Monthly Delinquency by Servicer

Lenders	Oct 2006	Nov 2006	Dec 2006	Jan 2007	Feb 2007	March 2007	April 2007	May 2007	June 2007	July 2007	Aug 2007	Sept 2007	Oct 2007
Bank of Bennington	0.00%	4.55%	2.94%	6.06%	3.03%	3.13%	1.56%	4.62%	4.62%	7.69%	9.38%	7.81%	7.81%
Brattleboro Savings & Loan	3.57%	5.81%	7.87%	5.62%	5.62%	2.25%	1.11%	3.33%	6.67%	5.43%	5.49%	3.30%	3.26%
Chittenden Mortgage Services	8.08%	9.97%	11.08%	9.59%	9.34%	8.04%	7.27%	8.11%	7.97%	9.11%	8.40%	8.79%	8.73%
CitiMortgage	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Community National Bank	5.92%	5.70%	7.23%	6.29%	4.72%	3.73%	5.25%	5.57%	5.21%	5.14%	4.72%	5.54%	5.59%
Connecticut River Bank	0.00%	0.00%	3.64%	0.00%	0.00%	0.00%	0.00%	1.75%	0.00%	0.00%	1.61%	3.23%	1.61%
Graystone	6.75%	7.54%	7.65%	6.92%	6.88%	6.16%	6.35%	6.50%	6.95%	6.20%	6.29%	7.00%	5.83%
Heritage Family CU	3.31%	2.38%	2.38%	2.36%	2.31%	2.29%	0.00%	2.17%	1.44%	1.45%	2.08%	2.01%	2.01%
Mascoma Savings Bank	2.44%	2.44%	6.82%	2.22%	4.44%	2.22%	2.13%	2.13%	4.26%	2.13%	2.04%	2.04%	4.17%
New England Federal CU	0.26%	0.00%	0.74%	0.49%	0.95%	0.23%	0.68%	0.66%	1.07%	0.83%	0.58%	1.12%	0.73%
Opportunites CU	5.59%	6.38%	4.29%	6.62%	5.88%	4.44%	5.19%	3.01%	3.05%	4.58%	4.51%	5.34%	4.62%
Peoples Trust Co.	4.81%	4.76%	3.77%	4.72%	2.80%	0.93%	3.64%	4.50%	4.42%	3.51%	2.65%	6.90%	3.48%
Randolph National Bank	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Union Bank	3.06%	5.25%	6.13%	5.56%	4.67%	4.33%	4.39%	4.69%	5.31%	5.94%	4.95%	5.54%	3.99%

HOMEOWNERSHIP DELINQUENCY REPORT
FISCAL YEAR 2008

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
Total Portfolio #	5258	5373	5476	5505									5403
Total Portfolio $	482.5	502.4	518.2	524.5									506.9

NUMBER OF DELINQUENT LOANS

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	200	186	225	201									203
60 Days	51	57	53	43									51
90 Days	23	23	23	21									23
Foreclosure	37	38	43	42									40
Total Delq FY 08	311	304	344	307	0	0	0	0	0	0	0	0	317
Total Delq FY 07	303	285	317	287	337	367	330	316	271	272	295	308	307

PERCENT BY NUMBER OF DELINQUENT LOANS

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	3.80%	3.46%	4.11%	3.65%									3.76%
60 Days	0.97%	1.06%	0.97%	0.78%									0.95%
90 Days	0.44%	0.43%	0.42%	0.38%									0.42%
Foreclosure	0.70%	0.71%	0.79%	0.76%									0.74%
Total Delq FY 08	5.91%	5.66%	6.29%	5.57%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	5.86%
Total Delq FY 07	6.31%	5.85%	6.42%	5.80%	6.65%	7.28%	6.52%	6.24%	5.30%	5.31%	5.73%	5.92%	6.11%

DOLLAR AMOUNT OF DELINQUENT LOANS

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	$13.4	$12.3	$15.2	$13.6									$13.6
60 Days	$3.2	$3.6	$3.5	$2.7									$3.3
90+ Days	$3.9	$3.9	$4.1	$4.3									$4.1
Total Delq FY 08	$20.5	$19.8	$22.8	$20.6	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$20.9
Total Delq FY 07	$17.2	$16.7	$18.8	$18.5	$20.6	$23.0	$20.5	$20.7	$16.8	$16.4	$19.1	$19.4	$19.0

REO INVENTORY REPORT
As of October 31, 2007

Mortgagor	REO Date	City/Town	Princ. Bal.	Interest	Expenses	Receipts (1)	Total Cost Basis	Valuation Allowance	List Amount (2)	Current Appraisal	Date Last Appraised	Original Appraisal	Loan Date	Type	Comments
Munyon	6/21/2007	Braintree	$ 45,275	$ 4,854	$ 11,900	$ -	$ 62,029	$ -	$ 65,000	$ 70,000	6/6/07	$ 51,000	12/31/96	SF	Recent Price Reduction
Lampman	8/30/2007	Alburgh	$ 55,527	$ 3,814	$ 9,971	$ 16,500	$ 52,812	$ -	$ 35,000	$ 35,000	6/25/07	$ 59,000	09/23/05	MH	Recent Price Reduction
Rantus	10/31/2007	Bethel	$ 129,014	$ 3,504	$ 2,151	$ -	$ 134,669		$ 138,000	$ 138,000	11/8/07	$ 135,000	08/05/05	SF	New Listing
3			**$ 229,816**	**$ 12,172**	**$ 24,022**	**$ 16,500**	**$ 249,510**	**$ -**	**$ 238,000**	**$ 243,000**		**$ 245,000**			

REOS that are under deposit

(1) Receipts column represents actual and projected/estimated mortgage insurance claim payments

(2) If Property is under deposit the List Price is the actual sale price.

Interesting Housing Fact

December 2007

Prepared by Leslie Black-Plumeau

Need for More Owner-Occupied Housing for Low-Income Households Continues

Studies continue to document the need for expanded homeownership opportunities, particularly for low-income households, as shown below:

- Not everyone shares equally in the "American Dream" of owning a home. The bulging homeownership rate masks significant inequities. In 2006, households with very low incomes had a homeownership rate that was 37 percentage points below the rate for high-income households.[i]
- There is mounting evidence of two distinct housing worlds in Vermont. The 2005 Vermont Housing Needs Assessment found that one segment of the population can afford escalating costs of housing – these are Vermonters who benefitted from prosperity-generating high-quality jobs and an expanding real estate market. A very different part of Vermont's population has persistently low incomes and struggles to find affordable, decent housing.[ii]
- A recent University of New Hampshire study ranked Vermont second in the country with regard to the growth in income disparity over the past 5 years.[iii]
- Median income Vermonters are not likely to be able to afford the median priced home. This problem pervaded all Vermont counties in 2006, with the exception of Essex.[iv]
- Low-income Vermonters face even fewer affordable homeownership options. In 2006, households with incomes at or below $40,000 (about 80% of median household income in Vermont) faced few options. While these households comprised 41% of the state's households, only about 14% of the primary homes sold in Vermont had price tags likely to be affordable to them.[v]
- Studies repeatedly illustrate the benefits of homeownership to owners and their communities. The average renter moves three times as often as the average owner.[vi] Unfortunately, residential instability has profound impacts on the educational experiences of children and young adults and on the teachers and classmates in the schools that serve them.[vii] The average homeowner also enjoys better health, including fewer long-term illnesses, lower blood pressure, and lower levels of depression and alcohol abuse than renters of similar incomes.[viii]
- Between 2007 and 2012, approximately 13,000 additional owner homes will be needed to accommodate the 189,000 owner households likely to want to live here by 2012. Building this many homes would involve substantially increasing the rate at which homes are currently being built (between 2005 and 2007).[ix]
- Many renter households can afford to pay more for their housing. In 2005, more than half of the apartments with rents affordable to low-income households were occupied by upper income households. However, when these households are unable to afford to buy a home (or "move up") they in essence "clog" the rental market, preventing the natural flow of renters-to-buyers and forcing many low-income households into other (higher priced) apartments.[x]

[i] Donald R. Haurin, Christopher E. Herbert, Stuart S. Rosenthal, *Homeownership Gaps Among Low-Income and Minority Households,* 2007, http://www.huduser.org/periodicals/cityscpe/vol9num2/ch1.pdf

[ii] *2005 Vermont Housing Needs Assessment*, Gent Communications Consulting, LLC for the VT Dept of Housing and Community Affairs. http://www.housingdata.org/resources/

[iii] Ross Gittell and Jason Rudokas, *Changes in Income Distribution in New England, 2007* http://www.bos.frb.org/commdev/c&b/2007/fall/Gittell_Rudokas_New_%20England_income_gap.pdf

[iv] Vermont Housing Council, *Between a Rock and a Hard Place: Housing and Wages in Vermont*, 2007. http://www.housingawareness.org/publications/housing-wages-2007.pdf

[v] Vermont Housing Finance Agency analysis of data from the 2006 American Community Survey and the Vermont Department of Taxes.

[vi] Haurin, Donald R. and H. Leroy Gill. *The Impact of Transaction Costs and the Expected Length of Stay on Homeownership.* Journal of Urban Economics, issue 51; 2002.

[vii] Enterprise Foundation, *The Positive Impacts of Affordable Housing on Education: A Research Summary,* 2007, http://www.practitionerresources.org/cache/documents/651/65111.pdf

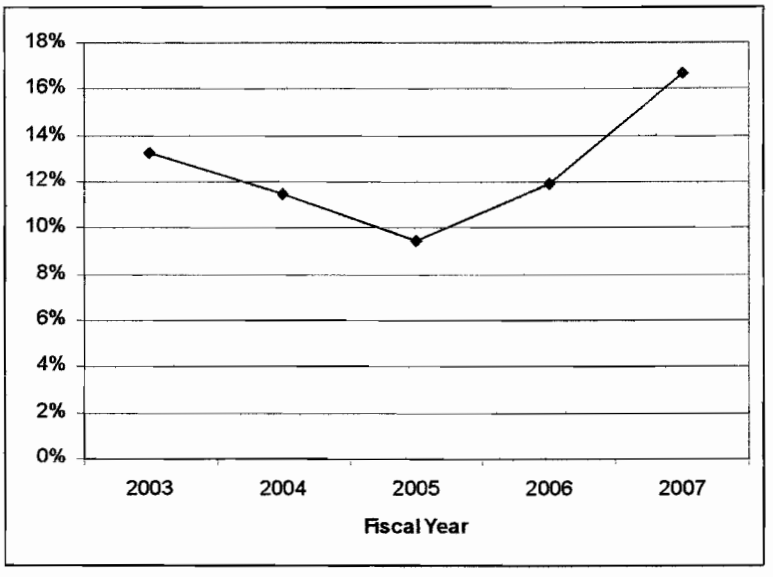
[viii] Enterprise Foundation, *The Positive Impacts of Affordable Housing on Health: A Research Summary*, 2007, http://www.practitionerresources.org/cache/documents/651/65101.pdf

[ix] Vermont Housing Finance Agency analysis of HISTA population projections, Census Intercensal Housing Estimates, and Census 2000 Summary File 3.

[x] *2005 Vermont Housing Needs Assessment.*

MEMORANDUM

To: VHFA Board of Commissioners
From: Leslie Black-Plumeau, Research Analyst
Date: November 6, 2007
Re: VHFA's share of the single-family home sales market in FY 07



Among all Vermont homes sold at prices within VHFA's limits, VHFA's share increased significantly in FY 2007, up to 17% from 12% the year before, as shown to the left.

At the county level, VHFA's share increased in all counties except Bennington and Caledonia, as shown in the lower left.

	2003	2004	2005	2006	2007
Addison	9%	7%	3%	7%	12%
Bennington	8%	7%	7%	7%	6%
Caledonia	14%	14%	11%	14%	12%
Chittenden	11%	10%	9%	14%	19%
Essex	3%	7%	8%	7%	8%
Franklin	16%	14%	10%	15%	21%
Grand Isle	7%	7%	6%	4%	13%
Lamoille	20%	16%	13%	14%	21%
Orange	10%	10%	7%	7%	14%
Orleans	9%	9%	6%	6%	14%
Rutland	22%	17%	12%	16%	19%
Washington	18%	16%	13%	12%	23%
Windham	11%	9%	10%	10%	12%
Windsor	9%	9%	6%	8%	9%
Vermont	13%	11%	9%	12%	17%

These figures provide information not available elsewhere on trends associated with VHFA's place in the Vermont home sales market. It is important to remember, however, that they compare VHFA's activity to a broad set of home sales, including some that would not meet VHFA's requirements. Due to data limitations, all transactions regardless of the home buyer's income, first-time home buyer status, and credit history are included. In addition, sales of all properties are included regardless of whether they meet VHFA's physical property standards and whether they actually involve a mortgage.

Source: VHFA analysis of VHFA loan data and Vermont Property Transfer Tax data on primary homes sold for prices less than VHFA's purchase price limits. Excludes all mobile homes because few are likely to meet VHFA's property requirements.

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Tom Connors, Chief Financial Officer

RE: Quarterly Financial Statements – September 30, 2007

DATE: November 28, 2007

I'm pleased to provide The Board with the financial statements for the three months ended September 30, 2007 along with some additional explanations and comparative schedules.

In looking at the September 30, 2007 financial results, it's important to understand that both cash balances and bonds payable will look artificially high in comparison to the audited June 2007 financials due to the timing of two Multipurpose bond issues (one in July and one in September) and of the November 1 debt service. The attached narratives and financial schedules will provide a good summary of what was a busy quarter for the Agency.

Some highlights from the financial results to date:

- The Agency reported operating income of $720,058 for the three months ended September 30, 2007. This compares to an operating income of $3,198,499 for the entire year ended June 30, 2007. When combined with an increase in market value of investments, the overall increase in net assets for the three months is $1,062,785.

- The mortgage and construction loan portfolio grew by $53.1 million net of collections. This included $58.8 million of single-family mortgage purchases.

- As mentioned above, the Agency closed its first two bond issues under the Multiple Purpose Bond Indenture in this quarter totaling $132.8 million of bonds and $28.25 million of notes. Most of the bonds were used to finance new single-family mortgages. $12.8 million of the funds were used to refund outstanding multifamily bonds from the 1995 and 1997 multifamily housing bonds. An additional $7.5 million in funds were used to finance multifamily construction loans.

As you know, this was a challenging quarter for the Finance staff given the systems conversion that occurred in the first two weeks of October. The team put in extra time and effort to produce financial statements before the Thanksgiving holiday. Of course, Tim Gutchell had the added incentive to finalize the financial statements, so he could go on his honeymoon! Despite the

temporary challenge of the conversion, the team is still focused on maintaining an accelerated financial close. Over the next couple of months, we will evaluate potential process improvement opportunities as well as new Mitas functionality to implement new efficiencies wherever possible. As always, if you have any questions, feel free to give me a call.

Discussion of changes in Statement of Net Assets

The Agency's Statement of Net Assets consists primarily of single family and multi-family mortgage loans, cash and investments, and related bonds and notes payable. It also includes a portfolio of mortgage and construction loans financed through its Operating Fund, as well as a variety of other assets such as property and equipment, other receivables, and deferred charges.

Cash and investments are used to fund loan purchases, bond debt service, and reserve funds, and are typically held in guaranteed investment contracts or other investment vehicles, as authorized in accordance with the Agency's investment policy.

The following table summarizes the net assets of the Agency as of September 30, 2007 with comparative data from the prior fiscal year.

	September 2007	June 2007	September 2006	% Change Sept 2007 vs. June 2007
Assets				
Cash and investments	$ 293,711,393	195,605,193	224,731,897	50.2
Loans receivable, net	676,635,380	623,559,508	560,030,825	8.5
Other assets	22,773,064	19,468,097	20,068,901	17.0
Total assets	993,119,837	838,632,798	804,831,623	18.4
Liabilities				
Bonds and notes payable	891,110,819	744,782,327	710,428,100	19.6
Other liabilities	18,866,508	11,770,746	14,332,198	60.3
Total liabilities	909,977,327	756,553,073	724,760,298	20.3
Net Assets				
Invested in capital assets	1,598,195	1,625,755	1,684,883	(1.7)
Restricted:				
Bond and other requirements	65,266,971	65,006,102	62,902,203	0.4
Excess yield loans	7,740,000	7,970,043	9,195,362	(2.9)
Unrestricted	8,537,344	7,477,825	6,288,877	14.2
Total net assets	$ 83,142,510	82,079,725	80,071,325	1.3

Total assets increased by $154.5 million or 18.4% for the three months ended September 30, 2007 when compared to the year ended June 30, 2007, primarily as a result of:

- Cash and investments increased by $98.1 million, or 50.2%. This represents bond proceeds held in acquisition funds awaiting the purchase of single family mortgages, as well as the proceeds of the $28 million note issuance, which is invested in a guaranteed investment contract.
- Total mortgage and construction loans receivable increased by $53 million, or 8.5% for the quarter. Loan originations for the first three months of FY '08 were $66.8 million (vs. $49.7 million for the comparable quarter last year). Single family originations represented $58.8 million of this amount (vs. $44.8 million last year).

		September 2007	June 2007	September 2006	% Chg Sept 2007 vs. June 2007
Beginning balance	$	623,559,509	529,001,950	529,001,950	17.9
Mortgage loan originations		66,775,578	173,649,434	49,747,988	(61.5)
Principal collections		(13,578,205)	(78,305,453)	(18,625,210)	(82.7)
Loans transferred to REO status		(121,502)	(804,336)	(85,903)	(84.9)
Loan loss provision		—	17,914	—	(100.0)
Ending balance	$	676,635,380	623,559,509	560,038,825	8.5

Total liabilities of the Agency increased by $153.4 million, or 20.3% for the quarter ended September 30, 2007 when compared to the year ended June 30, 2007, primarily as a net result of:

- Two new bond series of Multiple Purpose Bonds were issued totaling $132.7 million in bonds and $28.25 million in notes. The bond proceeds were used to finance single family mortgage purchases and to refund $12.8 million of Multi-Family Housing Bonds. The note proceeds are invested in a guaranteed investment contract.
- Fifteen Multi-Family construction projects received $8 million, which were financed with notes payable from lending institutions.

Discussion of changes in Statement of Revenues, Expenses and Changes in Net Assets

The Agency's operating revenues consist primarily of interest income on mortgage and construction loans, investment income, and miscellaneous fee income. Operating expenses consist of bond interest expense and other debt financing costs, operational expenses, and mortgage servicing fees. Additional

The following summarizes the changes for the quarter ended September 30, 2007 with comparative data from the prior fiscal year.

	September 2007	September 2006	June 2007	% Chg Sept 2007 vs. Sept 2006
Operating Revenues				
Interest on loans	$ 9,865,152	8,540,321	36,078,654	15.5
Interest on investments	2,938,781	2,897,565	10,436,069	1.4
Fee income	138,063	144,496	853,495	(4.5)
Other revenue	16,980	31,170	64,378	(45.5)
Total operating revenues	12,958,976	11,613,552	47,432,596	11.6
Operating Expenses				
Financing costs	10,535,856	9,077,171	37,979,645	16.1
Operational expenses	1,327,466	1,187,007	4,310,066	11.8
Mortgage servicing	323,642	270,289	1,155,529	19.7
Loan loss provision	51,954	(1,451)	921,371	(3,680.6)
Loss on bond redemptions	—	—	(132,514)	NA
Total operating expenses	12,238,918	10,533,016	44,234,097	16.2
Operating income (loss)	720,058	1,080,536	3,198,499	(33.4)
Non-Operating Revenues				
Net appreciation (depreciation) in fair value of investments:	342,727	408,200	298,637	(16.0)
Excess (deficiency) of revenues over expenses	1,062,785	1,488,736	3,497,136	(28.6)

The Agency's net income for the quarter ended September 30, 2007 was $1,062,785, compared to net income of $1,488,736 for the first quarter last year. The change is predominantly the effect of:

- Total operating income for the quarter were $720,058 for the quarter, compared to $1,080,536 for the first quarter last year. A large portion of this change is due to the increased operating expenses in the general fund of approximately $180,000. The increase in salaries and benefits accounted for $114,000, due to additional staffing and normal increases.

- Net appreciation in the fair value of investments accounted for an increase in net assets of $342,727 this quarter, compared to net appreciation of $408,200 in the prior year.

VERMONT HOUSING FINANCE AGENCY

CONSOLIDATED FINANCIAL STATEMENTS

Date: 09/30/2007

	GENERAL FUND	SINGLE FAMILY	MULTIPLE PURPOSE BONDS	MULTI FAMILY	GENERAL OBLIGATION		TOTAL
ASSETS							
Cash and cash equivalents	7,662,026.57	96,478,415.43	76,698,635.41	25,968,026.87			206,807,104.28
Investments	100,000.00	48,962,259.98	32,802,548.00	5,039,480.84			86,904,288.82
Mortgage and construction loan	15,652,327.14	480,617,405.38	67,980,519.06	116,633,857.07			680,884,108.65
Less: reserve for loan loss	2,669,755.60-	78,973.00-	1,500,000.00-				4,248,728.60-
Accrued interest receivable							
-Mortgage and notes	1,178,763.18	2,161,669.48	181,718.69	337,589.80			3,859,741.15
-Investments	25,656.81	3,037,935.88	557,937.44	151,712.27			3,773,242.40
Deferred cost of bond issuance		3,053,569.35	652,580.94	964,692.69			4,670,842.98
Deferred mortgage origination fees, net	174,805.26-	2,005,043.41	81,219.89				1,911,458.04
Office furniture and fixtures	1,469,545.96						1,469,545.96
Less: accumulated depreciation	1,647,185.20						1,647,185.20
Land	775,000.00						775,000.00
Building	1,000,833.95						1,000,833.95
Other receivables:prepaids	662,948.43	5,033,131.33	724,098.37	401,110.92			6,821,289.05
Interfund receivables	868,819.74	3,728,601.05	802,952.35-	3,794,468.44-			
Other assets		138,295.79					138,295.79
TOTAL ASSETS	24,904,175.72	645,137,354.08	177,376,305.45	145,702,002.02			993,119,837.27
LIABILITIES & FUND BALANCE							
Deferred income	267,125.90						267,125.90
Accounts payable	366,957.73	2,369,233.29	582,451.00	99,088.18			3,417,730.20
Escrowed cash deposits	2,706,007.88	8,163.27-					2,697,844.61
Notes payable	9,728,054.11	50,000,000.00	28,250,000.00	24,604,746.48			112,582,800.59
Accrued interest	65,849.24	11,729,890.31	838,634.54	692,111.21			13,326,485.30
Accreted interest							
Bonds payable	563,081.78	537,560,000.00	132,680,000.00	107,724,936.08			778,528,017.86
Unamort premium on bonds/notes		46,662.79-	203,458.69	999,473.26-			842,677.36-
Fund balance	11,207,099.08	43,533,056.54	14,821,761.22	13,580,593.33			83,142,510.17
TOTAL LIABILITIES & FUND BAL	24,904,175.72	645,137,354.08	177,376,305.45	145,702,002.02			993,119,837.27

VERMONT HOUSING FINANCE AGENCY

CONSOLIDATED FINANCIAL STATEMENTS

Date: 09/30/2007

	GENERAL FUND	SINGLE FAMILY	MULTIPLE PURPOSE BONDS	MULTI FAMILY	GENERAL OBLIGATION		TOTAL
REVENUES:							
Interest Income:							
Mortgage & construction loans	191,110.27	7,203,873.08	380,269.15	2,089,899.26			9,865,151.76
Investments	64,010.25	1,823,940.71	566,007.88	484,822.26			2,938,781.10
Gain/loss on investment sale							
Fee income:							
Multi-family programs	122,682.67		14,605.24	3,313.63-			133,974.28
Single family programs	2,140.53	605.00	1,343.00				4,088.53
Grant income							
VHMGB income	740.00						740.00
Miscellaneous income	16,240.59						16,240.59
TOTAL REVENUES	396,924.31	9,028,418.79	962,225.27	2,571,407.89			12,958,976.26
EXPENSES:							
Financing costs: including interest and amortization of premium, discount & costs of issuance	192,111.26	7,277,682.74	910,726.07	2,155,336.04			10,535,856.11
Mortgage service, contract administration fees, & property disposition expense		311,223.52	12,418.09				323,641.61
Salaries and benefits	806,082.11						806,082.11
Operating expenses	423,117.78						423,117.78
Professional fees	48,153.61						48,153.61
Trustee and assignee fees	50,112.75						50,112.75
Loss on bond redemptions							
Foreclosed property loss	22,434.78	29,519.18					51,953.96
TOTAL EXPENSES	1,542,012.29	7,618,425.44	923,144.16	2,155,336.04			12,238,917.93
Surplus before change in investment market value	1,145,087.98-	1,409,993.35	39,081.11	416,071.85			720,058.33
Change in investment value		326,843.70		15,882.81			342,726.51
Excess (deficiency) of revenues over expenses	1,145,087.98-	1,736,837.05	39,081.11	431,954.66			1,062,784.84
Fund balance, beginning	9,103,580.43	43,700,015.41		29,276,129.49			82,079,725.33
Transfer to General Fund (net)	3,248,606.63	1,903,795.92-	14,782,680.11	16,127,490.82-			
Fund balance, end of period	11,207,099.08	43,533,056.54	14,821,761.22	13,580,593.33			83,142,510.17

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director

DATE: November 26, 2007

RE: **EXECUTIVE DIRECTOR'S REPORT**

Administration

As you all Becky Greenough accepted a position in St. Albans much closer to home. The interview process has started and we hope to make a hiring decision within the first two weeks of December.

As we mentioned at the November Board meeting the Mitas Upgrade was very much a success. Staff did an excellent job testing the software upfront, which was key to a smooth transition. Most Key issues have been addressed and we have started the process for implementing the new modules we purchased and/or implementing new process as a result of the process review meeting with Mitas. As a side note, we are happy to report that Mitas has been a great partner during this process. In particular, Lisa Clark, Jacklyn Santerre, Sherri Mullin and Rick Jean were instrumental in guiding the process to such a successful end!

We are looking to move to the next piece of the Multifamily HDS software conversion. The Section 8 software was implemented earlier this year for the TRACS processing. We will be finalizing the contract for another aspect of this software with implementation in the next couple of months (will have a more firm date in a few days). We have chosen to implement HDS in pieces to keep the project manageable, especially given we are still working on outstanding Mitas initiatives.

The Agency sponsored a Thanksgiving Pie Silent Auction on November the 20th. There was some fierce bidding and creative recipes to boot! I'm happy to report that this event raised $164.50. We still have a few other events planned to wrapped up the 2007 campaign in the coming weeks. A full reporting of the year long campaign will be forth coming in January.

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EQUAL HOUSING OPPORTUNITY

We were notified last week of an 18% increase in health insurance premiums for 2008. We are in the process of working through our options – both in terms of plan changes and/or increased staff contributions.

On the wellness front the VNA was here November 1st for a flu shot clinic!

Development

Development staff has been busy on a number of new and open projects. Loan closings include East Branch Farms in Manchester, Cummings Street in Montpelier, and Downtown Crossing in Bennington. Staff attended open houses or ribbon cuttings at: Bradford, The Cascades in Winooski, Main Street Mill in Richford, and the Stowe rental and Homeownership project. Early development meetings or discussions were held on potential new projects in: Colchester, three in St Albans, and Montpelier, Middlebury, Williston, and two in Randolph. We have had several calls and meetings on the single-family homeownership loans that are open and that are affected by slow sales, including instituting recurring meetings every other week on some projects. Staff attended some sessions at the annual meeting of the National Association of State and Local Equity Funds, this year held in Burlington. Clarence successfully completed the intensive multifamily underwriting training offered by the National Development Council.

Multifamily

Four members of Multifamily staff attended the 18thn Annual New England HFA Management meetings in Massachusetts last month. One critical common issue they shared information on included HUD's delayed and inadequate funding of HAP Contracts that provide subsidy to many of our project-based Section 8 properties. Much of this appears to be due to HUD's inability to provide Congress with a credible estimate of the funds that are needed to fully fund all projects on an annual basis. Nationwide, this underfunding may be as high as $2 billion for project-based contracts. House and Senate Committees have approved a $700,000 increase in appropriations although the President is threatening a veto. NCSHA, National Leased Housing, and the National Housing Trust have all appealed to HUD and Congress in an attempt resolve this matter that threatens the future stability of our affordable inventory. I will continue to work with these organizations and our Congressional delegation and advocate for full adequate funding for all housing programs.

The Bemis Block in Hardwick is about to be reoccupied after being almost totally destroyed in a Thanksgiving Day fire exactly 2 years ago. Improvements include the addition of an elevator to this senior property that has been in the VHFA portfolio for 25 years. Many of the former residents are looking forward to returning to their apartments.

Homeownership

The fall has been a busy time for outreach including numerous lender trainings, four classes for real estate brokers, and two home buyer classes. Classes for real estate brokers and home buyers are sponsored by VHFA participating lenders. Two additional real estate broker classes are scheduled for December.

Public Affairs

The Public Affairs department has been busier than Santa's workshop lately, and the elves have gotten a lot accomplished:

The Agency's annual report/calendar was mailed out November 20th. Craig did another terrific designing job. If you have not received your copy, please contact Sylvia White or Lori Gilding.

Likewise, the November edition of our popular bi-monthly newsletter, "Housing Matters" went out on the 1st. John has been working on gradually expanding the content, and we continue to receive compliments on its content, design and readability. Next issue will be out January 1st.

Another issue paper is nearing completion. John has sent the homeless families paper out for peer review, and he hopes to have the project completed before the end of this year. Also in the pipeline—the 2008 housing/wages report, for which Leslie is busy assembling and analyzing data, and an upcoming report, on the cost benefits of supportive housing.

The updated Housing Awareness Campaign housing video has just been completed, and we should be receiving it very soon. Please contact John if you would like a copy.

Planning for the 2008 statewide housing conference—scheduled for November 18th, at the Sheraton in South Burlington—is picking up steam. John convened the conference advisory committee, and they have begun pulling the conference workshops together. Next year's event will probably feature several workshops on various issues around homelessness as well as at least one workshop aimed at training members of planning commissions, zoning boards and development review boards. We will be marketing the conference aggressively towards those local officials.

John was one of several witnesses who testified before a joint meeting of the House General, Housing and Military Affairs and Natural Resources and Energy Committees on October 24th, urging prompt action on what is now known as the Vermont Neighborhoods proposal, the product of a study group that included VHFA and worked through the summer and fall to craft a legislative package of regulatory incentives for affordable housing development. He reminded the committees that the default position, doing nothing, was unacceptable, as the current regulatory system often acts to discourage needed affordable housing development.

In addition to testifying at the Statehouse, John has been on the road of late. He ran a workshop on strategic communications at a conference hosted by the Public Assets Institute on October 23rd, which was very well-received. He traveled to Pownal at the request of Rep. Bill Botzow to advise their local housing committee. He has been assisting the One Vermont coalition—a project of the Public Assets Institute—with their communications strategy and enlisted Craig's help in developing a website. He is scheduled to attend a meeting at NCSHA on December 5th as part of an advisory committee of communications staffers to help the Association with their communications strategy next year. And he is scheduled to meeting with the Upper Valley

Housing Coalition December 12th to help them plan their annual spring citizens' planning conference, held in conjunction with Vermont Law School.

Craig has just about completed work on the website for the Vermont Affordable Housing Coalition, and he's hopeful the site can "go live" before the end of the year.

And finally, Craig and John are working with Homeownership on a new radio spot, to begin airing this month.

Finance

Since the last Executive Director's Report, the biggest accomplishment for the Finance Department was the successful conversion to the 2007 version of the Mitas system. Lisa Clark continued to show tremendous leadership in representing the Finance Department on the conversion team and leading the department in its testing efforts. The entire staff did a great job getting their testing done while still meeting their regular responsibilities. The team now focuses on some key post-live goals, including working with Mitas to automate the data download from our new trustee, Wells Fargo. Both Wells Fargo and Mitas have been very helpful in developing this software.

The staff will now work with the conversion team to take advantage of new Mitas functionality and start implementing new process improvements (including a more efficient way of processing the direct servicing and master servicing of our loans).

As soon as the conversion was completed and the software was available for live production, the Finance Team quickly jumped on the quarterly close process for the first fiscal quarter ended September 30. Because of the Mitas conversion, the team lost about 10 days in the closing process, but is focused on producing financial statements as quickly as possible. The goal is to provide final financial statements for the Board meeting in early December.

Tom Connors joined Sarah at VSAC in the first of a series of meetings on the 2008 distribution of Private Activity Bond Volume Cap. Volume Cap will be more of a precious resource than previous years and will require some negotiation on the part of the Agency to secure as much as possible to support our lending rates in 2008.

The Agency is approaching its total outstanding debt limitation ($900 million) established in its charter. Tom Connors has been consulting with other HFA's to understand what their debt limitation is or whether they have one at all. Ashley Lamell has been very helpful in doing the research on this project. The analysis is almost completed and will be used to approach the legislature for approval to increase the debt limitation. Ideally, the Agency would prefer to have the limitation removed. Many HFA's have no debt limitation.

Tom Connors and Scott Baker worked on and delivered a presentation to the Board Retreat in early November on the process of issuing tax exempt bonds. The presentation was well received and initiated some meaningful discussion among the Board members. Tom and Scott also assisted Dave Adams, the Homeownership management team as well as the Agency's financial partners on a presentation to the Board on some options to improve the liquidity of the Homeownership Programs, including an MBS program.

See you on the 3rd.